

# Chairman and CEOs' Review

**We have taken decisive action to position the Company to take advantage of market conditions and for future growth.**



Andrew Wood and John Grill AO

The 2014 financial year was a difficult year for WorleyParsons as we faced challenges in a number of our key markets. WorleyParsons is one of the most globally diverse companies in our international peer group, with a network of 157 offices in 46 countries. This global diversification has been an important factor in assisting WorleyParsons to offset challenging conditions in a number of key markets, particularly Australia, by capitalizing on opportunities in better performing markets.

To address these market conditions and to ensure we maintain an intense focus on our customers and project delivery, a number of actions were taken during the year. We simplified the corporate structure including a reorganization of the business into three business lines, refreshed the leadership team, reduced overhead costs, removed 1,700 overhead positions and initiated programs to enable our staff to deliver greater customer satisfaction. We have refocused our strategy to more aggressively leverage our broad and deep technical capabilities and diverse geographic presence.

## Financial Performance

The Group reported an underlying net profit after tax of \$263.4 million, excluding \$35.4 million pre-tax restructuring costs and the net fair value gain on acquisition of associates of \$11.4 million, down 18.2% on our 2013 underlying result. This reduction was due primarily to a significant decline in the contribution from the Australian business across all customer sectors and poor commercial performance on a project in Cord, our Canadian construction and fabrication operation. Margins remained under pressure although they improved significantly in the second half to a three-year high. It is pleasing to note that the Group delivered an impressive operating cash flow of \$550.1 million and our balance sheet remains strong.

The Board has resolved to pay a final dividend of 51.0 cents per share 20.5% franked, taking the total dividends for the year to 85.0 cents per share, down 8.1% from 92.5 cents per share last year.

As the 2014 financial result was below the threshold for vesting, no Combined Incentive was awarded to Executives.

## Health, Safety and Environment (HSE)

There is nothing more important to WorleyParsons than the safety of our people. To this end, the Board and management continue to strive to achieve the goal of Zero Harm across all countries in which we operate. This year, our Total Recordable Case Frequency Rate reduced to 0.10 compared with 0.13 per 200,000 manhours in the 2013 financial year. Notwithstanding this improvement, we are deeply saddened to report that we had a colleague aboard Malaysia Airlines flight MH370. This loss has been deeply felt through the organization, particularly in our Kuala Lumpur operations.

Motor vehicle travel remains the greatest risk to the safety of our employees. Our attention on this area has resulted in a 30% reduction in vehicle crashes in the last 12 months. We continue our focus on our 9 key safe driving behaviors as we strive to embed these behaviors into every area of our lives.

## Our New Future

On 1 May 2014, WorleyParsons reorganized into three business lines – Services, Major Projects and *Improve*. Each of these business lines has full accountability and responsibility for customer satisfaction, generating sustainable earnings and providing a satisfactory level of return on capital invested. In addition, each business line is responsible for providing and sourcing the optimal level of operational support.

Group functions at the corporate level were streamlined with a lean corporate office responsible for strategy, governance activities and improved allocation of capital.

The Development group has implemented formal processes to harness innovation, to manage investment in the business and to nurture new ventures.

During the 2015 financial year, we will focus on embedding behaviors that will support our restructure and future success. We will continue to simplify our business processes and will be

implementing a change program to:

- Refocus the organization on having an obsession with making our customers successful
- Capture our knowledge and share that knowledge to find better solutions for our customers' problems
- Build a strong culture of performance and accountability to achieve: "Delivering what we promise".

Strategically, our immediate focus is on getting better at what we do and prudently managing costs. We are more aggressively pursuing growth from our core, both into new geographies and new service offerings. In addition we are developing new ventures aligned with and complementary to our existing business. Two new ventures are being developed - our advisory business, Advisian, and Digital Enterprise. We are pleased to announce two key appointments. Iain Ross has been appointed as the CEO of Digital Enterprise to accelerate and build on the work done by Graeme Henderson and his team. As previously announced, Dennis Finn has been appointed as the CEO of Advisian. Dennis joins us from PwC and commences on 1 September 2014.

Historically, WorleyParsons has delivered above average total shareholder returns; however, we recognize that in recent times our total shareholder returns have declined along with our performance relative to our peer group. The actions taken in the second half of the 2014 financial year, including the refocusing of our strategy and investment review framework via the Development group, seek to return us to satisfactory levels of total shareholder return.

## People

We are a professional services business with our employees as our most important asset. We rely on our people to meet our customers' needs. Our people continue to learn and adapt to respond to the changing needs of our customers and the dynamics of our markets.

