

# Chairman's Report

## Welcome to the WorleyParsons Annual Report for financial year 2018.

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Four years ago we initiated a transformation that is now starting to deliver results. All our operating and financial metrics are heading in the right direction. We have the processes, systems and people in place to ensure we have performance discipline and operating leverage into the future. We are seeing increased business development opportunities. Our customers tell us that the quality of our work is good and getting better. The integration of our North Sea acquisition has been very successful and the financial results are exceeding targets.

### **The market is returning**

Having undergone a significant level of change across the business, we now have a solid platform to better service our customers across the entire asset life-cycle. We have changed how we operate internally as well as how we service our customers. We have shaped our business to best suit the needs of changing energy and resources industries.

The reorganization of our operating model into four separate business lines, supported by a single focused global business development group, has continued to mature and bear results. Our ability to deliver a full range of services has enabled greater flexibility to provide services that suit our customers' requirements. In industries that continue to evolve at an ever-increasing rate, these requirements will continue to change and our business is ideally placed to adapt as they do.

Our global front-end group within Advisian is a compelling differentiator in the market. It enables us to provide expertise to our customers as they evaluate the development of new resources and energy projects. The acquisition of our UK Integrated Solutions business and the acquisition in the Chemicals sector in Germany provide the company key growth platforms in the global Maintenance, Modifications and Operations (MMO) and European Chemicals markets.

Clear direction provided by the strategy architecture introduced last year has provided the basis for bold action this year. We are committed to being a key player in the energy and resources markets. Andrew Wood will provide further details of the progress we have made in the past 12 months on page 6.

## Market dynamic – a new normal

The resources and energy markets are going through a period of significant change. An extended period of depressed resource prices led to declined levels of economic activity across the industry. Last year we mentioned we believed the market had reached an inflexion point. This view has been confirmed with the industry continuing to return to greater financial health. Over the past 12 months we have seen our customers begin to cautiously increase planned expenditure levels for both greenfield and brownfield assets.

Our customers' investments are being made with a focus on value rather than investment for growth at any cost. Our customers and their shareholders are demanding improved lower cost solutions to those delivered previously. The continued evolution of digital technology has meant we need to change the way we will deliver projects. The utilization of digital technology across the entire project delivery process is one of the ways we will ensure we continue to help our customers achieve good return on their investments.

In the industries we serve, supply and demand fundamentals will continue to drive the need for investment. The medium-term picture continues to be bright with the need to bridge the energy supply-demand gap caused by under-investment of recent years.

The unstoppable global shift toward cleaner energy continues to drive the energy mix with renewable energy sources continuing to grow their contribution. The global energy transition will require innovative thinking and approaches and your company is well positioned to make a significant contribution to that transition.

## Financial performance

The Group reported an underlying net profit after tax of \$171.4 million (which excludes \$109.2 million of one off costs) up 39.1% on the 2017 underlying result. The Group delivered a positive operating cash flow of \$259.7m. Our gearing at 23.0% is slightly below our target range, and leverage has reduced to 1.9 times.

In another positive sign for the Company the Board resolved to re-commence the payment of dividends for the first time since 2015. The Board made this decision based on the improved operating and cash performance of the company coupled with improving market expectations. The Board declared a final dividend payment of 15.0 cents per fully paid ordinary share, unfranked. This is in addition to the interim dividend of 10.0 cents per share for a total dividend of 25.0 cents per share for the full year. As a result 39.9% of our full year underlying net profit after tax for FY2018 will be distributed to shareholders as a dividend.



**John Grill AO**  
Chairman and Non-Executive Director

“ The medium-term outlook for our industries **continues to be bright** ”

## Health, safety and environment (HSE)

WorleyParsons' commitment to health, safety and environment continues to deliver industry leading results. Key performance indicators suggest that our safety performance remains one of the best in the industry. This year our Total Recordable Case Frequency Rate (TRCFR) was 0.15 across the Group for employees and contractors, including the expanded workforce from our new UK Integrated Solutions business.

## People

I am delighted to see our employee numbers increase to 26,050 in the past twelve months. This has largely been driven by our recent acquisitions in the UK and Germany.

Our employees have demonstrated enormous commitment and dedication to the Company over the past few years in what has been a challenging period. The last 12 months have been no exception with the attitude of our people being instrumental to the Company's upward trajectory. The Board is acutely aware of the fact that the Company's success is underpinned by its people and the Board expresses its deep appreciation for their contribution during the year.

