



**WorleyParsons**

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24 August 2011

**ASX/Media Release**

**WORLEYPARSONS LIMITED**

**(ASX: WOR)**

**Improved result in 2011 after strong second half.  
Sound growth footing for 2012.**

**Overview**

- Reported net profit after tax (NPAT) of \$364 million (2010: \$291 million); up 25%
- Assisted by \$65.7 million fair value gain on acquisition of associates giving underlying NPAT of \$298.5 million; up 2.5%
- Result negatively impacted by \$31.5 million from strengthening Australian dollar and approximately \$15 million due to Middle East instability and natural disasters
- Aggregated revenue of \$5,904 million; up 19%
- Reported EBIT of \$540 million up 26%
- Experienced recovery in all regions and sectors in second half with underlying NPAT up 50% from the first half
- Number of people employed increased to a new high of 35,100 (2010: 30,000);
- Significant number of major awards during the year are building momentum
- Final dividend 50.0 cents per share (franked to 25.7%) brings the full year dividend to 86.0 cents per share.

Professional services company WorleyParsons Limited today announced full year NPAT of \$364 million. The underlying results, after adjusting for fair value gain on acquisition of associates, were:

- NPAT of \$298.5 million; up 2.5% and in line with guidance
- EBIT of \$474.2 million; up 10.9%
- EBIT margin of 8.0%; down from 8.6% in 2010
- Effective tax rate of 26.8%; up from 23.0% in 2010

The underlying results improved in the second half with NPAT up 50% (EBIT up 46%) on that delivered in the first half of 2011. EBIT margin recovered from 6.6% in the first half to 9.4% in the second half.



## Financial Results

		Consolidated	
	Change %	2011 \$'M	2010 \$'M
<b>Revenue and other income</b>	<b>12.1</b>	<b>5,683.2</b>	<b>5,069.5</b>
<b>Earnings before interest and income tax expense (EBIT)</b>	<b>26.3</b>	<b>539.9</b>	<b>427.4</b>
<b>Profit before income tax expense</b>	<b>26.7</b>	<b>498.4</b>	<b>393.3</b>
<b>Profit attributable to members of WorleyParsons Limited</b>	<b>25.1</b>	<b>364.2</b>	<b>291.1</b>
<b>Basic earnings per share (cents)</b>	<b>25.1</b>	<b>148.3</b>	<b>118.5</b>
<b>Diluted earnings per share (cents)</b>	<b>25.3</b>	<b>147.2</b>	<b>117.5</b>
<b>Aggregated revenue</b>			
Revenue and other income		5,683.2	5,069.5
Less: procurement services revenue at nil margin		(426.8)	(875.3)
Revenue excluding procurement services revenue at nil margin		5,256.4	4,194.2
Add: share of revenue from associates		718.9	777.8
Less: net gain on revaluation of investments previously accounted for as equity accounted associates		(65.7)	-
Less: interest income		(6.1)	(4.9)
<b>Aggregated revenue<sup>1</sup></b>		<b>5,903.5</b>	<b>4,967.1</b>

1. Aggregated revenue is defined as statutory revenue and other income plus share of revenue from associates less procurement services revenue at nil margin, interest income and fair value gains from acquisitions of associates. The directors believe the disclosure of revenue attributable to associates provides additional information in relation to the financial performance of the WorleyParsons Limited Group.

During the year ended 30 June 2011, the group acquired additional interests in a number of entities which had previously been accounted for as equity accounted associates. These acquisitions resulted in a change in the nature of the investments from equity accounted associates to subsidiaries of the group. The original investments held in these entities were remeasured to fair value and a fair value gain of \$65.7 million was recognised in the statement of financial performance. The results excluding the fair value gains are as follows:

<b>EBIT</b>	<b>10.9</b>	<b>474.2</b>	<b>427.4</b>
<b>EBIT margin</b>		<b>8.0%</b>	<b>8.6%</b>
<b>Profit attributable to members of WorleyParsons Limited</b>	<b>2.5</b>	<b>298.5</b>	<b>291.1</b>
<b>Basic earnings per share (cents)</b>	<b>2.5</b>	<b>121.5</b>	<b>118.5</b>

Operating cash flow for the year was \$294 million, compared to \$280 million in the previous year. The group invested \$106 million in the business in 2011 (2010: \$145 million), of which \$63 million was invested in the acquisitions of additional shareholdings in joint venture entities.

The group's gearing ratio at 30 June 2011 was 21.5%, a reduction from the previous year's ratio of 25.8%. Interest cover remained high at 12 times. The group has available committed debt facilities of



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\$1,277 million (2010: \$1,286 million). The committed debt facilities have an average maturity of 4.6 years (2010: 3.8 years), with 12% maturing within one year, 31% between one and four years and 57% beyond four years. Facility utilisation at 30 June 2011 was 53% (2010: 61%). In addition, the company has bank guarantees and letter of credit facilities of \$682 million with utilization of 61% on these facilities at 30 June 2011.

