



WorleyParsons

resources & energy

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ASX Media Release

WORLEYPARSONS LIMITED (ASX: WOR) HALF YEAR 2016 RESULT

Professional services company WorleyParsons Limited today announced a statutory net profit after tax (NPAT) of \$23.1 million for the six months to 31 December 2015. The underlying NPAT was \$73.9 million, down 29% on the prior corresponding period. The statutory result includes \$86.8 million in charges for redundancy, onerous lease and onerous engineering software licenses. As one of its initiatives to strengthen its balance sheet the Company also announced that no interim dividend will be paid.

CEO Andrew Wood said, "Conditions remained challenging during the six months to 31 December 2015, dominated by the low oil price and generally subdued commodity prices across the energy and resource sectors. These resulted in a contraction of our customers' capital and operating budgets, project cancellations and deferrals.

"In this environment, we have been taking action to position the business to meet the current and expected market conditions. Our overhead reduction program during the six months to 31 December 2015 will deliver savings of around \$80 million in Financial Year 2016 with expected annualized ongoing savings of \$120 million. The overhead reduction program included reducing overhead staffing levels, consolidation of floor space and closure of 14 offices.

"These actions have reduced the impact of lower revenues on our underlying EBIT margins which declined slightly from 5.0% to 4.7% for the corresponding period. We delivered an operating cash flow for the period of \$44 million, after outlaying \$38 million for overhead reduction costs.

"Over the next 18 months we are targeting further overhead reductions to deliver an additional \$180 million in annual savings.

"During the same period we are taking action which should strengthen the balance sheet by \$300 million through lower capital expenditure, tighter invoicing and cash collection processes, and selling selected non-core assets. These funds will reduce debt and improve our net debt to EBITDA ratio to between 1.5 to 2.0 times, and the gearing ratio to less than 30%.

"While we anticipate trading conditions to remain challenging in the short term making forecasting difficult, we expect aggregated revenue to be relatively flat half on half. Underlying earnings are expected to be biased towards the second half supported by overhead reductions that are in place and underway. We expect our gearing and our net debt to EBITDA ratios to improve as our ongoing actions to strengthen the balance sheet take effect." Mr Wood said.

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Financial Outcomes (compared to the previous corresponding period)

Statutory result

- **Statutory Revenue** was down 5% to \$4,189 million from \$4,419 million
- **Statutory NPAT** declined to \$23.1 million from \$104.3 million, impacted by one off non-trading items

Underlying result

- **Aggregated revenue** was down 12% to \$3,168 million from \$3,614 million
- Underlying **EBIT** of \$150.2 million was 17% lower than last year
- Underlying **EBIT margin** declined to 4.7% from 5.0%
- **Underlying NPAT** declined 29% to \$73.9 million from \$104.3 million
- Underlying basic earnings per share (**EPS**) of 29.9 cents from 42.2 cents

Other financial information

- **Operating cash flow** of \$44 million after \$38 million in cash outlay for overhead reduction costs
- **Gearing** was 32.4% up from 28.0% at 30 June 2015 on a net debt to net debt plus equity basis
- The average **cost of debt** was flat at 4.7% with **interest cover** at 5.9 times from 7.3 times
- **Net debt to EBITDA** was 2.5 times up from 1.9 times
- No interim dividend

Operating Outcomes

Safety Performance

The Total Recordable Case Frequency Rate for employees for the 6 months to 31 December 2015 was 0.11 (0.12 at 30 June 2015). The Company is committed to progressing towards the goal of Zero Harm.

Significant Awards

During the six months to 31 December 2015 WorleyParsons secured 46 significant awards compared with 50 significant awards for the prior corresponding period.

Restatement of comparatives

Effective 1 July 2015, WorleyParsons established its advisory and consulting business, Advisian, as its fourth business line. WorleyParsonsCord is now reported as part of Major Projects. In addition, selected information technology costs from global support costs were allocated to each of the operating business lines and sectors. The previously reported segment results for the half year to 31 December 2014 have been restated for comparison purposes and are shown in the Interim Financial Report.

Business Line Performance (Primary segment in financial statements)

Services

Services reported a decline in aggregated revenue of 16% to \$1.9 billion. The segment result declined by 28% to \$113.8 million with a corresponding decline in segment margin to 6.1% from 7.1%.

Revenue was lower across all regions of Australia, Pacific, Asia and China (APAC), Americas, and Europe, Middle East and Africa (EMEA) although the Middle Eastern operations continued to perform well.

