

wood.



John Wood Group PLC
Half Year Report 2020

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Wood is a global leader in consulting, projects and operations solutions in energy and the built environment.

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Revenue

\$4,085m

(2019: \$4,788m)

▼ 14.7%

Revenue (on a like for like basis)¹

\$4,012m

(2019: \$4,535m)

▼ 11.5%

Adjusted EBITDA²

\$305m

(2019: \$384m)

▼ 20.6%

Adjusted EBITDA margin

7.5%

(2019: 8.0%)

▼ 0.5%

Adjusted EBITDA (on a like for like basis)¹

\$299m

(2019: \$361m)

▼ 17.1%

Adjusted EBITDA margin (on a like for like basis)

7.5%

(2019: 8.0%)

▼ 0.5%

Operating profit before exceptional items

\$101m

(2019: \$168m)

▼ 39.9%

Operating profit

\$66m

(2019: \$139m)

▼ 52.5%

Profit/(loss) for the period

\$(11)m

(2019: \$13m)

movement: n/a

Basic EPS

(2.2) cents

(2019: 2.1 cents)

movement: n/a

Adjusted diluted EPS

10.1 cents

(2019: 18.2 cents)

▼ 44.5%

Interim dividend

nil

(2019: 11.4 cents)

movement: n/a

Net debt excluding leases³

\$1,216m

(2019: \$1,773m)

▼ 31.4%

Order book⁴

\$7,045m

(2019: \$8,427m)

▼ 16.4%

Highlights

Resilience from strategic broadening across Energy and Built Environment markets and actions to reduce cost, protect margin & cashflow and ensure balance sheet strength.

Delivering earnings at upper end of H1 guidance and significant net debt reduction.

First half highlights

Breadth of end market exposure benefitting revenue resilience

- Fast growing renewables activity and more resilient chemicals & downstream and built environment markets account for c65% of revenues
- Revenue of \$4.1bn down 14.7% (11.5% on a like for like basis)

Successfully protecting margin: early and decisive actions to reduce cost

- Benefitting from active management of operational utilisation
- Actions to deliver >\$200m overhead savings complete; \$70m impact in H1
- Improved margins in ASEAAA and TCS compared to H1 19, offset by reduced margins in ASA
- Adjusted EBITDA of \$305m at upper end of guidance and operating profit before exceptionals of \$101m ahead of guidance

Delivering reduction in net debt

- Net debt excluding leases reduced significantly to \$1.22bn at 30 June 2020 (30 June 2019: \$1.77bn and 31 December 2019: \$1.42bn), benefitting from disposal proceeds and steps taken to protect cashflow
- Net debt excluding leases : adjusted EBITDA (excluding IFRS 16) 1.96x³ (30 June 2019: 2.5x and 31 December 2019: 2.0x). Covenants at 3.5x
- No interim dividend while uncertainty arising from Covid-19 and oil price volatility persists
- Considerable levels of financial headroom: undrawn facilities \$1.627bn

Differentiated sustainability leadership

- Over 40,000 staff successfully working remotely and others continuing to work onsite safely supporting vital services
- Commitment to reduce scope 1 and 2 greenhouse gas emissions by 40% by 2030
- Third party recognition of environmental, social and corporate sustainability leadership

FY 2020 outlook

Winning work, focused on margin protection and cash generation to reduce debt

- Relative resilience in chemicals & downstream, renewables and built environment, continuing to help mitigate challenges in upstream/midstream
- Successful diversification evident in breadth of new orders of \$3.3bn secured in H1
- Order book at 30 June \$7.0bn (down 16.4% on June 2019 on a like for like basis)
- \$3.1bn of order book due to be delivered in H2 2020, giving higher than typical visibility: c90% of forecast revenue delivered or secured at this point in 2019
- Recent signs of stabilisation but risks of downward scope variations, deferrals and cancellation of secured work persist: prepared for a wide range of outcomes
- Focused on controlling what we can control to deliver full year EBITDA margins at the 2019 level of 8.6%
- Confident of delivering stronger second half margin: managing operational utilisation and impact of >\$200m of overhead cost reductions from actions completed in H1
- Expect good cash generation and a further reduction in net debt in the second half
- Well placed for medium term growth as markets recover and the energy transition gathers pace

Notes:

1. Revenue on a like for like basis is calculated as revenue less revenue from disposals executed in the first half of 2020 and adjusted EBITDA on a like for like basis is calculated as adjusted EBITDA less the adjusted EBITDA from those disposals. In H1 2020 executed disposals consisted of our nuclear and industrial services businesses. Comparative figures also exclude revenue and adjusted EBITDA from the disposal of TNT, completed in H1 2019. These amounts are presented as a measure of underlying business performance excluding businesses disposed. These disposals accounted for \$73m of revenue in H1 2020 (H1 2019: \$253m) and adjusted EBITDA of \$6m (H1 2019: \$23m).
2. A reconciliation of adjusted EBITDA to operating profit (pre-exceptional items) is shown in note 2 to the interim financial statements.
3. Net debt excluding leases is total group borrowings, offset by cash and cash equivalents. Borrowings comprise loans drawn on the Group's revolving credit facility, term loans, overdrafts and unsecured senior loan notes issued in the US private placement market. Borrowings do not include obligations relating to leases. Cash and cash equivalents include cash at bank and in hand and short-term bank deposits. Borrowings, cash and cash equivalents contained within assets classified as held for sale are also included in net debt. The net debt: adjusted EBITDA ratio is calculated on the existing basis prior to the adoption of IFRS 16 in 2019 and is based on net debt excluding leases. These measures are presented as they closely aligned to the measure used in our financing covenants.
4. Order book comprises revenue that is supported by a signed contract or written purchase order for work secured under a single contract award or frame agreements. Work under multi-year agreements is recognised in order book according to anticipated activity supported by purchase orders, customer plans or management estimates. Where contracts have optional extension periods, only the confirmed term is included. Order book disclosure is aligned with the IFRS definition of revenue and does not include Wood's proportional share of joint venture order book. For comparability, order book at 30 June 2019 excludes the order book of the nuclear and industrial services businesses disposed. Order book is presented as an indicator of the visibility of future revenue.

Business review



Robin Watson Chief Executive

"In the first half of 2020, we took early and decisive actions in response to the unprecedented impact of Covid-19 on the global economy and oil price volatility. Focusing first on the safety of our people, we took action to reduce cost, protect margins & cashflow and ensure balance sheet strength, while delivering for customers. We are benefitting from our broader market exposure and have seen relative resilience in two thirds of our revenue which is derived from chemicals & downstream, renewables and built environment markets. We have successfully protected margins, and delivered trading performance at the upper end of guidance while reducing net debt as a result of portfolio optimisation and steps taken to protect cashflow. Our objectives are to maintain full year margins in line with 2019 and deliver strong cashflow to further reduce debt in the second half."

