



WorleyParsons

resources & energy

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ASX Release

WORLEYPARSONS LIMITED

(ASX: WOR)

The following addresses are attached and will be delivered today at the 2018 Annual General Meeting:

- Chairman's Address – Mr John Grill
- Chief Executive Officer's Address – Mr Andrew Wood
- Remuneration Committee Chairman's Address – Mr Tom Gorman

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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, power 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).

**2018 ANNUAL GENERAL MEETING****CHAIRMAN'S ADDRESS**

I will now turn to my formal Chairman's Address.

Our business has continued to improve across the board over the last 12 months. The transformation we initiated four years ago is starting to deliver real results. All operating and financial metrics are heading in the right direction. We have the processes, systems and people in place to ensure we have a strong performance discipline and maintain our competitive overhead structure into the future.

Our customers are telling us that the quality of our work is good and getting better and we are seeing increased business development opportunities. During the year we acquired a major business in the North Sea and its integration has been successful with the financial outcomes exceeding our expectations.

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

It is against this backdrop we announced yesterday a new chapter in the evolution of WorleyParsons. We are acquiring Jacobs Energy, Chemicals and Resources division for a total enterprise value of US\$3.3 billion, which is approximately A\$4.6 billion.

This acquisition will propel WorleyParsons into global leadership positions across numerous sectors in which we operate. It will establish your company as a pre-eminent global project delivery provider in resources and energy – and one of the leaders in the Hydrocarbons, Chemicals and Minerals and Metals sectors.

Your company will employ over 57,600 people in 51 countries around the world.

From a shareholder's point of view, the acquisition is expected to generate materially accretive returns with significant value upside through substantial cost and revenue synergy opportunities while also increasing earnings diversification and resilience.

The acquisition will be funded via a A\$2.9 billion dollar entitlement offer, A\$900 million debt, and A\$985 million in shares issued to Jacobs on completion of the transaction. The balance between debt and equity has been sized to ensure balance sheet leverage and gearing remain comfortably within our target ranges.

I look forward to having Jacobs as a shareholder as it demonstrates their confidence in WorleyParsons and our ability to integrate and build on the focused company that this transaction creates.

The acquisition aligns strongly with WorleyParsons stated strategy which was reaffirmed at our 2018 Investor day briefing in May this year. It provides WorleyParsons with scale as a global provider of professional project and asset services in resources and energy and a pre-eminent position in Hydrocarbons, Chemicals and Minerals and Metals.

It accelerates delivery of WorleyParsons' corporate strategy to build a world class international maintenance, modifications and operations, or MMO, capability in the Integrated Solutions business line by leveraging Jacobs ECR's North American refining and chemical MMO expertise across WorleyParsons' global platform. It also provides exposure to key growth markets of the Middle East and India, including a step change in low-cost delivery capability by increasing our Indian Global Delivery Centre capacity by approximately 3,000 employees.



I look forward to shareholder support for this company transforming transaction. Personally, I am very supportive of the transaction and will be taking up a significant portion of my entitlements. Andrew will provide further detail of the acquisition in his address.

I would now like to move onto other matters concerning your company.

Last year we mentioned that 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. Higher expenditure levels auger well for the medium-term outlook.

As our markets have changed, 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.

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.

Our people 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.

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.

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. This is in addition to the interim dividend of 10.0 cents per share. Both dividends were unfranked. The total dividend for the year was 25.0 cents per share. As a result, 39.9% of our full year underlying net profit after tax for FY2018 was distributed to shareholders as a dividend.

Over the past 12 months the Company Board has undergone several changes with Jeet Bindra departing, and Tom Gorman, Anne Templeman-Jones, and more recently, Andrew Liveris joining. We thank Jeet for his contribution to WorleyParsons during his tenure including chairing the remuneration committee.



Erich Fraunschiel has served on the Company Board from April 2003. He has held several roles with the Board, including a considerable period as Chair of the Audit and Risk Committee and as a member of the Nominations Committee. Erich has also been the Lead Independent Director until his retirement today. I would like to acknowledge the tremendous contribution that Erich has made to WorleyParsons and thank him on behalf of all shareholders.

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 including periods as CEO of Ford Motor Company Australia and Brambles Limited.

