



# WorleyParsons

resources & energy

25 August 2010

## ASX/Media Release

### WORLEYPARSONS LIMITED

(ASX: WOR)

**Delivers full year result within guidance in difficult market conditions.**

**Expects increased earnings in 2011.**

WorleyParsons (the company) announced its full year results within guidance provided to the market on 13<sup>th</sup> January 2010.

The company's intensive strategy process, its geographic footprint, its long-term contracting base and its diverse and extensive capability were fundamental in supporting performance during 2010 and were significant factors in offsetting the material impact of volatility in a number of our markets and the headwind of a strong Australian dollar.

In summary:

- Net profit after tax of \$291.1 million (2009: \$390.5 million); down 25.5%
- Aggregated revenue of \$4,967.1 million; down 20.1%
- EBITDA of \$519.3 million; margin 10.5%
- Impact of market volatility reduced in the second half
- Headcount 30,000 (2009: 28,800)
- Final dividend 40 cents per share (payout ratio of 63.6%)
- Expect to achieve increased earnings in 2011
- Basic earnings per share of 118.5 cents (2009: 161.1 cents); down 26.4%

There were a number of highlights in 2010 that positively reflect the diversity of our operations and our ability to continue to develop and position the business for the long term.

The Middle East operations continued to perform well with another strong regional result recorded.

The Australian and South East Asian operations performed in line with expectations with a strong contribution to the result.

WorleyParsons' performance is underpinned by its extensive long-term contracting base which continues to be resilient. In 2010 the company secured more than 28 new long-term contracts and additionally renewed 20 contracts. Five of the new contracts were global service agreements. Selection for these agreements is only possible with a high and sustained level of capability and with proven safety and contract performance.

A number of these awards were in the Minerals & Metals customer sector group providing a solid base for what is predicted to be an improved performance in this sector in 2011. We now provide engineering and project services on over 200 long-term collaborative contracts around the world. We continue to invest in systems and processes in this area.



# WorleyParsons

resources & energy

The company continues to focus on expanding its operations in the developing world which contains most of the world's undeveloped resources and is therefore a major focus of activity for our customers. The acquisition of the CNEC business in Brazil strategically positions us in an exciting market and we are confident of developing a substantial regional business in Latin America.

WorleyParsons is also announcing today an additional investment to increase our share to 80% of our Chinese business, MaisonWorleyParsons, the largest international EPCM contractor in the country.

The recently acquired Evans & Peck business also performed in line with expectations and is positioning WorleyParsons well to continue the growth of its Infrastructure business.

WorleyParsons remains vigilant to ensure that it complies with all relevant international trade sanctions. With regard to projects in Iran the company has decided not to accept any further contract awards. It will complete existing contracts, subject to ensuring it does not breach any sanctions.

WorleyParsons is well-positioned to pursue further growth opportunities and retains significant financial capacity which will allow the company to broaden its technical and geographic base.

- Operating cash flow of \$279.6 million
- Interest cover 13.3 times
- Available liquidity of \$645 million
- Gearing ratio 25.8%

## Chief Executive's Comment

Commenting on the performance for the year, the Chief Executive Officer of WorleyParsons, Mr John Grill, said:

"2010 saw a continuation of the challenging global economic environment. The subsequent delays and project deferrals across a number of sectors in which the company operates had a significant impact on profitability when compared with the previous year. Last year we predicted a lower demand for our services in the oil sands and minerals and metals sectors. Whilst the company saw an improved performance in the Canadian oil sands market in the second half of the year, it was not as strong as had been anticipated.

"We were also disappointed by the level of downturn in some of the other markets in which we operate. The operations most affected were the United States power and downstream hydrocarbons markets.

"The result was also affected by the \$41 million impact of a stronger Australian Dollar through the year.

"A pleasing feature of this year's result was a significantly higher portion of earnings from our joint ventures, many of which operate in the developing world. We have made a considerable investment of time and money in the development of genuine capability in operations in the developing world and have seen a competitive advantage emerge as a result. Our ability to build local capability by employing and training local staff positions us well for the future.

"We have also increased our share in our China operation and believe that this business will continue to be a fundamental part of the company's future both for projects in China and for Chinese customers developing projects outside China.