Revenue
\$4,085m (2019: \$4,788m)
 ▼ 14.7%

Revenue
 (on a like for like basis)¹
\$4,012m (2019: \$4,535m)
 ▼ 11.5%

Adjusted EBITDA²
\$305m (2019: \$384m)
 ▼ 20.6%

Adjusted EBITDA margin
7.5% (2019: 8.0%)
 ▼ 0.5%

Adjusted EBITDA
 (on a like for like basis)¹
\$299m (2019: \$361m)
 ▼ 17.1%

Adjusted EBITDA margin
 (on a like for like basis)
7.5% (2019: 8.0%)
 ▼ 0.5%

Operating profit before
 exceptional items
\$101m (2019: \$168m)
 ▼ 39.9%

Operating profit
\$66m (2019: \$139m)
 ▼ 52.5%

Profit/(loss) for the period
\$(11)m (2019: \$13m)
 movement: n/a

Basic EPS
(2.2) cents (2019: 2.1 cents)
 movement: n/a

Adjusted diluted EPS
10.1 cents (2019: 18.2 cents)
 ▼ 44.5%

Interim dividend
nil (2019: 11.4 cents)
 movement: n/a

Net debt excluding leases³
\$1,216m (2019: \$1,773m)
 ▼ 31.4%

Order book⁴
\$7,045m (2019: \$8,427m)
 ▼ 16.4%

Overview

In the first half of 2020, our agility and focus on controlling what we can control enabled us to take early and decisive action in response to both the unprecedented impact of Covid-19 on the global economy and the significant levels of oil price volatility.

Ensuring the safety of our people, clients and suppliers has been our top priority. Since the start of April over 40,000 of our people have been successfully working remotely. Their effectiveness in delivering for customers supports the continued demand for our services and informs our cautious approach to plans for returning to the workplace. In addition, Wood employees continue to work safely at customer sites supporting vital services globally.

The advanced stage of our strategic diversification across Energy and the Built Environment supported the resilience of our consulting, projects and operations activity in H1. We saw relatively robust demand for our services in chemicals & downstream and built environment markets together with increased activity in renewables where we will double our revenues in 2020, driven by increased activity in our US solar business which will account for over \$500m of revenue.

Our proven ability to leverage our asset light model in response to market conditions has been key to our first half performance. In April we also announced a number of actions to protect our business and stakeholders by reducing cost, protecting margins and cashflow and ensuring balance sheet strength. These actions are now complete. The impact of our cost reduction initiatives will largely be recognised in the second half, with c\$70m reflected in our first half financial performance which is at the upper end of guidance.

H1 trading performance: reducing cost, protecting margins & cashflow and ensuring balance sheet strength

Revenue demonstrates relative resilience, reflecting breadth of Energy and Built Environment market exposure

We are benefitting from the advanced stage of our strategy to broaden our end market exposure across Energy and the Built Environment. We have seen relative resilience in the c65% of our end market revenue which is derived from chemicals & downstream (c25%), renewables and other energy (c25%) and the built environment (c15%). Significant volatility in oil price has presented challenges in upstream and midstream oil & gas in terms of lower activity which now represents only c35% of our activity (H1 2019: c40%).

Revenue of \$4.1bn was down 14.7% on 2019. On a like for like basis¹, adjusting for the disposals of the nuclear and industrial services businesses in Q1 2020, first half revenues were down 11.5%. Revenue included increased renewables activity which, as a proportion of total revenue, contributed an additional 5% compared to H1 2019. Relatively robust activity in chemicals & downstream and the built environment market helped offset lower upstream & midstream activity, which was down c5% as a proportion of total revenue compared to H1 2019. Reflecting the timing of macro challenges, the fall in H1 revenues was heavily weighted to the second quarter; Q2 revenue of \$1.9bn was c10% lower than Q1.

Margin protection: Adjusted EBITDA and operating profit benefitting from maintaining good operational utilisation and reducing overheads

We have successfully protected margin by maintaining operational utilisation at high levels and reducing overheads in anticipation of reduced activity. Adjusted EBITDA margin is down only 50bps and we delivered margin improvement in two of our three business units. Regrettably, the actions taken included a reduction in headcount since the start of the year of c15%, excluding the nuclear and industrial services disposals. We also accelerated the strategic margin improvement initiatives committed to in our Capital Markets presentation in November 2019.

Adjusted EBITDA was \$305m, at the upper end of guidance. Adjusted EBITDA on a like for like basis was down 17.1% with margins down 50 bps. This reflects reduced activity levels and the impact of c\$30m of cost overruns in ASA, partly offset by the impact of actions taken to protect margin.

Operating profit before exceptional items of \$101m, stated after depreciation of \$83m and amortisation of \$115m, was ahead of guidance due to higher adjusted EBITDA and lower than expected depreciation.

Delivering at pace: completed actions to deliver >\$200m overhead savings

The actions required to deliver overhead savings of over \$200m for FY 2020 were completed in H1. Around \$70m was recognised in H1, with the majority coming through in H2, and we are confident of delivering a stronger second half margin performance. The cost savings comprise a combination of temporary measures and more structural adjustments, such as headcount reductions, and include:

- Voluntary salary reductions. The Board, executive directors, senior leaders and others elected to take a temporary 10% reduction in base salary effective from 1 April for 9 months.
- Headcount reductions, temporary furloughing, reduced working hours, unpaid leave and operational salary reductions.
- Other overhead cost reductions including the stoppage of discretionary spend, travel costs and increased utilisation of shared service centres and high value engineering centres.

Around half of the \$200m of overhead savings in 2020 are structural and will endure beyond 2020.

Operating profit impacted by one off exceptional costs of \$35m

Operating profit of \$66m includes the impact of exceptional costs of \$35m (H1 2019: \$29m). This includes restructuring, redundancy and integration costs of \$41m, an impairment charge in respect of a business held for sale of \$19m, together with non cash costs in respect of asbestos of \$26m relating to lower bond rates significantly reducing discount rates. These were partly offset by gains on disposal of the nuclear and industrial services businesses of \$56m. Further details of exceptional items, including asbestos, are included in the Financial Review.

Interim dividend

Ensuring balance sheet strength and protecting cashflow

Uncertainty around the impact of Covid-19 and volatility in oil prices continues and our focus on balance sheet strength remains. As a result, the Board considers it prudent not to pay a 2020 interim dividend. The Board recognises the importance of dividends to shareholders and is committed to reviewing the future policy once there is greater clarity on the impact of Covid-19 and recent significant levels of oil price volatility.

Cashflow, net debt and liquidity

Reducing net debt in H1: portfolio optimisation and commitment to target leverage

Ensuring balance sheet strength remains a key objective. Net debt excluding leases significantly reduced to \$1.22bn at the end of June. This compares to net debt excluding leases at 31 December 2019 of \$1.42bn and \$1.77bn at 30 June 2019. The ratio of net debt excluding leases to adjusted EBITDA (pre IFRS 16) at 30 June was 1.96x (30 June 2019: 2.5x and 31 December 2019: 2.0x).

We saw a working capital outflow in the first half of \$67m (H1 2019: \$140m outflow). This was driven by the expected unwind of advance payments, principally related to a large US contract due to complete in H2. We saw an inflow from receivables and delivered an improvement in receivables days from 71 in the first half of 2019 to 62. A reduction in payables reflected lower activity and the temporary benefit of government payment deferral schemes.