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.

Subsequent to year end, we announced the appointment of Andrew Liveris to the Board of Directors effective 5 September 2018. Andrew's appointment follows over forty years' global leadership experience with The Dow Chemical Company. His career spanned roles in manufacturing, engineering, sales, marketing and business and general management. Andrew is the former Chairman and Chief Executive Officer of The Dow Chemical Company and the former Executive Chairman of DowDuPont. As a Chartered Engineer, Andrew is a director of IBM and Saudi Aramco and on the advisory board of Sumitomo Mitsui Banking Corporation.

I am pleased to announce today that Catherine Livingstone will become the Company's lead independent director.

In addition, it is expected that one of Jacob's directors will join the Board following the successful completion of the acquisition and his resignation from the Jacobs Board. I will provide more details of the director's background and credentials closer to the time of his appointment. Having this continuity of knowledge of Jacobs ECR will be of significant benefit to your Board.

All our directors 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, they also demonstrate commitment to the high ethical standards that the Company's reputation is built upon.

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 and partners 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 established a working group to review and design our climate change program, including our company position statement. So far, the program has embedded climate change within core risk and strategy processes and has begun formally assessing climate-related risks and opportunities. We are also working to adopt the recommendations of the Task Force for Climate-related Financial Disclosure or TCFD and expect to provide an initial response in our FY19 reports.

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.

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.

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 as we build on our success.

**2018 ANNUAL GENERAL MEETING****CHIEF EXECUTIVE OFFICER'S ADDRESS**

Thank you, John. Good afternoon ladies and gentlemen.

I believe the changes we have made to your company over the last four years have us very well positioned as one of the most future-ready players during a very exciting time. The resources and energy industries continue to change and evolve as they undergo one of the biggest transitions of the past few decades. While, this transition brings with it some challenges, for WorleyParsons it brings many opportunities.

As mentioned by John, last year we noted that we were at an inflexion point in the resources and energy markets. This year we can look backwards and say that we have moved past that inflexion point and are now seeing increased activity.

Looking forward, we are about to enter one of the biggest transformations in the company's history with the acquisition of Jacobs' ECR business as announced yesterday.

Before I address this in detail, I would like to recap on 2018 performance.

In FY2018, our aggregated revenue grew to \$4,749.2 million, up 8.5% on prior corresponding period. Our underlying net profit after tax was up 39.1% to \$171.4 million, the highest level in five years. These numbers demonstrate our strong operating leverage as a result of our sustained cost reductions.

We delivered cash flow of \$259.7 million, compared to \$78.9 million in FY2017. Our backlog is increasing across all sectors and geographies. WorleyParsons operational and financial metrics are all sound and heading in the right direction.

WorleyParsons has a rich history of using acquisition opportunities to realize our strategic plans. During FY18, the acquisition of our UK Integrated Solutions business fast-tracked our strategy of building a world class offshore MMO capability and give us a robust entry into the UK North Sea market. I am very pleased that the integration of the business is complete and has exceeded our expectations in terms of cultural fit, capabilities, financial outcome and the quality of the outstanding management team.

We saw the successful commencement in operations for two of the largest projects in our Company's history. The 1850km cross-continental Trans-Anatolian Natural Gas Pipeline celebrated its grand opening, and ExxonMobil's Hebron offshore platform entered first production.

We also continue to deliver on the Tengizchevroil project which, once complete, will be one of the largest and most complex oil and gas developments of its kind in the world.

Our unyielding stand on safety continues to deliver industry leading results. As outlined by the Chairman, we have maintained stable safety performance across our group recording a Total Recordable Case Frequency Rate of 0.15 which remains one of the best performing ratings across the industry. In our pursuit of improvement, we have launched a review of our OneWay™ safety framework to incorporate a greater focus on human factors. Caring for the safety of our people, remains our primary emphasis.

Our customers tell us that the quality of our work is good and getting better. The best form of business development is to continue this trend. We believe our structure, aligned with the way our customers deliver projects, gives us the platform to build and lead the industry.



