

# Chairman's Report



**John Grill AO**

Chairman and Non-Executive Director

## Welcome to the WorleyParsons Limited ("Worley") Annual Report for financial year 2019

In FY2019 Worley underwent one of the most transformative and dynamic changes in its history with the completion of the acquisition of the Energy, Chemicals and Resources division of Jacobs Engineering Group Inc. or "ECR", and in the process of doing so positioned the company as a pre-eminent global player in the energy, chemicals and resources sectors.

The integration of the ECR business is progressing well with cost and revenue synergies being identified beyond those identified pre-acquisition. The business has made it a priority to ensure the strong culture of both organizations is reflected in the new Worley.

Our operating and financial metrics continue to be strong. Our customers have been supportive of the improved capabilities, expertise and global reach of Worley.

### **The New Worley**

With the ECR acquisition being finalized in April this year, we have become the pre-eminent global provider of professional projects and asset services in energy, chemicals and resources. This combining of expertise establishes us as the global sector leader across hydrocarbons, chemicals and mining, minerals and metals. We have a solid platform to better service our customers across the entire asset life-cycle, while also delivering our shareholders enhanced earnings diversification and resilience. We have reorganized, breaking out our Services line of business into two separate components: Energy & Chemicals Services, and Mining, Minerals & Metals Services. This structure will allow us to best service the needs of the changing energy, chemicals and resources industries.

The acquisition of ECR continued our strategy of diversifying earnings by growing in the Chemicals and Mining, Minerals & Metals sectors. Clear direction provided by the strategy architecture we rolled out in 2017 has provided the basis for bold action this year. Andrew Wood will provide further details of the progress we have made in the past 12 months on page 6.

## Market dynamics

The energy, chemicals and resources markets continue to experience significant change. Across our markets, we are seeing opportunities arising from the rapidly changing energy mix and the flow on effects in our other sectors. Driven by continued improvement in market conditions, our energy, chemicals and resources customers have increased their early phases activity over the past 12 months.

The current medium-term picture continues to indicate the global energy transition will open opportunities across all markets that we serve. These opportunities combined with our deep domain knowledge and expertise in the power and new energy space, means that Worley is well positioned to support our customers in leading and navigating this new world. The global energy transition will require innovative thinking and adoption of new technology, and your Company is well positioned to make a significant contribution to that transition.

## ECR Acquisition

In October 2018, Worley entered into a binding agreement to acquire ECR from Jacobs. The acquisition was completed in April 2019 with the new merged business employing 57,831 people across 51 countries. The acquisition was completed for a total consideration of US\$3.2 billion (A\$4.56 billion), funded by a A\$2.9 billion entitlement offer, and A\$842.1 million stock issued to Jacobs and additional debt.

In combining the two complementary organizations, the transaction is expected to:

1. generate material EPS accretion and returns for shareholders;
2. create a pre-eminent global provider of professional project and asset services in resources and energy;
3. provide global sector leadership across hydrocarbons, chemicals and mining, minerals & metals;
4. deliver enhanced earnings diversification and resilience; and
5. bring significant value upside through cost and revenue synergies.

Cost synergies have increased from A\$130 million estimated at the time of announcement to A\$150 million including Global Integrated Delivery synergies. These benefits are anticipated to be delivered within two years. Further benefits are expected to be achieved from share services and revenue synergies.

## Financial performance

The Group reported an underlying net profit after tax excluding the post tax impact of amortization on intangible assets acquired through business combinations of \$259.8 million (which excludes \$87.5 million of one off costs post tax), up 43% on the 2018 underlying result. The Group delivered a positive

operating cash flow of \$236.3 million. Our gearing is at 20.9%, and leverage has remained flat at 1.9 times. The funding structure of the ECR acquisition has allowed the leverage to remain flat through the transaction.

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 12.5 cents per share for a total dividend of 27.5 cents per share for the full year. As a result 52.2% of our full year underlying profit after tax excluding the post tax impact of amortization on intangible assets acquired through business combinations for FY2019 will be distributed to shareholders as a dividend.

## Health, safety and environment (HSE)

A key value shared across all of Worley is our commitment to safety, and a strong safety culture exists across our Company. Our teams maintain an industry-leading performance in safety. This year our Total Recordable Case Frequency Rate (TRCFR) was 0.14 across the Group for employees and contractors.

“ The energy transition is opening up opportunities across all sectors we serve ”

## Brand

Following the completion of the ECR acquisition, the Company adopted 'Worley' as its new brand. The new brand leverages the brand equity in our name Worley, acknowledges ECR in the brand colour and typographic style and highlights 'energy, chemicals and resources' in our tagline.