“Another highlight was the on-going development of our nuclear business. It is very exciting to develop this business at this rate and we remain confident of securing further contracts in this area.

“It is pleasing that we have increased headcount through the second half of the year. Our personnel numbers are now in excess of 30,000 and we are well placed to grow through 2011. Workshare has been a key foundation for growth over the last 5 years. The reduced workload that was experienced in the last 18 months has decreased the amount of workshare performed; however improving market conditions are predicted to see higher levels in 2011.

“Reflecting the importance of performance and its link with reward, no Short Term Incentive Plan (STI) payments were payable for 2010. The STI plan is only triggered when the Group’s net profit after tax is greater than 90% of the budget approved by the Board. This threshold was not achieved in 2010.

“Through the second half of the year we saw volatility declining in our most affected operations and we can see a good base for 2011. I believe that we are at the start of WorleyParsons’ next growth phase. I look forward to leading the company for the first few years of this exciting period.”

## Financial Results

	2010 \$'M	2009 \$'M
<b>Revenue and other income</b>	<b>5,069.5</b>	<b>5,807.7</b>
<b>Earnings before interest, income tax expense, depreciation and amortization (EBITDA)</b>	<b>519.3</b>	<b>693.2</b>
<b>Profit before income tax expense</b>	<b>393.3</b>	<b>561.7</b>
<b>Profit attributable to members of WorleyParsons Limited</b>	<b>291.1</b>	<b>390.5</b>
<b>Basic earnings per share (cents)</b>	<b>118.5</b>	<b>161.1</b>
<b>Diluted earnings per share (cents)</b>	<b>117.5</b>	<b>159.4</b>
<b>Aggregated revenue</b>		
Revenue and other income	5,069.5	5,807.7
Less: procurement services revenue at nil margin	(875.3)	(288.7)
Revenue excluding procurement services revenue	4,194.2	5,519.0
Net revenue from associates	777.8	706.1
Less: interest income	(4.9)	(5.7)
<b>Aggregated revenue<sup>1</sup></b>	<b>4,967.1</b>	<b>6,219.4</b>
EBITDA margin on aggregated revenue	10.5%	11.1%

<sup>1</sup>Aggregated revenue is defined as statutory revenue and other income plus share of revenue from associates less procurement services revenue at nil margin and interest income. The directors believe the disclosure of revenue attributable to associates provides additional information in relation to the financial performance of WorleyParsons.



## Finance

The company's gearing ratio at 30 June 2010 (calculated on a net debt to net debt + equity basis) was 25.8% in line with the previous year's ratio of 25.5%. Interest cover (EBITDA to total interest expense) remained high at 13.3 times (2009: 14.1 times). The company's cash position at 30 June 2010 was \$140.5 million (2009: \$178.3 million).

The company has available committed debt facilities of \$1,286.1 million (2009: \$1,376.1 million). The committed debt facilities have an average maturity of 3.8 years (2009: 4.1 years), with \$189.9 million (14.8%) maturing within one year, \$619.7 million (48.2%) between one and four years and \$476.5 million (37.0%) beyond four years. Facility utilization at 30 June 2010 was 61%. In addition, the company has bank guarantees and letter of credit facilities of \$669.1 million with utilization of 50.1% on these facilities at 30 June 2010.

Operating cash flow for the period was \$279.6 million, compared to \$546.4 million in the previous corresponding period. Tax paid in the year was \$151.5 million (2009: \$173.6 million).

The company invested \$144.8 million in the business in 2010 (2009: \$133.4 million). \$118.4 million was invested in the acquisitions of Brazilian project services company CNEC (\$79.9 million) and in the Australian infrastructure services organization Evans & Peck (\$38.5 million). \$28.6 million in cash was acquired in these entities. In addition \$55.0 million was spent on property, plant & equipment, systems and software.

The effective tax rate for the company for the year ended 30 June 2010 was 23.0%, lower than the 2009 rate of 28.6% due to a higher contribution from associates and lower proportionate earnings from the company's North American operations. The contributions from associates represented 18.7% of the Group's net profit for the year (2009: 11.3%). The results have been negatively impacted by exchange rate movements in the year to 30 June 2010 compared to 2009. The net profit translation impact is estimated at approximately \$41 million.