The reported effective tax rate for the group for the year ended 30 June 2011 was 23.3%. Adjusting for the fair value acquisition gain, the effective corporate tax rate was 26.8%, higher than the 2010 rate of 23.0% due to a greater proportion of profits being earned from higher tax jurisdictions in the current year and reduced contributions from associates.

The result has been negatively impacted by exchange rate movements in the year to 30 June 2011 compared to 2010. The net profit translation impact of this rate movement is estimated at \$31.5 million. The result has also been impacted by Middle East instability and natural disasters in Australia and New Zealand by approximately \$15 million.

### **Dividend declaration**

The Directors have declared a final dividend of 50.0 cents per share franked to 25.7%. The dividend will be paid on 27 September 2011 for shareholders on the register at the record date of 2 September 2011.

### **Chief Executive's Comments**

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

“WorleyParsons delivered an improved result in 2011, underpinned by a solid uplift in performance in all regions and sectors for the second half of the financial year. The result is particularly pleasing given the difficult market experienced during the first half of the year, the negative effects of the appreciating Australian dollar, and the impact of Middle East instability and natural disasters in the second half. It is an encouraging sign that the company is on a sound growth footing.

“The company received a number of awards in the recovering Canadian oil sands market. We are also experiencing growth in our USA hydrocarbons business on the back of a number of large offshore hydrocarbons projects. The demand for the delivery of pit to port solutions is increasing all around the world with key awards for projects in Australia, Latin America and Africa.

“The improving business climate is perhaps best evidenced by the increase in our overall people numbers during the year, up by 5,100 on last year. We now employ in excess of 35,100 people across 43 countries, the highest in WorleyParsons' history.

“The preference of our large multinational customers to contract on a global basis is increasingly a feature of our business. In this context it was gratifying during the year to receive our third global agreement from BP for engineering and project management services for onshore facilities.

“WorleyParsons is one of only a handful of contractors with the capability to provide the depth and breadth of services our large multinational customers require on a global basis as demonstrated by the global agreements we have in place with Rio Tinto, Chevron, Du Pont, Vale and Anglo American. We expect the preference of such customers to contract on this basis will continue to underpin our future growth.



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“WorleyParsons is now arguably the most global of our peer group. In the past five years the company has increased its network of offices from 59 to 143 and the countries in which we have offices from 26 to 43. We are performing projects for customers in a number of additional countries.

“The successful completion of the acquisition of Kwezi V3 Engineers (KV3) in South Africa during the year is part of our strategy of increasing our participation in the developing world. Other recent initiatives along these lines, such as the acquisition of CNEC Engenharia in Brazil in February last year, the increase in ownership in Maison WorleyParsons in China, WorleyParsons SA in South Africa and the Saudi Arabian business continue to position us well in this regard and are translating into genuine opportunities for growth.

“During the year the company acquired a further 25% interest in the Saudi Arabian and 50% in the Bahraini businesses taking our interest to 75% and 100% respectively. While the transfer of ownership in Saudi Arabia has been completed the overall completion is scheduled for the third quarter of calendar year 2011, subject to regulatory approvals in Bahrain.

“Our business in China, where we are the country’s largest international engineering, procurement and construction management services provider, continues to be an important part of our future. During the year we significantly increased the amount of work we undertook for projects in China and for Chinese customers who are developing projects outside China. The recent emergence of China as a major investor in international resources projects has provided us with an excellent opportunity to support Chinese national entities in their expansion, and our customer mix has reflected this trend.

“The rate of contract awards has been increasing with over 68 significant new long term contracts and major project awards in the year. We have been awarded 37 new long term *Improve* contracts increasing our worldwide portfolio to over 230.

“In March this year we announced a new group-wide management structure to position WorleyParsons for the next phase of the company’s growth. A new executive committee was established to lead these changes. Key leadership accountabilities and appointments have been made in five areas: finance, risk and information management; operations; development; delivery; and people. The initial focus will be on simplifying our organisation to facilitate outstanding location-based delivery with effective group wide support.”

## **Safety Performance**

WorleyParsons uses 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 our people for the 2011 financial year was a TRCFR of 0.11, an improvement on the 0.12 we achieved in the 2010 financial year a pleasing result.

We continue to focus on our field and construction HSE activities which includes a company-wide focus on road safety. We have increased the focus on engagement in our zero harm messages across the business.

A highlight in terms of safety during the year was WorleyParsons Europe Ltd being awarded a gold award in the prestigious Royal Society for the Prevention of Accidents Occupational Health and Safety Awards 2011 – this was the second consecutive year that we attained the gold award.