Major Projects

Major Projects reported a minor decline in aggregated revenue of 5% to \$677.0 million. The segment result improved to \$55.9 million due primarily to the good performance of a number of projects in WorleyParsonsCord. The segment margin increased to 8.3% from 5.7%.

Improve

The *Improve* business line reported a decline in aggregated revenue of 17% to \$267.7 million with the segment result down 44% to \$11.9 million. The segment margin declined to 4.4% from 6.6%.

The decline in revenue in *Improve* was primarily due to reductions in customer operational and capital expenditure in the Americas as customers continued to look for savings and concessions from suppliers.

Advisian

The Advisian business line reported aggregated revenue down 1% to \$346.2 million. The segment result declined by 9% to \$33.0 million as the underperformance of INTECSEA was partially offset by the full contribution of MTG. The segment margin decreased to 9.5% from 10.4%.

Sector Performance (Secondary segment in financial statements)

Hydrocarbons

The Hydrocarbons sector reported an aggregated revenue decline of 15% to \$2.3 billion, and a segment result decline of 29% to \$165.3 million. The segment margin was 7.2% down from 8.6%. Hydrocarbons' contribution to the Group's aggregated revenue was 72%, down slightly from last year.

The gross margin contribution from upstream onshore declined by only 8%, testimony to WorleyParsons' leadership position in this market. Unconventional oil and gas showed resilience as investment in upstream shifted towards reservoirs that require smaller initial investments.

Upstream offshore gross margin contribution declined by 22% as INTECSEA and the WorleyParsons' upstream offshore businesses were impacted by project delays and cancellations.

Minerals, Metals & Chemicals

The Minerals, Metals & Chemicals sector reported an aggregated revenue decline of 17% to \$373.5 million with a segment result decline of 26% to \$19.2 million. The segment margin declined to 5.1% from 5.8%. Minerals, Metals & Chemicals contributed approximately 12% to the Group's aggregated revenue.

The growth in gross margin contribution from chemicals, specialty minerals and aluminum grew during the half but could not offset the weakness across the bulk commodity and base metals. The chemicals strategy is gaining momentum as its gross margin contribution grew and now represents more than 55% of the overall sector gross margin.

Infrastructure

The Infrastructure sector reported an aggregated revenue increase of 9% to \$512.1 million, with the segment result improving from a loss of \$2.5 million to a profit of \$30.1 million, representing a 5.9% margin.

The gross margin contribution from power and land transport improved, more than offsetting declines in other areas. The greatest improvement in performance occurred in the Middle East.

Strategy Update

WorleyParsons' strategy remains focused on enhancing and leveraging its core differentiators of deep and broad technical capability and diverse geographic presence.

The Company continues to build Advisian through such actions as the integration of Digital Enterprise and the establishment of the alliance with KBC Advanced Technologies.

The Company's PMC offering, which has developed alongside the EPCM and reimbursable EPC project delivery offerings, is meeting with success with a major PMC services win for the modernization of BAPCo's refinery complex in Bahrain.

Improve secured a key renewal in the power operations and maintenance offering as it seeks to leverage its position in this field into other sectors.

The initial actions to build the most agile local services provider are taking effect. The Company has seen an improvement in both customer feedback and financial metrics through the period.

Progress continues on the Global Delivery Center strategic project with the development of the organizational model and the building of the IT systems now complete. Transitioning of work processes such as document control has commenced.

Priorities and Group Outlook

Trading conditions over the remainder of financial year 2016 are expected to remain challenging. The focus during 2016 is on four immediate priorities of reducing costs, improving customer value, optimizing the portfolio and strengthening the balance sheet.

Reducing costs

Actions to deliver \$120 million in annualized ongoing overhead savings are substantially complete. WorleyParsons will continue to reduce overheads over the next 18 months, targeting a further \$180 million in annual overhead savings.

Improving customer value

Specific target offerings are being developed to deliver further value to WorleyParsons' customers. They are aimed at improving customer asset productivity, supply chain optimization, China sourcing and modularization, and accelerating work stream transfer to the Global Delivery Center.

Optimizing the portfolio

A key focus is on optimizing the portfolio of WorleyParsons' businesses and leased premises. This will be achieved by continuing to grow offices with the best near-term opportunities, improve the performance of offices below target financial metrics, sell selected non-core assets or close offices with the lowest contribution and least prospects.

Strengthening the balance sheet

Over the next 18 months action is being taken which should strengthen the balance sheet by \$300 million through lower capital expenditure, tighter invoicing and cash collection processes, and selling selected non-core assets. These funds will reduce debt and improve the company's net debt to EBITDA ratio to between 1.5 to 2.0 times, and the gearing ratio to less than 30%.