## Dividends

The Directors have resolved to pay a final dividend of 40.0 cents per share, partially franked at 47.1% (2009: 55.0 cents per share, fully franked). Combined with the half year (interim) dividend, the company will make total dividend payments of 75.5 cents per share for the year (2009: 93.0 cents per share). The dividend will be paid on 28 September 2010 for shareholders on the register at the record date of 3 September 2010.

## Safety Performance

WorleyParsons applies the US OSHA (United States Occupational Safety and Health Administration) reporting requirements for Total Recordable Case Frequency Rate (TRCFR) and Lost Workday Case Frequency Rate (LWCFR).

WorleyParsons' safety performance for personnel as reported under OSHA was a TRCFR of 0.12 for the 2010 financial year and our LWCFR rate was 0.01, which is in line with the performance for the previous year. The overall safety performance of contractors on projects for which we were responsible improved in the year. This remains an area for continued attention and improvement.

Last year we launched the Serious about Zero Program (SAZ) – a program developed to assist our employees to conduct HSE observations and conversations across the workplace and as a result instil our expectations regarding HSE practices and culture.



The development and implementation of the OneWay™ integrity management framework has progressed well and is now fully linked into standards and processes for execution of work across all operations. OneWay™ has provided a renewed focus across the business in committing to the vision of zero harm to our people and assets, as well as ensuring no environmental incidents.

WorleyParsons personnel are now actively applying the principles of OneWay™ to day-to-day work. Our employees are improving output, by the extra definition and clarification that OneWay™ provides in their work. Our customers are also seeing the early benefits and are actively asking for OneWay™ to be applied to their projects.

In summary, while progress in the area of safety performance has been pleasing in 2010, this remains a major focus for our business.

## **Increased investment in China operations; Maison WorleyParsons**

The company is announcing today the acquisition of an additional 25% share in Beijing MaisonWorleyParsons Engineering & Technology Co. Ltd and affiliated business, as well as an additional 12.5% share in Beijing MaisonParsons Engineering & Technology Co. Ltd (collectively "MaisonWorleyParsons") for US\$18.5 million, giving WorleyParsons around 80% ownership of the total business in China.

Headquartered in Beijing, MaisonWorleyParsons is the largest international EPCM contractor in China with over 1,500 personnel.

The acquisition is scheduled to complete in the second half of calendar year 2010, subject to regulatory approvals.

## **Segment Performance**

### **Hydrocarbons**

The Hydrocarbons business reported aggregated revenue of \$3,425.4 million for the twelve months to 30 June 2010, a decrease of 27.7% from the previous corresponding period. Hydrocarbons contribution to the group's aggregated revenue was 69%. Segment EBIT was \$375.6 million with a reported segment margin of 11.0% (2009: EBIT \$532.1 million; margin 11.2%).

Renewed levels of investment are occurring in major upstream greenfield projects across the world. Oil demand remains high and our customers are identifying contractors for global or regional agreements. The gas and LNG markets across the world continue to grow and we are seeing the emergence of a shale gas market across North America and elsewhere.

The BP incident in the Gulf of Mexico is anticipated to create a range of changes in offshore permits in all United States waters. It is likely that this will result in the industry directing its near-term future investment decisions toward Brazil, West Africa and Asia regions where WorleyParsons is well positioned. WorleyParsons, including its deepwater specialist division INTECSEA, made a significant contribution to providing a solution to the BP incident in the Gulf of Mexico.

The downstream market remains challenging in OECD countries with operators focused on operating efficiency initiatives.