Cash exceptional costs of \$62m (2019: \$30m) included restructuring, redundancy and integration costs of \$41m relating to actions taken in response to Covid-19 and oil price volatility. Cash generated from operations (excluding the impact of leases) was \$6m (H1 2019: \$28m).

We made excellent progress with our portfolio optimisation strategy as we focus on premium, differentiated, higher margin activities. In Q1 2020 we completed the disposals of our industrial services and nuclear businesses, generating \$394m in proceeds.

Net debt also benefitted from the steps taken to protect cashflow and ensure balance sheet strength including the withdrawal of the final dividend of c\$160m and the implementation of capex reductions in relation to ERP and other discretionary spend. We remain committed to a strong balance sheet and achieving our target leverage of 1.5x net debt to adjusted EBITDA on a pre-IFRS 16 basis.

Strong liquidity and significant financial headroom

We have considerable levels of financial headroom and liquidity and at 30 June 2020 net debt was \$1.22bn. Undrawn facilities are \$1.627bn compared to total financing facilities of over \$3bn. Facilities include bilateral term loans of \$300m, a revolving credit facility of \$1.75bn and US private placement debt of c\$880m with no near term maturities. The majority of the bilateral and revolving credit facilities have a maturity date of May 2022, with \$100m of the bilateral term loans repayable in September 2021. The US private placement debt has a variety of maturity dates between 2021 and 2031 with first maturity of \$77m in late 2021 and the majority weighted to later dates. Covenants are set at 3.5x pre-IFRS 16 EBITDA.

Update on regulatory investigations

There have been no material developments since our results announcement in March. Discussions concerning possible resolutions of the investigations by the authorities in the US, Brazil and Scotland progressed to the point where the Group believes that it is likely to be able to settle the relevant matters with these authorities at an aggregate cost of approximately \$46m. This amount continues to be reflected as a provision in the financial statements as described in note 11. The Group could also face further potential civil and criminal consequences in relation to the investigation by the SFO.

Differentiated sustainability leadership

Our goal is to be a leader in our field in environmental, social and corporate sustainability. Notwithstanding the challenging trading backdrop in the first half we have continued to make progress towards this goal.

In June, we announced our pledge to set a science-based target to reduce scope 1 and 2 greenhouse gas emissions by 40% by 2030. This will be achieved by reducing carbon intensity from our sites, equipment and vehicle use, the increased utilisation of renewable energy sources and more sustainable procurement policies. This is in addition to the technical solutions we provide to clients covering wind, solar, carbon capture and storage, hydrogen and waste to energy, as well as solutions to help oil, gas and chemicals clients achieve their own decarbonisation targets. It is also complemented by our work in the built environment, designing, planning and delivering sustainable and less carbon intensive infrastructure, as the world continues to urbanise.

The safety of our people, our clients and suppliers was at the forefront of the actions we have taken in response to the current conditions. With over 40,000 of our people working remotely, employee health and welfare has also been a key area of emphasis. We have ensured that our leaders have the appropriate tools and guidance to stay connected with their teams and our success in this area has been recognised in extensive positive feedback from our people.

Through our Modern Slavery and Human Trafficking 2020 statement, we continue to uphold the Universal Declaration of Human Rights (UDHR) and strengthen our human rights governance in Wood. We have adopted the Building Responsibly worker welfare principles and are driving these principles throughout our business and supply chain.

Our ESG progress is a differentiator for the business and is being recognised by the leading ratings agencies. Sustainalytics highlight our strong risk management and corporate governance, rating us ahead of E&C peers and ranking us 6th out of 137 in the energy services sector. MSCI formally recognise our leadership position with a consistent AA rating over the last 5 years and note our strong carbon mitigation efforts and formal anti-corruption policy.

Outlook for 2020: Winning work, focused on margin protection and cash generation

Order book benefitting from new wins in challenging market conditions

We continue to win and execute work and are seeing relative strength in the c65% of our business which derives from the chemicals & downstream, renewables and built environment markets, which is helping to mitigate challenges in upstream/midstream. Our success in diversifying our end market exposure is evident in the breadth of work secured in H1 and highlights the enduring relevance of our market positioning. We booked new orders of \$3.3bn of which \$1.7bn were booked since early March. These include; engineering, procurement and construction work for GSK, onshore wind and solar EPC awards in the US, EPCm to increase production of an oilfield in Iraq, a UK upstream contract extension and an LNG renewal in Asia Pacific. We also secured a five year framework agreement with the US Navy for engineering, design and maintenance of fuel installations.

Order book at the end of June was \$7.0bn (down 16.4% on June 2019 on a like for like basis), with \$3.1bn due to be delivered in H2 2020. We continue to see lower levels of short cycle work coming to market, although our order book gives us higher visibility than is typical at this point in the year. In 2019 we had c90% of forecast revenue either delivered or secured at this point in the year. Whilst we are starting to see early indications of trading conditions stabilising, the risks of downward scope variations, deferrals and cancellation of secured work persist. We are prepared for a wide range of outcomes across our end markets.

Margin protection objective: to maintain full year EBITDA margins at the 2019 level of 8.6%

Our focus remains on controlling what we can control. We will continue to maintain high operational utilisation and EBITDA will benefit from the >\$200m full year impact of overhead cost reductions. We expect these actions and the progression to completion of the legacy energy projects in ASA early in Q3, to deliver a stronger second half margin as we look to maintain EBITDA margins at the 2019 level of 8.6%. Looking further ahead, we remain committed to delivering our medium term EBITDA margin target of 100bps improvement on 2019.

Good cash generation to deliver further reduction in net debt

Delivering strong free cashflow generation continues to underpin our investment case. Risks to second half activity persist and the full year working capital movement will be dependent on activity and the general trading environment. We currently expect a further unwind of the balance of advances on EPC work in H2 to be more than offset by improved working capital performance. We expect to benefit from a significant reduction in provision movements to around \$110m for the full year, relating to projects, asbestos and disposed businesses, particularly as legacy AFW items close out or complete. Compared to previous expectations, exceptional items in 2020 will be higher at around \$85m, as a result of costs to deliver overhead savings which are heavily weighted to H1. The timing of any settlements on regulatory investigations is uncertain and could impact on the outlook on exceptionals. On capex, we have pulled back the pace of the next phase of our ERP implementation which is expected to reduce the cash outflow for the full year to around \$95m.

Overall, we expect good cash generation and a further reduction in net debt in the second half of 2020.

Well placed for medium term growth as markets recover and the energy transition gathers pace

The macro challenges in the first half of 2020 have reinforced our view that our strategy to broaden across diverse energy and built environment markets has been the right one. We are well placed to grow as markets recover. Our differentiated capabilities in consulting, projects and operations position us well to benefit from opportunities to engineer the solutions necessary to achieve lower carbon energy systems and sustainable infrastructure, which we expect to benefit from increased government spending. As the energy transition gathers pace, we expect to increase the proportion of revenue derived from renewables, alternative energies and the built environment in the next strategic cycle and to reduce the proportion of revenue derived from traditional upstream oil and gas markets.