We are pleased that the wide range of skills and deep expertise we have in the business, spread across so many countries and offices, has enabled us to respond quickly and competently to our customers' changing needs.

In establishing our future, we have had to make some difficult decisions across the business to position the Company to take advantage of market conditions. This was necessary to ensure the Company remains sustainable and profitable for the long term.

We would like to express both the Board and Group Leadership Teams' appreciation for the commitment and contribution to WorleyParsons by our people over this past year, particularly during the period of transition to the new organization.



From left to right:  
Chris Parker, Ian Wilkinson, Randy Karren, Marian McLean,  
Mark Southey, David Steele

### Board and Management Changes

On 3 April 2014, WorleyParsons announced the resignation of JB McNeill from the Board of Directors for family reasons. JB joined the WorleyParsons Board in 2010 after retiring from a 30-year career with ExxonMobil. JB was a valuable member of the Board and brought to it his extensive knowledge and understanding of the oil and gas industry globally. We thank JB for his significant contribution.

As previously mentioned, the leadership team was refreshed and is introduced in the following pictures. See page 5 for more details on the members of the Group Leadership Team.



From left to right:  
Gerard Dyson, Andy Cole, Andrew Wood, Simon Holt, Peter Janu

### Ethics and Corporate Responsibility

We recognize that WorleyParsons' reputation for honesty, integrity and ethical dealings is one of its key business assets and a critical factor in ensuring the Company's continued success. All of WorleyParsons' people continue to strive to maintain the standard of ethical behavior expected by our customers, suppliers and shareholders.

The Company continues to refine its corporate responsibility efforts across all the parts of the world in which we do business, in an effort to ensure that our programs are as effective and efficient as possible in delivering value to the communities we support. The Corporate Responsibility section of this Annual Report provides greater detail on these activities.

### Corporate Governance

The Board remains confident that the Company has in place a strong corporate governance system, and that this system is well maintained, reviewed and updated. Our governance policies and procedures are benchmarked against those of other comparable companies to ensure that the appropriate standards are maintained.

The Group maintains a comprehensive, independent, internal audit program that reports directly to the Audit and Risk Committee. This function not only focuses on specific areas of interest, but provides an annual assurance to the Audit and Risk Committee of the adequacy and effectiveness of the Group's internal controls.

The Corporate Governance Statement 2014 can be found on the Company's website.

### Conclusion

We would like to thank the WorleyParsons Group Leadership Team, and the Board of Directors, for their excellent work and contribution in what has been a challenging year for WorleyParsons. We believe that the decisive action and hard work undertaken during the year, positions the Group to take advantage of the growth opportunities available to us.

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

**Andrew Wood**  
Chief Executive Officer

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## GROUP LEADERSHIP TEAM

**The Group Leadership Team, effective 1 May 2014, is the senior leadership team for WorleyParsons. It comprises the leaders of our three business lines, of strategy for each of our customer sectors, and of Finance, Development and Assurance and the Company Secretary. The Group Leadership Team advises the Chief Executive Officer with regard to the effective and efficient functioning of the global business of WorleyParsons.**

### **Andy Cole, Group Sector Managing Director - Hydrocarbons**

Andy is responsible for the development of the growth strategy within the Hydrocarbons sector. Prior to this role, Andy managed the global Infrastructure business. Joining WorleyParsons in 1985 in Perth as a graduate structural engineer, Andy was involved in the design of various offshore oil and gas platforms in Australia, The UK, South East Asia and the Middle East. He managed the Thailand operation from 2001 to 2003, returning to Australia to complete a Master of Business Administration (MBA) and to establish and run the global Front-End consulting division, known as *Select*. Andy holds a degree in Civil Engineering and an MBA from the University of Western Australia.

### **Gerard Dyson, Group Sector Managing Director - Infrastructure**

Gerard is responsible for the development of the global strategy for Infrastructure. Gerard was previously Director of Consulting for Australia and New Zealand and before this held a number of operational, strategic and technical roles within WorleyParsons in Australia, Canada and Asia. Prior to joining WorleyParsons in 2003, Gerard worked in the civil construction industry and academia and as a geotechnical consultant. Gerard has a Bachelor of Civil Engineering and a Bachelor of Commerce (Management) from The University of Western Australia. He has also completed a PhD in Geotechnical Engineering from The University of Western Australia and an Advanced Diploma in Business Management from the University of Ballarat.