The most significant projects executed over the past twelve months include:

- Suncor - Firebag Phase III project, Canada
- CCRL expansion project, Canada
- ExxonMobil - Single parallel train project, Singapore
- Woodside - Pluto LNG and North Rankin 2 projects, Australia



- ExxonMobil - Maintain Integrity Program, Nigeria
- SAMREF Clean Fuels project, Saudi Arabia
- Kashagan Full Field Development project, Kazakhstan

In the long term contracting market key awards in 2010 included:

- BP global agreement for the delivery of EPMS services for onshore facilities
- Chevron global terminals alliance
- Woodside - offshore gas and onshore LNG asset services contract
- ExxonMobil PNG LNG project services contract, PNG
- ConocoPhillips engineering services contract, Indonesia
- Syncrude and Imperial Oil alliances contract extensions, Canada
- Total engineering services agreement, Nigeria

Key project awards include:

- Total's Joslyn Creek North project, Canada
- ConocoPhillips Jasmine Development, North Sea
- ExxonMobil's Sakhalin 1 Arkutun Dagi offshore platform contract extension, Russia
- MEG Energy's Christina Lake Phase 2B SAGD project, Canada
- Spectra Energy's Ft Nelson North processing plant, Canada
- SABIC Jubail Olefins Complex, Saudi Arabia
- PDO Amal Steam Surface facilities, Oman
- PetroVietnam Bien Dong 1, Vietnam
- Esso - Longford Gas Conditioning Plant, Australia

## Outlook for Hydrocarbons

Our expectation for Hydrocarbons in 2011 is a recovery in the upstream segment, both onshore and offshore. We have now made excellent progress in Houston in improving our EPCM capability for large topsides in the Arctic. The downstream market remains challenging with some opportunities expected in developing markets.

The emergence of unconventional gas provides a potential new market opportunity in several regions: United States, Canada, Oman, China and Australia in particular. There is also a growing market for the expansion of WorleyParsons' *Improve* services on a global basis, as aging facilities both upstream and downstream require capital investment and operations-related support services.

We expect improved earnings in the Hydrocarbons sector in 2011.

## Power

The Power business reported aggregated revenue of \$509.4 million, a decrease of 6.8% on the previous corresponding period. Segment EBIT was \$39.3 million with a reported segment margin of 7.7% (2009: EBIT \$66.7 million; margin 12.2%).

Across power markets in North America, Western Europe, and Australia the shifts to stagnant, and possibly declining, per capita energy demand is underway. In these markets energy efficiency, conservation and alternative energy sources in conjunction with initiatives to restrict carbon emissions are becoming more important with investments likely to follow once government policies become evident.

Long-term contracting market key awards included:



- Tennessee Valley Authority's Combined Fossil and Nuclear Energy contract, United States
- Arizona Public Services fleet wide fossil engineering services, United States
- Pacific Gas & Electric's Diablo Canyon nuclear engineering services, United States
- Loy Yang A power station and mine five year asset management and maintenance services contract, Australia
- Saudi Electric Commission consultancy services

Key awards for power projects in 2010 included:

- Tuas Power Tembusu cogeneration and utilities plant in Singapore
- ADGAS's additional power generation facility at Das Island, Abu Dhabi
- Petro Vietnam's Thai Binh 2 coal plant, Vietnam
- Nuscale's Small Modular Reactor program, United States
- Government of Armenia new nuclear program
- Jordan Atomic Energy - new nuclear program
- Ferreira Gomes hydroelectric power plant, Brazil
- American Electric Power - Mountaineer CO2 capture project, United States

Services for the nuclear power market remain a focus and a strong area of growth for the company.

Hydroelectric power has become a serious option in many markets due to its low carbon emission profile. Our acquisition of CNEC in Brazil provides us with significant capability in this market.

## Outlook for Power

Key drivers in the power sector in 2011 will be improved operational performance in the United States, regional development in Eastern Europe and the Former Soviet Union, Latin America, Asia and the Middle East and the expansion of nuclear services across our markets. In addition the further development of our *Improve* services in this market remains a priority.

We expect an improvement in earnings in the Power sector in 2011.

## Minerals & Metals

WorleyParsons Minerals & Metals business reported a 3.5% decrease in aggregated revenue to \$562.5 million. Segment EBIT was \$77.0 million with a reported segment margin of 13.7% (2009: EBIT \$82.6 million; margin 14.2%). The minerals sector has regained a degree of its confidence and is again investing in greenfield developments while the metals sector continues to focus on cost efficiency and production optimization projects.

We continue to strengthen our relationship with Rio Tinto with the signing of a long-term framework agreement. We are pleased to be considered as a tier 1 service provider by Anglo-American supply chain and are currently in advanced discussions to establish a global framework agreement for EPCM services in support of their capital investments.