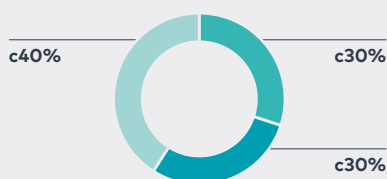
Asset Solutions Americas (ASA)

Revenues remained relatively robust, down 10.5% on H1 2019. This reflects continued strength in capital projects activity in chemicals & downstream as projects, including the YCI methanol plant and the GCGV plastics facility, continue to progress well. We are also seeing higher activity in renewables in both solar and wind. Market conditions in upstream and midstream oil & gas are challenging, and activity is down as expected.

% of Revenue:



Markets:



Energy

- Upstream/midstream c30%
- Chemicals & downstream c30%
- Renewables & other energy c40%

Adjusted EBITDA was \$71m. The fall in margins from 6.6% to 4.3% reflects the impact of lower activity generally and cost overruns of c\$30m on the legacy energy projects from 2019 which we are progressing to completion early in Q3, partially offset by actions taken to maintain operational utilisation, as reflected in the lower headcount, together with overhead cost reductions.

Outlook

Order book is \$2.0bn with \$1.1bn due to be delivered in H2 2020. Order book is down 23.9% compared to June 2019 reflecting progress on larger chemicals & downstream capital projects and lower upstream activity, partially offset by new solar awards.

We will continue to see lower levels of activity across upstream oil & gas. Activity in chemicals & downstream will be down on 2019 as activity on YCI reduces. Our solar business is set to deliver over \$500m of revenue in 2020 compared to \$250m in 2019. Cost reduction initiatives will drive stronger margins in the second half.

Revenue

\$1,651m

(2019: \$1,845m) ▼ 10.5%

Revenue (on a like for like basis)¹

n/a

(2019: n/a) movement: n/a

Adjusted EBITDA

\$71m

(2019: \$121m) ▼ 41.3%

Adjusted EBITDA margin

4.3%

(2019: 6.6%) ▼ 2.3%

Adjusted EBITDA (on a like for like basis)¹

n/a

(2019: n/a) movement: n/a

Adjusted EBITDA margin (on a like for like basis)

n/a

(2019: n/a) movement: n/a

People

13,000

(2019: 16,200) ▼ 19.8%

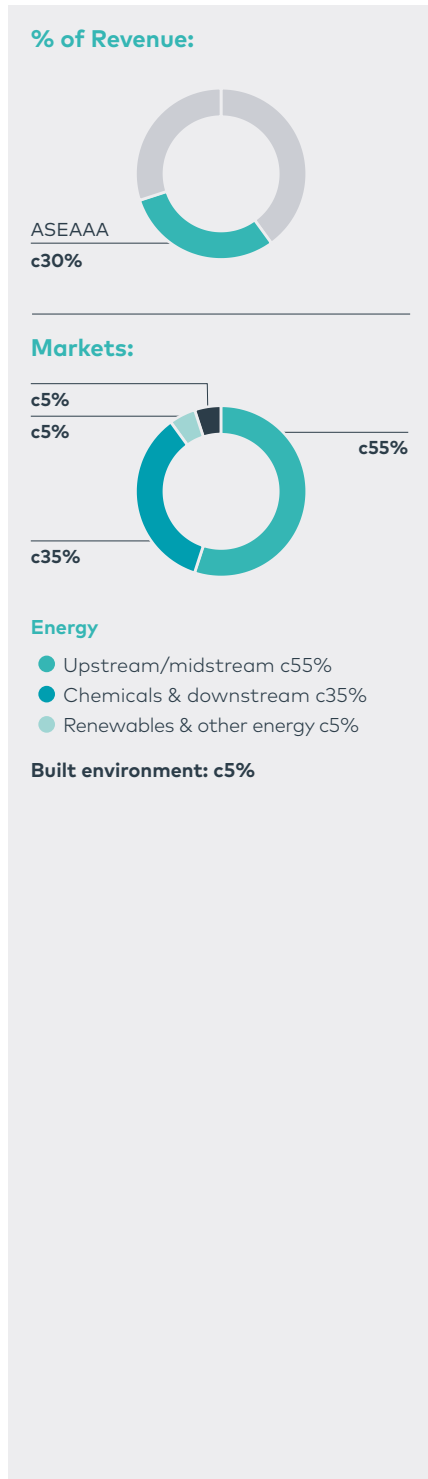
Order book⁴

\$1,979m

(2019: \$2,600m) ▼ 23.9%

Asset Solutions Europe, Africa, Asia and Australia (ASEAAA)

Like for like revenue, adjusting for the disposal of the industrial services business, is down 9%. This is largely driven by lower upstream oil & gas work, partly offset by robust activity levels on capital projects work in chemicals & downstream.



Adjusted EBITDA on a like for like basis, is down 8%. Margins are slightly up on 2019 reflecting continued strength in execution, the benefits of maintaining strong operational utilisation and overhead reductions made in response to lower activity.

Outlook

Order book is \$3.4bn with \$1.1bn due to be delivered in H2 2020. Order book is down 13.5% compared to June 2019 reflecting the work-off of existing awards, partly offset by new awards including engineering, procurement and construction work for GSK, EPCm work in Iraq and an LNG renewal in Asia Pacific.

For FY 2020 we will continue to benefit from early stage FEED work and increased chemicals & downstream work which will help to offset the continued low levels of upstream oil & gas activity, particularly in the Middle East.

Revenue

\$1,283m

(2019: \$1,485m) ▼ 13.6%

Revenue (on a like for like basis)¹

\$1,271m

(2019: \$1,397m) ▼ 9.0%

Adjusted EBITDA

\$139m

(2019: \$158m) ▼ 12.0%

Adjusted EBITDA margin

10.8%

(2019: 10.6%) ▲ 0.2%

Adjusted EBITDA (on a like for like basis)¹

\$138m

(2019: \$150m) ▼ 8.0%

Adjusted EBITDA margin (on a like for like basis)

10.9%

(2019: 10.7%) ▲ 0.2%

People

17,900

(2019: 25,000) ▼ 28.4%

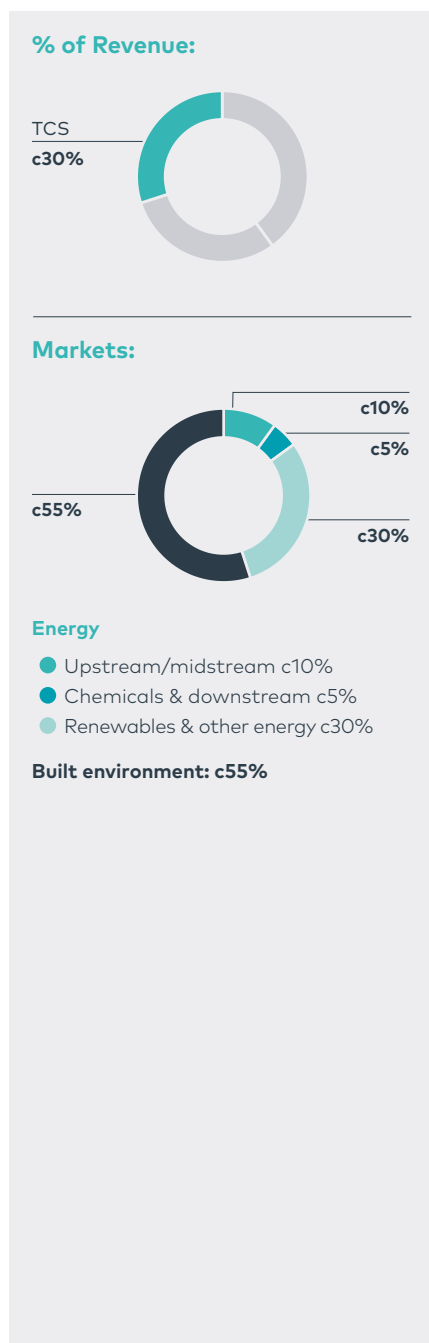
Order book⁴

\$3,447m

(2019: \$3,985m) ▼ 13.5%

Technical Consulting Solutions (TCS)