We completed FY2018 as a strong business, poised for an exciting future. We have all our operational and financial metrics in target zones. We have continued to make strategic progress to position the business as the market returns. We have successfully completed a transformational acquisition with associated capital raising and we have found a further opportunity to strengthen and position our business as the leader in the industry.

Turning now to the Jacobs ECR transaction that we announced yesterday.

This transaction represents a major step change in your company as it becomes a pre-eminent global provider of professional project and asset services in the resources and energy markets.

John provided you with an overview of the transaction. I would like to provide you with some details of the business we are acquiring.

Jacobs ECR's 2018 financial year revenue was 3.4 billion US dollars with associated earnings before interest tax, depreciation and amortisation of 286 million US dollars. They employ slightly more people than we do with 30,900 across 27 countries. Importantly, 3,000 of those employees are based in a Global Integrated Delivery center in India which will greatly enhance our delivery of low-cost high value solutions to customers.

Jacobs ECR is in its own right a global leader offering a full suite of capabilities.

In the Chemicals sector, Jacobs ECR is the global leader. They deliver complex petrochemical and chemical projects, from new manufacturing complexes to expansions and modifications.

In the refining sector, they are ranked number two where they undertake feasibility studies, technology evaluations, FEED, engineering, procurement, construction, commissioning and maintenance for grass root projects and major expansions and revamps.

In the Oil and Gas sector they are ranked number one in MMO. They service both onshore and offshore production facilities with full field development solutions, including processing facilities, gathering systems, transmission pipelines, storage and terminals.

In the area of Minerals and Metals, they provide full project lifecycle engineering, construction, commissioning and maintenance services. They have proprietary sulfuric and phosphoric acid plant, and sulfur recovery technology with turnkey engineering, fabrication and install capabilities.

In the Construction, Maintenance and Turnaround sector, they are ranked number one in MMO. Their key strength is in the onshore downstream sector, complementing our recent UKIS acquisition's upstream offshore capabilities.

They are an industry leader in safety. They provide integrated project delivery, construction and technical services as well as project and construction management services.

Jacobs ECR's global footprint and long-term, blue-chip client relationships are across all key strategic markets. In Chemicals, their client list includes Dow, Eastman, BASF, Koch, Evonik and others. In refining they service all the major including companies like Shell, BP, Total, Exxon Mobil and others. In Minerals and Metals, they work with companies such as BHP, Rio Tinto, Anglo American and others.

In combining the two companies, WorleyParsons will transform its business across the majority of its strategic priority areas. It positions us to be a significant contributor to the development of the resources and energy sectors.

The acquisition is expected to generate accretive returns for you our shareholders with significant value upside through cost and revenue synergy opportunities. It will also increase our earnings diversification and resilience.



On a FY2018 pro forma basis aggregated revenue doubles A\$9.2 billion, with a doubling of EBITDA to A\$735 million. Total staff increases to over 57,600 operating out of 51 countries. The transaction will be credit enhancing, and balance sheet leverage, being net debt to EBITDA, at completion is expected to be 1.9 times which is the same level as at 30 June 2018.

Your company will be stronger financially, have greater global reach, with leading market positions in almost all of the sectors within which we operate. We will have the ability to service our customers better through a broader geographic base, more diversified capabilities and a stronger company. We will also be able to deliver services in a more efficient manner.

The expanded geographic footprint, more varied projects, and different career paths will provide additional opportunities for our people and those joining us next year from Jacobs ECR.

Bringing these two businesses together in an effective manner will be our top priority over the coming 12 to 24 months. We have identified synergy opportunities at both the cost and revenue levels.

Cost synergies, which have been estimated at approximately A\$130 million, include areas such as property consolidation, information technology optimization and benefits to indirect procurement through scale.

We expect to be able to achieve our cost synergies within a two-year period.

In terms of revenue synergies, we have identified four main areas:

- leveraging complementary sectors, services and geographies;
- the ability to propose integrated solutions;
- offer “best of both” solutions; and
- improved enabling capabilities.

I encourage you to read the investor material we released on the ASX yesterday that covers the full details of the transaction.

The details of the offer associated with the transaction were released yesterday and can be viewed on the WorleyParsons website for those of you that are looking for more detail. As shareholders, you will be receiving the retail offer booklet in the week beginning 29th October with the entitlement offer due to close on the 7 November 2018. Based on the current timetable, we expect to have the transaction completed in four to six months, following all the necessary regulatory approvals.