The Company name will be changed to Worley Limited, subject to the approval of members at the Annual General Meeting in October 2019.

## People

With the acquisition of the ECR business, I am delighted to see our people numbers increased from 26,050 12 months ago to 57,831 as at end of June. Our people have demonstrated enormous resilience and character during the transition period. This is a credit to them as well as to our Transition Management Office (TMO) who have worked tirelessly to ensure as smooth an experience as possible for all our people. 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 Erich Fraunschiel departing, and Andrew Liveris, Juan Suárez Coppel, Roger Higgins and Sharon Warburton joining. Catherine Livingstone has also confirmed that she will not seek re-election at the Company's 2019 Annual General Meeting having served 12 years on the Board.

Erich was a member of the Board since 2003, serving as the Lead Independent Director and as Chairman of the Audit and Risk Committee and a member of the Nominations Committee. We thank Erich for his enormous contribution to the growth and development of Worley during his tenure.

Catherine has served on the Company's Board from 1 July 2007 and has been lead independent director, a Chairman of the Audit and Risk Committee as well as a member of the Nominations Committee. I would like to take this opportunity to thank Catherine for her contributions to the Board.

Andrew Liveris was appointed to the Board effective 5 September 2018. He is a member of the Nominations Committee and the Remuneration Committee and Chairman of the recently formed Transformation Committee. His appointment follows a 40-year career in executive positions at The Dow Chemical Company. He is also a director of IBM, Saudi Aramco and Novonix Limited.

Roger Higgins was appointed to the Board effective 20 February 2019. He is a member of the Nominations Committee and the Health, Safety and Environment Committee. He has extensive experience in mining and operations and has previously held senior executive positions with Teck Resources Limited, BHP Billiton and Ok Tedi Mining Limited.

Sharon Warburton was appointed to the Board effective 20 February 2019. She is a member of the Nominations Committee and the Audit and Risk Committee. Throughout her 30-year career she had predominantly worked in the construction, mining and infrastructure sectors and has previously held senior executive positions at Rio Tinto, Brookfield Multiplex, ALDAR Properties PJSC, Multiplex and Citi Group.

Juan Suárez Coppel was appointed to the Board effective 27 May 2019 and is a member of the Nominations Committee and the Audit and Risk Committee. Juan has extensive experience in energy and resources in the Americas and was previously Chief Financial Officer and then Chief Executive Officer of Petróleos Mexicanos (PEMEX), a senior executive with Grupo Modelo and an independent non-executive director of Jacobs Engineering Group Inc.

Andrew, Roger, Sharon and Juan 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, all four 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

Maintaining, enhancing and protecting Worley's reputation for integrity, honesty and ethical business practices is of high importance to the Board. As we transition and transform our business it will continue to be a critical factor in the Company's future success. We are committed to complying with all applicable laws and conducting our business to the highest standard, as set out in our Code of Conduct which describes the standard to which we hold not only ourselves, but also our partners and agents. Training continues to be refreshed annually to our people, contractors and business partners, to make clear and reinforce Worley's expectations.

This year has been the first full year of implementation of our responsible business assessment standard which is embedded in our risk assessment processes to ensure our customers take a responsible approach to business as seriously as we do. This process has informed our decision making around bidding work, by prompting consideration of risk issues such as ethical business practices, carbon emissions intensity and social license.

The climate change working group continues to develop a strategic climate change program for Worley, including design of an implementation program for relevant disclosures consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In FY2019, we completed a risk and opportunity assessment to identify the transitional exposure of the business and the physical risks posed to our people and assets.

Worley is committed to providing a workplace that is diverse and inclusive of people from a wide range of backgrounds. Key focus areas relate to increasing female representation within the Group and women in senior executive positions and women Non-Executive Directors.

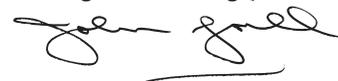
### Corporate governance

The Board strives to ensure that the Group meet high standards of safety, performance and governance. The Group recognizes that it has responsibilities to its shareholders, customers, employees and suppliers as well as to the communities in which it operates.

The Board has ultimate authority over, and oversight of, the Group and regards corporate governance as a critical element in achieving the Group's objectives. Accordingly, the Board has adopted appropriate charters, codes and policies and established a number of committees (committees or Board committees) to discharge its duties.

### Conclusion

I would like to thank the directors, the 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. I would also like to thank our banks and advisors for their support during the year and specifically for the ECR transaction. 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