The formation of TCS in Q4 2019 brought together the capabilities of Specialist Technical Solutions (STS) and Environment and Infrastructure Solutions (E&IS) into a more efficient global and industry leading consulting offering.



Revenue on a like for like basis, adjusting for the disposal of the nuclear business, is down c15% on H1 2019. The reduction in revenue reflects the expected roll off of automation work on TCO and our reduced appetite for larger, low margin construction contracts. Activity in the built environment market, which accounted for around 55% of revenues in the first half, was relatively resilient.

Adjusted EBITDA margins are up significantly on H1 2019 benefitting from our strategic margin focus, the synergy delivery initiatives which started in Q4 2019 and maintaining good operational utilisation.

Outlook

Order book is \$1.5bn with \$0.8bn due to be delivered in 2020. Order book is down 14% on prior year reflecting progress on the TCO automation contract and a number of larger contracts in E&IS.

TCS has a broad end market exposure with 55% of activity in the built environment and only 10% in upstream oil & gas. We expect underlying activity in TCS to continue to benefit from a relatively resilient built environment market in the H2.

* Adjusted to reflect revenue on the Aegis contract now reported in Investment services

Revenue

\$1,097m

(2019: \$1,425m) ▼ 23.0%

Revenue (on a like for like basis)¹

\$1,036m

(2019: \$1,212m*) ▼ 14.5%

Adjusted EBITDA

\$119m

(2019: \$138m) ▼ 13.8%

Adjusted EBITDA margin

10.8%

(2019: 9.7%) ▲ 1.1%

Adjusted EBITDA (on a like for like basis)¹

\$114m

(2019: \$121m) ▼ 5.8%

Adjusted EBITDA margin (on a like for like basis)

11.0%

(2019: 10.0%) ▲ 1.0%

People

12,300

(2019: 15,300) ▼ 19.6%

Order book⁴

\$1,524m

(2019: \$1,771m) ▼ 13.9%

Investment Services

A number of legacy activities and liabilities are managed in Investment Services. Investment Services generated revenue of \$54m (H1 2019: \$81m*) and adjusted EBITDA of \$11m (H1 2019: \$16m). EBITDA in H1 2020 included higher EBITDA in our renewables project development business offset by lower provision releases related to legacy projects.

Financial review

Trading performance

Trading performance is presented in line with how it is used by management to run the business with adjusted EBITDA including the contribution from joint ventures. A reconciliation of operating profit to adjusted EBITDA is included in note 2 to the financial statements.

	Interim June 2020 \$m	Interim June 2019 \$m	Full Year 2019 \$m
Revenue	4,084.7	4,788.2	9,890.4
Adjusted EBITDA¹	304.9	384.1	855.4
Adjusted EBITDA margin %	7.5%	8.0%	8.6%
Depreciation (pre-IFRS 16)	(23.7)	(26.5)	(53.6)
Depreciation on right of use asset (IFRS 16)	(59.4)	(61.9)	(128.4)
Amortisation - software and system development	(53.1)	(47.2)	(99.5)
Amortisation - intangible assets from acquisitions	(62.1)	(72.1)	(144.2)
Adjusted EBIT	106.6	176.4	429.7
Tax and interest charges on joint ventures included within operating profit but not in adjusted EBITDA	(5.8)	(8.7)	(18.7)
Operating profit before exceptional items	100.8	167.7	411.0
Exceptional items	(35.2)	(28.9)	(107.6)
Operating profit	65.6	138.8	303.4
Net finance expense	(52.1)	(61.7)	(126.5)
IFRS 16 interest charge	(12.6)	(14.9)	(28.2)
Profit before tax	0.9	62.2	148.7
Taxation	(11.4)	(49.1)	(75.9)
Profit/(loss) for the period	(10.5)	13.1	72.8
Basic EPS (cents)	(2.2)c	2.1c	10.7c
Adjusted diluted EPS (cents)²	10.1c	18.2c	46.0c

In the table above depreciation, amortisation and exceptional items include the contribution from joint ventures.

Adjusted EBITDA has reduced by \$79.2m to \$304.9m in the period to 30 June 2020. The Group has taken a number of early actions in response to the impact of Covid-19 on the global economy and significant levels of oil price volatility. These actions, which include the acceleration of our strategic margin improvement initiatives, are focused on reducing costs and protecting margins and are expected to deliver cost savings of over \$200m for the full year. The actions were completed during the first half of 2020, delivering approximately \$70m of overhead reduction in H1. The review of our trading performance is contained within the Business Review.

Amortisation and depreciation

Total amortisation for the first half of 2020 of \$115.2m (June 2019: \$119.3m) includes \$52.8m of amortisation of intangibles recognised on the acquisition of Amec Foster Wheeler (AFW) (June 2019: \$61.8m) and \$9.3m (June 2019: \$10.3m) of amortisation relating to intangible assets arising from prior year acquisitions. Amortisation in respect of software and development costs was \$53.1m (June 2019: \$47.2m) largely relating to engineering software and ERP system development. Included in the amortisation charge for the year above is \$1.1m (June 2019: \$0.7m) in respect of joint ventures. The total depreciation charge in the first half of 2020 amounted to \$83.1m (June 2019: \$88.4m) and includes depreciation on right of use assets of \$59.4m (June 2019: \$61.9m).

Net finance expense and debt

Net finance expense is analysed below.

	Interim June 2020 \$m	Interim June 2019 \$m	Full year 2019 \$m
Interest on bank borrowings	20.8	35.5	63.0
Interest on US Private Placement debt	19.0	9.7	28.5
Discounting relating to asbestos, deferred consideration and other liabilities	7.6	5.8	12.3
IFRS 16 Interest on leases	12.6	14.9	28.2
Other interest, fees and charges	9.8	14.1	32.3
Net finance charges in respect of joint ventures	1.7	1.8	5.9
Total finance expense including joint ventures	71.5	81.8	170.2
Finance income relating to defined benefit pension schemes	(1.9)	(1.0)	(5.7)
Other finance income	(3.2)	(2.4)	(3.9)
Net finance expense including joint ventures	66.4	78.4	160.6

Interest cover³ was 4.41 times (June 2019: 5.00 times).