Group outlook

While WorleyParsons anticipates trading conditions to remain challenging in the short term, making forecasting difficult, WorleyParsons expects aggregated revenue for Financial Year 2016 to be relatively flat half on half. Underlying earnings are expected to be biased towards the second half supported by overhead reductions that are in place and underway. The gearing and the net debt to EBITDA ratios are expected to improve as plans to strengthen the balance sheet take effect.

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About WorleyParsons: WorleyParsons delivers projects, provides expertise in engineering, procurement and construction and offers a wide range of consulting and advisory services. We cover the full lifecycle, from creating new assets to sustaining and enhancing operating assets, in the hydrocarbons, mineral, metals, chemicals and infrastructure sectors. Our resources and energy are focused on responding to and meeting the needs of our customers over the long term and thereby creating value for our shareholders.

WorleyParsons is listed on the Australian Securities Exchange [ASX:WOR]

DISCLAIMER Important information

The information in this presentation about the WorleyParsons Group and its activities is current as at 24 February 2016 and should be read in conjunction with the Company's Appendix 4D and Interim Financial Report for the half year ended 31 December 2015. It is in summary form and is not necessarily complete. The financial information contained in the Interim Financial Report for the half year ended 31 December 2015 has been audited by the Group's external auditors.

This presentation contains forward looking statements. These forward looking statements should not be relied upon as a representation or warranty, express or implied, as to future matters. Prospective financial information has been based on current expectations about future events and is, however, subject to risks, uncertainties, contingencies and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. The WorleyParsons Group undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of the release of this presentation, subject to disclosure requirements applicable to the Group.

Nothing in this presentation should be construed as either an offer to sell or solicitation of an offer to buy or sell WorleyParsons Limited securities in any jurisdiction. The information in this presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account your financial objectives, situation or needs. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any investment decision.

KEY FINANCIALS	Change %	Consolidated	
		31 Dec 2015 \$'M	31 Dec 2014 \$'M
STATUTORY RESULT			
Revenue and other income	(5%)	4,189.4	4,418.9
Earnings before interest and income tax expense (EBIT)	(56%)	79.3	180.8
Profit before income tax expense	(70%)	46.7	154.7
Profit after income tax expense attributable to members of WorleyParsons Limited	(78%)	23.1	104.3
Basic earnings per share (cents)	(78%)	9.3	42.2
Diluted earnings per share (cents)	(78%)	9.3	42.1
UNDERLYING RESULT			
The underlying results are as follows:			
EBIT		150.2	180.8
EBIT margin on aggregated revenue		4.7%	5.0%
Profit after income tax expense attributable to members of WorleyParsons Limited		73.9	104.3
Basic earnings per share (cents)		29.9	42.2
Diluted earnings per share (cents)		29.8	42.1
Reconciliation of underlying profit after taxation to statutory profit after taxation is as follows:			
Underlying profit after income tax expense attributable to members of WorleyParsons Limited		73.9	104.3
Add: Certain functional currency related foreign exchange gains		15.9	-
Add: Net gain on revaluation of investments previously accounted for as joint operations		4.5	-
Less: Redundancies		(30.9)	-
Less: Onerous lease contracts		(36.2)	-
Less: Onerous engineering software licences		(19.7)	-
Less: Write-down of investment in equity accounted associates		(4.5)	-
Add: Tax on adjustments		20.1	-
Profit after income tax expense attributable to members of WorleyParsons Limited		23.1	104.3
AGGREGATED REVENUE RESULT			
Aggregated revenue is defined as statutory revenue and other income plus share of revenue from associates less procurement revenue at nil margin, interest income and net gain on revaluation of investments previously accounted for as joint operations			
Revenue and other income		4,189.4	4,418.9
Less: Procurement revenue at nil margin (including share of revenue from associates)		(1,186.3)	(1,057.3)
Revenue excluding procurement revenue at nil margin		3,003.1	3,361.6
Add: Share of revenue from associates		172.2	255.4
Less: Interest income		(3.2)	(3.3)
Less: Net gain on revaluation of investments previously accounted for as joint operations		(4.5)	-
Aggregated revenue		3,167.6	3,613.7
CASH FLOW			
Operating cash flow		44.1	78.0
OTHER KEY FINANCIAL METRICS			
Gearing ratio % (net debt to net debt plus equity)		31 Dec 2015 32.4%	30 Jun 2015 28.0%
Leverage ratio (net debt to EBITDA)*		2.5 times	1.9 times
EBITDA interest cover*		5.9 times	7.3 times

*Debt covenant calculations