## Segment Performance

### Hydrocarbons

The Hydrocarbons business reported aggregated revenue of \$4,020 million, an increase of 17% from the previous year. Hydrocarbons contribution to the group's aggregated revenue was 68%. Segment EBIT was \$414 million with a reported segment margin of 10% (2010: EBIT \$376 million; margin 11%).

Demand for oil and gas continues to grow particularly in the developing world. Investment in major upstream developments continues to grow roughly in line with the increasing demand. The demand from our global customers particularly in the upstream offshore in Asia, Russia, Canada and the US Gulf of Mexico strengthened throughout the year. Major projects in upstream onshore markets such as oil developments in Iraq, unconventional gas and LNG in Australia and oil sands in Canada are moving into the implementation phase. In many of these areas, WorleyParsons has achieved a leadership position.

The downstream market is recovering, led by the petrochemicals sector in the developing world.

#### Key project awards during the year

- MEG Energy – Christina Lake steam assisted gravity drainage Engineering and Procurement (E&P), Canada
- BP – Rumaila oil field expansion Front End Engineering and Design (FEED), Iraq
- ConocoPhillips – Jasmine detailed E&P, North Sea
- Woodside Petroleum – North Rankin hook-up and commissioning, Australia
- ExxonMobil – Arkutun-Dagi additional E&P, Russia
- Gazprom – Shtokman phase 2&3 FEED, Russia
- ExxonMobil – Hebron offshore platform topsides, Canada
- Flex FLNG – Elk-Antelope floating LNG topsides FEED, PNG
- Queensland Gas Company – QCLNG upstream project, Australia
- Syncrude - Aurora tailings management project, Canada

#### Key *Improve* awards and renewals

- Shell – national engineering services agreement for North American terminals and distribution, Canada
- Suncor – supplier of choice agreement, Canada
- Shell – Brunei Petroleum major project master contract, Brunei
- Chevron – general services agreement, China
- MEG Energy – master services agreement, Canada
- Shell Berhad – Sarawak master engineering services contract, Malaysia



## Outlook for Hydrocarbons

Our expectation for Hydrocarbons for 2012 is for growth in both the global greenfield and *Improve* markets. The focus on natural gas projects is expected to increase, while crude oil development opportunities are likewise expected to remain good, based on continuing high commodity pricing. We expect current levels of activity in the offshore upstream market to continue. Relationships with global majors and national oil companies continue to develop and remain a focus for us.

We expect improved earnings in the Hydrocarbons sector in 2012.

## Power

The Power business reported aggregated revenue of \$538 million, an increase of 6% on the previous year. Power's contribution to the group's aggregated revenue was 9%. Segment EBIT was \$45 million with a reported segment margin of 8% (2010: EBIT \$39 million; margin 8%).

Investment in power infrastructure in developed markets continues to remain focused on asset management and optimization, energy efficiency and alternative energy solutions. Transmission networks are being seen as enabling assets with a push to increase the intelligence within the networks and the creation of smart grids. New build capacity is being directed towards gas and renewable energy. Environmental monitoring and compliance requirements continue to expand.

In developing markets, investment continues to be driven by demand growth delivering new build as well as *Improve* opportunities across all fuel types and networks.

The nuclear sector continues to offer growth opportunities in new build reactors and *Improve* opportunities in stress test programs, asset services and life extensions in response to the Fukushima incident.

### Key project awards during the year

- China CAMC Engineering – El Vigia combined cycle gas turbine, design and engineering services, Venezuela
- PetroVietnam – Thai Binh No.2 coal power plant, detailed design, Vietnam
- Akkuyu NGS Elektrik Uretim Anonim Sirketi – Akkuyu nuclear power plant, preconstruction consulting, Turkey

### Key *Improve* awards

- Loy Yang Power – asset management services, Australia
- Verve Energy – Collie Power Station, operations and maintenance, renewed for another six years, Australia
- Delta Electricity – Vales Point power station, outage management, four year contract, Australia
- Tennessee Valley Authority – fleet wide engineering support, USA
- TransAlta – fleet wide engineering services contract, three year contract, Canada
- Bruce Power – engineering management of Bruce nuclear facility 6300 MW program, Canada



## Outlook for Power

WorleyParsons anticipates growth in power generation and networks opportunities across Asia, the Middle East, Latin America and Africa. Within developed economies such as that of the USA, Canada and Australia, the company is focused on delivering innovative *Improve* solutions to assist our customers in managing and optimising their existing asset portfolios, developing integrated network solutions as well as managing uncertainty in the regulatory environment. Energy storage and carbon capture and sequestration markets should present opportunities in 2012. Nuclear new build and operational plant support markets remain active.

We expect improved earnings in the Power sector in 2012.

## Minerals & Metals

WorleyParsons Minerals & Metals business reported a 14% increase in aggregated revenue to \$644 million. Minerals & Metals' contribution to the group's aggregated revenue was 11%. Segment EBIT was \$71 million with a reported segment margin of 11% (2010: EBIT \$77 million; margin 14%).