## CHAIRMAN'S REPORT

### Board changes

Over the past 12 months the Company Board has undergone several changes with Ron McNeilly and Jagjeet (Jeet) Bindra departing, and Tom Gorman and Anne Templeman-Jones joining. Ron was a member of the Board since listing in 2002, including many years as Chairman and Deputy Chairman. We thank Ron for his enormous contribution to the growth and development of WorleyParsons during his tenure.

Jeet served on the Company Board from 1 July 2015. In his time on the Board he fulfilled a number of important roles including the Chairman of the Remuneration Committee, and a member of the Health, Safety and Environment and Nominations Committees.

I would like to take this opportunity to thank both Ron and Jeet for their contributions to the Board.

Tom Gorman was appointed to the Board effective 18 December 2017. He is Chairman of the Remuneration Committee and a member of the Health, Safety and Environment and Nominations Committees. His appointment follows a 30-year career in executive positions at Ford Motor Company and Brambles Limited. He is also a director of High Resolves, an Australian-based non-profit focused on middle school education.

Anne Templeman-Jones was appointed to the Board on 1 November 2017 and is the Chairman of the Audit and Risk Committee and a member of the Nominations Committee. Anne has executive experience in institutional and commercial banking, wealth management and insurance, strategy and risk, having previously held a number of senior executive roles in Switzerland and Australia with PricewaterhouseCoopers, the Bank of Singapore (OCBC Bank), ANZ and Westpac.

Tom and Anne were appointed following a rigorous search and selection process that involved interviews and background checks to ensure they were the right fit for the Company. In addition to possessing the desired competencies, skills, experience and independence identified in the Company's ongoing succession planning, Tom and Anne also demonstrated commitment to the high ethical standards that the Company's reputation is built upon. Their appointments are the result of tenure, selection and renewal processes that are carefully designed to be aligned with the Company's strategy and governance approach to enable the Board to discharge its duties effectively and to add value.

### Ethics and corporate responsibility

WorleyParsons' reputation for honesty, integrity and ethical dealings is one of its key business assets and a critical factor in ensuring the Company's ongoing success. We are committed to complying with the law and conducting our business to the highest standard.

The expectations our shareholders and our customers have for our people, partners and our agents are outlined in our Code of Conduct. To reinforce these expectations, training continues to be delivered and refreshed annually to all our people, contractors and business partners. We also want to know that our customers take a responsible approach to business as seriously as we do and this year we introduced a responsible business assessment requirement covering such areas as ethical business practices, carbon emissions intensity and social license.

WorleyParsons has a climate change position statement with strategic actions that forms the focus of our climate change program. Our climate change working group has been established to review and design the climate change program. So far, the program has embedded climate change within core risk and strategy processes and has started to assess climate-related risks and opportunities. The program takes account of the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). The target set for our greenhouse gas emissions was achieved. We continue to focus on our own operational energy efficiency and offer lower carbon solutions to our customers.

As a company and as individuals, we encourage everyone to be a partner in delivering sustained economic and social progress. Once again our people's willingness to support WorleyParsons Foundation projects continues to be a driving factor behind delivering on our local corporate responsibility activities within the communities in which we operate.

We remain staunch in our support of diversity including indigenous participation and human rights. Key initiatives support gender equality including reducing the gender pay gap.

### Corporate governance

The Company is focused on continuously seeking opportunities to strengthen its corporate governance arrangements. To this end, the Company has established a working group to design the implementation program for the draft 4th edition ASX Corporate Governance Council's Corporate Governance Principles and Recommendations when they are finalized.

The Board is confident that there is a strong corporate governance system in place and is pleased to confirm that the Company's corporate governance arrangements (as outlined in the Corporate Governance Statement) already address a number of the new issues raised in the consultation draft of the 4th edition. The Corporate Governance Statement is available on our website and provides detail on how the Board has adopted appropriate charters, codes and policies and established a number of committees to effectively govern the Company.

As part of WorleyParsons' governance arrangements, the Group maintains a comprehensive independent internal audit program that reports directly to the Audit and Risk Committee. This function allows the Board to focus on special areas of interest, such as material risks and ethical and legal dealings, and also provides assurance annually to the Audit and Risk Committee on the adequacy and effectiveness of the Group's internal controls.

### Conclusion

I would like to thank the directors, the Group Leadership Team, and most importantly our people for their contribution in a year where we have begun to see the rewards of a lot of hard work put in over the past few years. Significant progress has been made by the Company and I would like to take this opportunity to thank our shareholders for their continued support and I look forward to realizing our future together.



**John Grill AO**  
Chairman and Non-Executive Director