Joint venture interest in the first half of 2020 amounted to \$1.7m (June 2019: \$1.8m).

Financial review

At 30 June 2020 total bank borrowings amounted to \$624.1m, including term loans of \$300.0m, of which \$100.0m is repayable in September 2021 and \$200.0m is repayable in May 2022, and \$319.3m of drawdowns under the Group's \$1.75bn Revolving Credit Facility. A further \$4.8m of funding has been drawn under the Group's other short-term facilities. The maturity of the Revolving Credit Facility is in May 2022.

The Group also has \$878.5m of unsecured loan notes issued in the US private placement market which mature at varying dates between 2021 and 2031, of which \$77m matures between August and November 2021 with the remainder weighted to later dates. Interest is payable at an average rate of 4.31% on these loan notes.

In total the Group has undrawn facilities of \$1,627.1m at 30 June.

The Group recognised interest costs in relation to lease liabilities of \$12.6m (June 2019: \$14.9m), which relates to the unwinding of discount on the IFRS 16 lease liability.

Net debt excluding leases to adjusted EBITDA (excluding impact of IFRS 16) at 30 June was 1.96 times (June 2019: 2.50 times) against our covenant of 3.5 times. This is calculated pre IFRS 16 as our covenants are calculated on a frozen GAAP basis.

Exceptional items

	Interim June 2020 \$m	Interim June 2019 \$m	Full year 2019 \$m
(Gain)/loss on divestment of business	(55.8)	8.9	9.4
Impairment losses on non core business	19.0	-	-
Redundancy, restructuring and integration costs	40.5	11.2	41.7
Investigation support costs and provisions	5.9	8.8	56.5
Updated discount rate on asbestos related provision	25.6	-	-
	35.2	28.9	107.6
Tax on exceptional items	(2.1)	18.3	19.5
Continuing exceptional items, net of tax	33.1	47.2	127.1

A total gain on sale of \$55.8m has been recognised, and mainly relates to the disposal of the nuclear and industrial services businesses partially offset by the loss on disposal of an owned property in Aberdeen.

A gain of \$57.2m has been recognised on completion of the sale of Wood's nuclear business. Proceeds of \$292.5m (net of cash disposed) were received compared to the net book value of \$232.2m which included an allocation of goodwill and intangible assets arising on the AFW acquisition of \$233.9m, and costs relating to the disposal of \$2.5m. In addition, as the nuclear business was a GBP functional currency entity, a cumulative foreign currency translation loss of \$0.6m has been recognised through the income statement.

A further gain of \$1.9m was recognised in relation to the sale of Wood's industrial services business. Proceeds of \$101.8m (net of cash disposed) were received compared to the net book value of \$76.1m which included goodwill and intangible assets arising on the original acquisition of the business in 2013 of \$26.6m. In addition, as the industrial services business was a GBP functional currency entity, a cumulative foreign currency translation loss of \$16.7m has been recognised through the income statement as required by IAS 21. Costs of \$2.5m relating to the disposal were incurred and a provision of \$4.6m has been made for future obligations.

Impairment losses recognised in the first half mainly relate to the Group's strategic decision to exit YKK, our Kazakh provider of training and related services. An offer has been accepted for the business. Management are confident that the deal will complete within 12 months of the balance sheet date and therefore have classified the assets and liabilities of the business as held for sale. The net asset value, including goodwill, has been written down in the period by \$16.0m to reflect the agreed sale price.

During the period to 30 June 2020, \$40.5m (including \$3.8m of joint venture exceptional charges) was incurred in relation to redundancy, restructuring and integration. These costs relate to the restructuring work which commenced during 2019 with the creation of the TCS business unit and the margin improvement programmes to achieve the Group's medium term strategic objective to deliver 100 basis points margin improvement. These initiatives were already in progress prior to the impact of the Covid-19 pandemic and volatility in oil price to reduce the Group's cost base, improve operational efficiency and drive improved margins. Some of the actions have been amplified in response to the pandemic and the lower oil price environment but the costs taken as exceptional are incurred to bring about sustainable improvements in the Group's cost base. The broader impact of Covid-19 and lower oil prices on activity levels are reflected in the Group's operating performance.

During the period to 30 June costs of \$5.9m were incurred in relation to legal and other support costs associated with ongoing investigations by the SEC, DoJ, SFO or Scottish Crown Office. There have been no material changes to the status of the SEC, DoJ or Scottish Crown Office investigations that would result in a change to the amounts provided. Similarly, the status of the SFO investigation remains at a stage where it is not possible to establish a reliable estimate of any amounts which may become payable. Please refer to notes 11 and 19.

Since the acquisition of AFW, asbestos related costs have not been treated as exceptional items, with a judgement made on individual elements based on materiality. The extreme market conditions seen in the first half of 2020 have led to unprecedented reductions in US treasury yields. The 30-year US treasury yield curve, which most closely matches the duration of the liabilities has reduced to 1.41% from 2.39% at the end of December 2019. The impact of this is a charge to the income statement of \$25.6m and therefore has been treated as exceptional by virtue of its size. Going forward, movements in discount rates will be treated as exceptional. In the period to 30 June 2019, an equivalent charge of \$5.8m was taken to EBITDA. An exceptional tax credit of \$2.1m (June 2019: \$18.3m charge) has been recorded in the period reflecting deductible exceptional expenses net of income on the release of onerous lease provisions.

Taxation

The effective tax rate on profit before tax, exceptional items and amortisation and including Wood's share of joint venture profit on a proportionally consolidated basis is set out below, together with a reconciliation to the tax charge in the income statement.

	Interim June 2020 \$m	Interim June 2019 \$m	Full year 2019 \$m
Profit from continuing operations before tax, exceptional items and amortisation	155.4	217.3	512.8
Effective tax rate on continuing operations (excluding tax on exceptional items and amortisation)	23.5%	23.4%	23.9%
Tax charge (excluding tax on exceptional items and amortisation)	36.5	50.8	122.5
Tax charge in relation to joint ventures	(4.1)	(6.9)	(12.8)
Tax (credit)/charge in relation to exceptional items	(2.1)	18.3	19.5
Tax credit in relation to amortisation	(18.9)	(13.1)	(53.3)
Tax charge per income statement	11.4	49.1	75.9

The effective tax rate reflects the rate of tax applicable in the jurisdictions in which the Group operates and is adjusted for permanent differences between accounting and taxable profit and the recognition of deferred tax assets. Key adjustments impacting on the rate in the six months ended 30 June 2020 are: restrictions on the deductibility of interest in the UK; current year losses not recognised; branch or withholding tax in excess of double tax relief; changes in deferred tax utilisation and recognition, primarily in the US; the release of provisions to uncertain tax position; Covid-19 changes in tax legislation benefits and reductions in prior year tax provisions in light of revised guidance from authorities.

We currently anticipate a rate of 23-24% in 2020, with key factors being profits in the US compared to forecasts and the level of actuarial adjustments to the UK pension scheme, as the deferred tax liability supports UK deferred tax recognition. In addition to the effective tax rate, the total tax charge in the income statement reflects the impact of exceptional items and amortisation which by their nature tend to be expenses that are more likely to be not deductible than those incurred in ongoing trading profits. The income statement tax charge excludes tax in relation to joint ventures.