### **Simon Holt, Chief Financial Officer**

Simon is the Chief Financial Officer and has overall responsibility for finance including Treasury, Property Leasing, Tax, Shared Services, Information Management, Corporate Procurement, Travel, Corporate Finance, Investor Relations and Communications and Reporting. Simon also has oversight of the Operational Finance functions, ensuring the consistent application of standardized processes, systems and corporate and financial reporting. He has previously held the roles of Deputy CFO and Group Financial Controller. Prior to joining WorleyParsons in 2007, Simon held a number of senior positions in the property sector. Simon is a Chartered Accountant and holds a degree in Business (Accounting and Marketing) from the University of Technology, Sydney.

### **Randy Karren, Group Managing Director - Improve**

Randy is accountable for the growth and performance of *Improve* relationships within WorleyParsons. Through Randy's 28 years of experience with WorleyParsons and our legacy companies, he has led major EPC and EPCM projects, worked in long term *Improve* relationships and held location director roles in two major locations. Subsequent to those assignments, Randy was the Regional Managing Director in Canada prior to assuming the role in 2012 as the Group Managing Director for *Improve*. He graduated from the University of Calgary with a Bachelor of Science in Chemical Engineering.

### **Marian McLean, Group Managing Director - Assurance**

Marian is responsible for providing business assurance on the effectiveness and efficiency of the WorleyParsons internal controls, reliability of reporting and compliance with laws and regulations. Assurance interfaces with the Board Remuneration and HSE and Audit and Risk subcommittees and also provides oversight on Corporate Responsibility and Diversity and Inclusion programs. Marian joined WorleyParsons in June 2008. She has over 20 years' experience in the manufacturing, water, construction, service and oil and gas industries. Her qualifications include: Master of Applied Science (Ergonomics) University of NSW; Graduate Diploma in Safety Science

The University of NSW; and Bachelor of Physiotherapy, The University of Queensland. She is a professional member of the American Society of Safety Engineers, the Society of Petroleum Engineers and the Human Factors and Ergonomics Society of Australia.

### **Chris Parker, Group Managing Director - Major Projects**

Chris is responsible for the Major Projects business line. Chris has over 30 years' experience across a wide range of sectors including oil and gas, petrochemicals, power generation and infrastructure. Chris joined the Company in 2004 following the acquisition of Parsons E&C. He started his career with the Ralph M. Parsons Company in 1981 where he held key positions including Regional Managing Director, US and Caribbean, Senior Vice President and General Manager Houston Operations, Vice President responsible for global execution strategies and Vice President responsible for worldwide engineering. He has a Bachelor degree in Mechanical Engineering from the University of Houston and has completed the Advanced Management Program, The Wharton School, University of Pennsylvania.

### **Mark Southey, Group Sector Managing Director - Minerals, Metals & Chemicals**

Mark is responsible for the Minerals, Metals & Chemicals (MM&C) sector globally and has held this role since joining WorleyParsons in 2002. Mark has a background in operational, financial and strategic roles and has led the WorleyParsons MM&C business through an extended period of growth and capability development. Mark has strong financial, commercial and operational experience and has led and managed large industrial and technology-based global service businesses holding senior international management roles in Europe and Australia with Honeywell and ABB prior to joining WorleyParsons. Mark holds a Bachelor of Science Degree from the University of Portsmouth and an MBA from The University of Sydney.

### **David Steele, Group Managing Director - Development**

David is responsible for the Development arm of the business including mergers and acquisitions, the establishment of new businesses that are adjacent and complementary to WorleyParsons' core business and the management of discretionary expenditure. David has previously held many roles within WorleyParsons including operational management at the regional level as well as global functional and customer sector roles. Prior to joining the Company in 1999, David held positions with ABB and Rolls-Royce Industrial Power (Pacific). David holds a Bachelor degree in Electrical Engineering, an MBA and is a Chartered Professional Engineer.

### **Ian Wilkinson, Group Managing Director - Services**

Ian is responsible for leadership of the Services business line, focused on delivering global expertise to our customers, locally. Ian joined WorleyParsons in 1994 having worked in the oil and gas and resources industries in a number of countries for both service providers and operating companies. He has held a number of senior management positions within WorleyParsons in South East Asia, the Middle East and Australia, most recently holding the role of Managing Director - Australia and New Zealand. Ian graduated from The University of Queensland with degrees in Engineering and Science.

**For Andrew Wood, Chief Executive Officer and Peter Janu, Company Secretary and General Counsel Corporate, details can be found on page 60.**