Continued strong commodity prices through the year have led to an increase in investment in the sector and a reinvigoration of development projects. The major mining companies driven by the demand from China, are continuing their investment in capacity growth. We are continuing to grow our relationship with these major global companies and as a result we are experiencing growth in both project and *Improve* activity particularly in Australia and Canada.

Additionally, further capacity expansion is being fuelled by the direct investment in major project developments by Chinese companies. WorleyParsons' strong presence in China and ability to provide the linkage to local delivery capability around the globe is strengthening our relationship with these Chinese companies.

The development of new mines and increases in resource output from existing mines are driving investment in infrastructure such as rail and port facilities. The pipeline of pit to port projects is fuelling growth in this sector as well as within our Infrastructure & Environment group.

### Key project awards during the year

- Vale – Kronau potash fertiliser project front end engineering, Canada
- Anglo American – Chagres smelter expansion pre-feasibility study, Chile
- Canteras Del Hallazgo – Chucapaca mine, Peru
- Hancock Coal – Alpha Coal pit to port development, Australia

### Key *Improve* awards

- Vale – global framework agreement
- Anglo American – global framework agreement
- Fortescue Metals – group sustaining capital alliance, Australia
- BASF – engineering partnership umbrella contracts, Asia and the Americas
- Invista – global engineering services, USA
- Rio Tinto Alcan – Kitimat smelter readiness program, Canada
- EMAL – engineering services, UAE



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- Rio Tinto Alcan – Tomago Aluminium alliance, Australia
- Rio Tinto Alcan – Boyne Smelters alliance, Australia

## Outlook for Minerals & Metals

WorleyParsons has continued to focus on long term relationships with the major customers. Implementation of global agreements with these customers provides significant growth opportunities.

The business has successfully expanded its services and presence across Latin America. There is a focus on growth in developing regions including Latin America and Africa where there are many pit to port opportunities in the coal and iron ore sectors. Our pit to port infrastructure solutions continue to be well received by the market for stranded iron ore and coal, and opportunities for these projects are particularly strong. The chemicals market in the developing world is improving.

We expect improved earnings in the Minerals & Metals sector in 2012.

## Infrastructure & Environment

The Infrastructure & Environment business delivered aggregated revenue for the year of \$702 million, an increase of 49% from the \$470 million reported in 2010. Infrastructure & Environment's contribution to the group's aggregated revenue was 12%. Segment EBIT was \$65 million with a margin of 9% (2010: EBIT \$48 million; margin 10%).

The increasing investment in resource projects is driving an increase in demand for infrastructure associated with these developments. Each of the developments requires early assessment of its environmental impact. WorleyParsons' business model of engaging customers during the front end *Select* phase, demonstrating capability and delivering quality environmental and/or front end studies has proved invaluable in positioning the businesses to pull through project management opportunities across this sector.

The pit to port projects being pursued and executed with the Minerals & Metals team are providing a platform for growth of the rail, coastal and marine, and environmental sectors. The EcoNomics™ offering continues to be a differentiator for the company and this has proved particularly advantageous in securing recent pit to port opportunities in Latin America.

The capability in the Infrastructure & Environment sector has been enhanced by the Evans & Peck acquisition in 2010, in particular for work at the front end and feasibility evaluation stages of major resource projects.

Key project awards during the year

- Port Authority of New York & New Jersey – rail yard, float bridges, rail barge and barge refurbishment, USA
- Port Metro Vancouver – container capacity improvement, USA
- MPX – La Guajira pit to port development, Colombia
- Fortescue Metals – Anderson Point port facilities expansion, Australia
- Hancock Coal – Alpha Coal pit to port development, Australia



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## Key *Improve* awards

- Imperial Oil – environmental services contract (10 years), Canada
- Pacific National Rail – rolling stock and locomotives alliance, Australia

## Outlook for Infrastructure & Environment

Global Infrastructure & Environment opportunities are expected to remain good particularly in support of the Hydrocarbons and Minerals & Metals business sectors. WorleyParsons expect to take advantage of this through six business streams – pit to port; water security; ports; master planning; unconventional gas and restoration.

With the recent acquisition of KV3 WorleyParsons expects growth within the African Infrastructure & Environment business. With the recent awards of pit to port projects in Latin America, WorleyParsons also expects to improve performance in this region with the support of the Canadian and USA businesses.

Remediation and decommissioning of facilities is a focus for the sector. We expect earnings growth in the Infrastructure & Environment sector in 2012.

## Outlook for the WorleyParsons Group

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

“The group result improved through the second half of 2011 and, subject to the markets for our services remaining strong, we expect to achieve good growth in 2012 compared to 2011 underlying earnings.

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

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

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