Earnings per share

The calculation of basic earnings per share is based on the earnings attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year excluding shares held by the Group's employee share trusts. For the calculation of adjusted diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares, only when there is a profit per share. Adjusted diluted earnings per share is disclosed to show the results excluding the impact of exceptional items and amortisation related to acquisitions, net of tax.

	Interim June 2020			Interim June 2019			Full year 2019		
	Earnings attributable to equity shareholders (\$m)	Number of shares (millions)	Earnings per share (cents)	Earnings/ (losses) attributable to equity shareholders (\$m)	Number of shares (millions)	Earnings per share (cents)	Earnings/ (losses) attributable to equity shareholders (\$m)	Number of shares (millions)	Earnings per share (cents)
Basic	(14.9)	671.7	(2.2)	13.8	670.9	2.1	72.0	670.9	10.7
Effect of dilutive ordinary shares	-	-	-	-	15.9	(0.1)	-	15.8	(0.2)
Diluted	(14.9)	671.7	(2.2)	13.8	686.8	2.0	72.0	686.7	10.5
Adjusted diluted earnings per share calculation									
Basic	(14.9)	671.7	(2.2)	13.8	670.9	2.1	72.0	670.9	10.7
Effect of dilutive ordinary shares	-	-	-	-	15.9	(0.1)	-	15.8	(0.2)
	(14.9)	671.7	(2.2)	13.8	686.8	2.0	72.0	686.7	10.5
Effect of dilutive ordinary shares (adjusted)	-	20.2	-	-	-	-	-	-	-
Exceptional items, net of tax	33.1	-	4.8	47.2	-	6.9	127.1	-	18.5
Amortisation of intangibles on acquisition, net of tax	51.9	-	7.5	64.1	-	9.3	117.1	-	17.0
Adjusted diluted	70.1	691.9	10.1	125.1	686.8	18.2	316.2	686.7	46.0

Basic and diluted loss per share for the period was 2.2 cents per share (June 2019: basic earnings 2.1 cents). Due to the challenging trading environment as a result of Covid-19 and the significant volatility in oil price, partly offset by actions to reduce cost and protect margins, the Group incurred a small loss in the first half.

Dividend

In light of the uncertainties caused by the Covid-19 pandemic and the volatility in oil prices, the Board withdrew its recommendation for the 2019 final dividend payment to protect cash flows and ensure balance sheet strength. The uncertainty around the impact of Covid-19 and volatility in oil prices continues and as a result the Board considers it prudent not to pay a 2020 interim dividend. The Board recognises the importance of dividends to shareholders and is committed to reviewing the future policy once there is greater clarity on the impact of Covid-19 and oil price volatility; any decision to resume payment of a dividend will consider the Group's future profitability and cash requirements and focus on maintaining balance sheet strength.

Cash flow and net debt

The cash flow for the year is set out below:

	Excluding leases June 2020 \$m	Leases June 2020 \$m	Interim June 2020 \$m	Restated* Interim June 2019 \$m	Restated* Full year 2019 \$m
Adjusted EBITDA	229.9	75.0	304.9	384.1	855.4
Less JV EBITDA and add back JV dividends	(22.7)	(3.1)	(25.8)	(7.9)	(37.7)
Decrease in provisions	(74.7)	-	(74.7)	(115.7)	(216.1)
Other	2.5	-	2.5	5.3	3.9
Cash flow generated from operations pre working capital	135.0	71.9	206.9	265.8	605.5
Decrease/(increase) in receivables	171.7	6.3	178.0	(68.3)	200.2
(Decrease)/increase in payables	(95.8)	-	(95.8)	(153.3)	(132.5)
(Decrease)/increase in advance payments	(134.0)	-	(134.0)	81.5	127.9
(Increase)/decrease in inventory	(9.0)	-	(9.0)	0.1	(2.8)
Working capital movements	(67.1)	6.3	(60.8)	(140.0)	192.8
Cash exceptionals	(61.6)	-	(61.6)	(18.5)	(52.1)
Cash generated from operations	6.3	78.2	84.5	107.3	746.2
Divestments/acquisitions	372.0	-	372.0	41.8	43.1
Capex and intangibles	(57.0)	-	(57.0)	(58.7)	(127.2)
Free cash flow	321.3	78.2	399.5	90.4	662.1
Tax, interest, dividends and other	(113.2)	12.2	(101.0)	(279.4)	(407.2)
Non-cash movement in leases	-	(23.2)	(23.2)	(91.3)	(145.0)
Decrease/(increase) in net debt	208.1	67.2	275.3	(280.3)	109.9
Opening net debt	(1,424.0)	(583.3)	(2,007.3)	(2,117.2)	(2,117.2)
Closing net debt	(1,215.9)	(516.1)	(1,732.0)	(2,397.5)	(2,007.3)

*details of the restated June 2019 and December 2019 balance sheet are set out in note 1 to the Group financial statements

Closing net debt at 30 June 2020 including leases was \$1,732.0m (June 2019: \$2,397.5m). The reduced net debt is largely as a result of the disposals of the nuclear and industrial services businesses which completed during the first quarter of 2020.

Included within the closing net debt is the IFRS 16 lease liability which is the present value of the lease payments that are not paid at the commencement date and subsequently increased by the interest cost and reduced by the lease payment made. The lease liability, including those classified as held for sale, as at 30 June 2020 was \$516.1m (June 2019: \$624.5m). All covenants on the debt facilities are measured on a frozen GAAP basis and therefore exclude the impact of IFRS 16.

Cash generated from operations pre-working capital reduced by \$58.9m to \$206.9m primarily as a result of the challenging trading environment caused by Covid-19 and oil price.

The working capital outflow reduced by \$79.2m to \$60.8m. During the first half there was a significant inflow from receivables of \$178.0m, and this is driven by an improvement in DSO days from 71 days in the first half of 2019 compared with 62 days in 2020. The inflow from receivables was offset by the outflow from the advanced payments totalling \$134.0m and is driven primarily by the unwind of advances received in the second half of 2019 on a large contract in the ASA business.

Payments for capex and intangible assets were \$57.0m (June 2019: \$58.7m) and included software licences and expenditure on ERP systems across the Group. As a result of the current trading environment, the Group have temporarily paused capital expenditure on the Group's ERP system which will lead to reduced capital expenditure in the full year.

The main driver for the decrease in 'tax, interest, dividends and other' arises due to the suspension of the dividend in 2020, resulting in a \$159.0m reduction in the cash outflow compared with H1 2019.

Cash from divestments/acquisitions of \$372.0m mainly relates to the disposal of the nuclear and industrial services business and is net of cash disposed of \$31.4m and transaction costs of \$5.0m. The total also includes deferred consideration payments of \$17.3m, in respect of prior year acquisitions.

Sources and uses of cash

The reduction in cash generated from operations in 2020 to \$84.5m from \$107.3m was primarily due to the challenging trading environment. The Group also had higher cash outflows associated with exceptional items driven by the integration costs associated with the formation of the TCS business unit and actions taken to reduce costs and protect margin in response to the current macro conditions.