The outlook we provided at the full year results in August remains unchanged. Driven by continued improvement in market conditions, our resources and energy customers are increasing early phase activity for the next cycle of investment. This is reflected in the recent level of contract awards and our growing backlog. By maintaining our focus and growing our position in the resources and energy markets we expect to deliver improved earnings in FY2019.

Our focus on costs will continue so that operating leverage is delivered as the business grows. We expect to continue to improve our balance sheet metrics in FY2019.

FY19 results will be impacted by the Jacobs ECR transaction, including holding equity proceeds until closing.

We expect this year’s interim dividend per share to be not less than last year’s interim dividend.

In summary, what is clear is the resources and energy industries provide significant opportunity for WorleyParsons over the short, medium and long term. We see opportunities to expand and diversify our revenue streams within these industries.



WorleyParsons has a remarkable group of people who have brought us to this position where we see a bright future. We have transformed the business over a number of difficult years, and in FY2018 demonstrated the viability of its new form. I thank each and every one of our people for their hard work over the past 12 months, and I look forward to working with our people, and Jacobs ECR's people to build the leader in our field.

To our shareholders, your support is appreciated and I look forward to working with you to create an exciting future for your company.

**2018 ANNUAL GENERAL MEETING****REMUNERATION COMMITTEE CHAIRMAN'S ADDRESS**

Thank you John. Good afternoon ladies and gentlemen.

My name is Tom Gorman and this is my first address to you as the Chairman of the WorleyParsons Board's Remuneration Committee.

As Chairman of the Committee I have been the lead non-executive director responsible for the development of this year's remuneration report, which explains in detail how we approach remuneration at WorleyParsons.

I encourage you to read the remuneration report. A significant amount of work goes into the preparation of this report. The report provides context and background to the matters I will cover today.

Let's start with executive pay.

Our focus on delivering the business strategy was evident in our improved performance during the year, and this strong performance was reflected in executive pay outcomes.

Although fixed pay remained unchanged for most executives, partial cash short-term incentive payments were made reflecting the improved results and performance against individual key performance indicators.

Share Price Performance Rights, which we refer to as SPPRs, that were granted to executives in 2015 vested following an 84% improvement in the share price. This share price improvement and the SPPR payout demonstrates the strong alignment between the SPPR program and shareholder interests.

Long term incentive awards granted to key management personnel in 2014 partially vested at 40%. The remainder of the grant has been forfeited. This partial vesting reflects the Company's relative total shareholder return performance. This is the first time in five years that any long term incentive has vested. Again, this reflects strong alignment between management compensation and shareholder returns.

The strategic cost reduction and net debt-to-EBITDA targets applying to 50% of the long term incentive award granted in 2016 were also achieved. As a result, 50% of the award was converted into restricted shares that are eligible to vest after a further two year restriction period. The achievement of these outcomes has added significant value to shareholders.

The UK Integrated Solutions acquisition and capital raising was an area of focus for our management team during FY2018. Given its importance to the business, the Board decided to award a tailored, targeted grant of performance rights to two executives, with hurdles linked to the ongoing success of the acquisition. The targets relating to the first half of the grant were fully achieved. The second half of the grant will be measured against agreed objectives in FY2019.

It is the intent of your Board of Directors to ensure our Remuneration principles drive behaviours and results that will help us achieve our business objectives. These principles include building a culture of achievement by providing a transparent link between reward and performance, as well as promoting mutually beneficial outcomes by aligning employee, customer and long-term shareholder interests.

We believe that the remuneration outcomes that I have just discussed have delivered that alignment for Financial Year 2018.

I would like to draw your attention to the fact that, in FY2018, Directors' fees remained frozen, for the seventh consecutive year. There will be no increase in annual director fees in FY2019.



I will end my comments today by thanking you, our shareholders, for your support over the year. As always, we welcome your feedback as we work to ensure the remuneration framework remains appropriately structured to ensure we continue to attract, motivate, and retain our leadership teams and to ensure our remuneration plans are aligned with building long-term shareholder returns.

Thank you.