Our activities in Latin America continue to grow with new projects in Peru, Colombia, Chile and Brazil. Our role with the world's second largest mining company, Vale continues to expand.

In the long term contracting market agreements reached included:

- Rio Tinto – long-term framework agreement
- Dupont - 3 year multi regional agreement for EPCM project delivery
- Alcoa Australia refineries in Wagerup and Bunbury engineering services contract
- US Steel capital projects alliance, United States
- OneSteel Whyalla engineering services agreement, Australia
- Vale Coal engineering services agreement, Australia



Major awards in the Minerals & Metals sector in 2010 include:

- Vale's Serra Sul S11D project, Brazil
- Ma'aden-Alcoa's bauxite mine and alumina refinery, Saudi Arabia
- Karara Mining iron ore project, Australia
- Sasol Mining's Shondoni project, South Africa
- Orica's Nanning detonator plant, China
- FERTIL Fertil 2 Ammonia / Urea Complex, the UAE
- BHP Billiton Cerro Matoso FC01 Rebuild – EPCM, Colombia

## Outlook for Minerals & Metals

Conditions continue to improve in the minerals and metals sector, supported by some early signs of recovery in the non-Chinese demand for commodities. The level of resource demand from China has the potential to impact on the sector.

The trend towards global service agreements with our major tier 1 customers is expected to continue in 2011. We see a significant strengthening of our activities in Latin America and Africa as part of this development. WorleyParsons remains well placed to service these agreements with its extensive geographic footprint and project execution capability.

We expect improved earnings in the Minerals & Metals sector in 2011.

## Infrastructure & Environment

The Infrastructure & Environment business delivered aggregated revenue for the year of \$469.8 million, an increase of 34.2% from the \$350.0 million reported in 2009. Segment EBIT was \$47.7 million with a margin of 10.2% (2009: EBIT \$30.2 million; margin 8.6%).

The Infrastructure and Environment business has continued to successfully secure major roles in four key markets:

1. Integrated pit-to-port market for the mining sector
  - Oakajee Port and Rail for bulk commodity supply chain, Australia
2. Infrastructure and utilities for major resource projects
  - Saudi Ports Authority - new port Saudi Arabia
  - New Doha Port, the largest port development in the world, Qatar
  - Ivanhoe Mines - Oyo Tolgoi copper / gold mine infrastructure, Mongolia
3. Management of water solutions for resource developments
  - a. Wave and hydrodynamic modeling for Woodside's Browse investment, Australia
  - b. Support for water management across the coal seam methane market, Australia
  - c. Water recovery and efficiency strategies for the oil sands market, Canada
4. Environmental Impact Studies for resource developments
  - a. Origin - coal seam methane development, Australia
  - b. ExxonMobil's oilfield development work for the West Qurna 1 field, Iraq

The ability to provide services with a strong EcoNomics™ component continues to be an important differentiator for the company in all markets.

## Outlook for Infrastructure & Environment

Our focus in 2011 will be the continued development of our four key markets with particular emphasis on growth of our pit-to-port capability throughout Asia, Africa and Latin America. Our environmental



# WorleyParsons

resources & energy

capability assisting major developments move from feasibility to delivery remains a key area of focus. There is also increased importance on remediation and decommissioning of spent facilities at the end of their useful life.

The prospects for our Infrastructure and Environment services are positive for 2011 and we expect earnings growth.

## **Outlook for WorleyParsons Group**

Commenting on the outlook for the WorleyParsons Group, Mr John Grill said:

“We expect the markets for our services to show improvement through 2011, and on this basis we expect to achieve increased earnings in 2011.

“The company continues to evaluate opportunities for new business growth that will add to its existing capabilities and provide value for our shareholders.

“The company is confident that its medium-term and long-term prospects remain positive based on its competitive position, its diversified operations and strong financial capacity.”

**David Housego**  
**Chief Financial Officer**  
**Ph: +61 2 8923 6866**

**Geoff Fowlstone**  
**Fowlstone Communications**  
**Ph: +61 2 9955 9899**  
**Mob: +61(0) 413 746 949**