There are a number of risks associated with net cash flow from operations, including:

- Market risks, such as variability in commodity prices which impacts on activities by our customers;
- Project risks, which include delays and disputes which can influence our ability to collect cash from our customers; and
- Other risks, including the actions of governments and other third parties which can affect our ability to service our increasingly global customer base.

The Group remain committed to a strong balance sheet. Our uses of cash include:

- Servicing and repayment of our debt facilities;
- Dividends at the point the Board considers appropriate;
- Organic capex; and
- Future acquisitions.

Summary Balance Sheet

	Interim June 2020 \$m	Restated* Interim June 2019 \$m	Restated* Full year 2019 \$m
Goodwill and intangible assets	6,117.5	6,364.5	6,299.0
Right of use assets	383.0	469.9	412.1
Other non-current assets	860.7	902.2	964.8
Trade and other receivables	2,067.4	2,635.4	2,306.0
Net held for sale assets and liabilities	63.4	259.6	412.9
Trade and other payables	(2,297.9)	(2,539.8)	(2,619.6)
Net debt excluding leases	(1,215.9)	(1,773.0)	(1,424.0)
Lease liabilities	(516.1)	(617.5)	(583.3)
Provisions	(761.9)	(852.8)	(792.2)
Other net liabilities	(468.2)	(526.6)	(551.4)
Net assets	4,232.0	4,321.9	4,424.3
Net current (liabilities)/assets	(226.4)	235.2	(224.1)

*the balance sheet as at 30 June 2019 and 31 December 2019 has been restated to correct differences identified on the adoption of IFRS 16 at 1 January 2019. See note 1 for details.

At 30 June 2020, the Group had net current liabilities of \$226.4m (June 2019: \$235.2m assets).

Goodwill and intangible assets include \$4,307.2m (June 2019: \$4,766.7m) of goodwill and intangibles relating to the acquisition of Amec Foster Wheeler. The balance has decreased during the year primarily because of the disposal of the nuclear business and the amortisation of intangible assets.

Right of use assets and lease liabilities amount to \$383.0m and \$516.1m respectively. Lease liabilities also include \$21.5m of leases previously classified as finance leases.

The reduction in trade receivables is primarily due to better collection of cash during 2020 compared with 2019 and reduced activities caused by Covid-19 and a depressed oil price. There have been no instances of material default by our customers as a result of the current market conditions.

Trade and other payables have reduced by \$321.7m since December 2019 and this is partly due to a reduction in gross amounts due to customers of \$135.5m and relates to the unwinding of a major contract in ASA during the first half of 2020.

The provisions balance reduced by \$30.3m to \$761.9m since December 2019. The reduction in provisions was driven by utilisations and releases totalling \$85.8m and was offset by reclassifications and an income statement charge of \$67.9m. Foreign exchange movements of \$12.4m were also recognised. The amounts utilised during the period total \$51.9m, which mainly related to asbestos. Provisions released to the income statement amounted to \$33.9m and included legacy provisions which were no longer considered necessary. The income statement charge of \$40.0m mainly related to asbestos and was driven by an update in the discount rate. Due to the magnitude of the movement, and in line with Group policy, the \$25.6m of the charge has been reflected as an exceptional item.

Contract assets and liabilities

	Interim June 2020 \$m	Interim June 2019 \$m	Full year 2019 \$m
Trade receivables	849.8	1,320.1	943.5
Amounts due from customers	802.9	976.4	962.8
Amounts due to customers	(345.0)	(520.0)	(480.5)
	1,307.7	1,776.5	1,425.8

The reduction in trade receivables is primarily due to better collection of cash during 2020 compared with 2019 and reduced activities caused by Covid-19 and a depressed oil price. There have been no instances of material default by our customers as a result of the current market conditions. The reduction in gross amounts due to customers of \$135.5m relates to the unwinding of a major contract in the ASA business during the first half of 2020.

Transaction price allocated to the remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June was as follows:

\$m	Year 1	Year 2	Total
Revenue	3,112.0	2,594.0	5,706.0

The order book reported on page 02 of \$7.0bn includes contracted work under multi-year arrangements and is recognised according to anticipated activity supported by customer activity and management estimates. The \$5.7bn reported above has been adjusted to reflect contracted work supported by a contract and approved purchase order.

Asbestos related obligations

Largely as a result of the acquisition of AFW, the Group is subject to claims by individuals who allege that they have suffered personal injury from exposure to asbestos primarily in connection with equipment allegedly manufactured by certain subsidiaries during the 1970s or earlier. The overwhelming majority of claims that have been made and are expected to be made are in the United States. At 30 June 2020, the Group has net asbestos related liabilities of \$390.2m (June 2019: \$386.2m).

The Group expects to have net cash outflows of around \$30m as a result of asbestos liability indemnity and defence payments in excess of insurance proceeds during 2020. The estimate assumes no additional settlements with insurance companies and no elections to fund additional payments. The Group has worked with its independent asbestos valuation experts to estimate the amount of asbestos related indemnity and defence costs at each year end based on a forecast to 2050.

The Group's EBITDA is stated after deducting costs relating to asbestos including administration costs, movements in the liability as a result of changes in assumptions and changes in the discount rate. The extreme market conditions seen in the first half of 2020 have led to unprecedented reductions in US Treasury rates. The 30 year US Treasury rate, which closely matches the duration of the liabilities has reduced to 1.41% from 2.93% at the end of December 2019. This has resulted in a charge of \$25.6m being recognised through the income statement and has been treated as exceptional by virtue of its size. Going forward, movements in discount rates will be treated as exceptional.

Full details of asbestos liabilities are provided in note 11 to the Group financial statements.

Pensions

The Group operates a number of defined benefit pension schemes in the UK and US, alongside a number of defined contribution plans. At 30 June 2020, the schemes had a net surplus of \$146.6m (December 2019: \$241.0m). In assessing the potential liabilities, judgement is required to determine the assumptions for inflation, discount rate and member longevity. The assumptions at 30 June 2020 showed a reduction in the discount rate which results in higher scheme liabilities. No changes to future payment arrangements or scheme contributions levels are anticipated or planned as a result of Covid-19.

Contingent liabilities

Details of the Group's contingent liabilities are set out in note 19 to the financial statements.

Divestments

During 2020, the Group completed the divestments of the nuclear and industrial services business for a consideration of \$394.3m net of cash disposed and before transaction costs of \$5.0m.

At 30 June 2020, the Group has treated the assets and liabilities of some non-core businesses as held for sale as management are committed to a plan to dispose of these businesses and expect that they will complete within 12 months of the balance sheet date.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group in the second half of 2020 that could lead to a significant loss of reputation or could impact on the performance of the Group, along with our approach to managing, mitigating and monitoring these risks, remain broadly unchanged from those described in the Group's 2019 Annual Report, with the addition of a principal risk that recognises the potential HSSE, financial and business disruption risks of the continuing impact of Covid-19. The key risks are in the following categories:

- Strategic
- Health, Safety Security Environment
- Financial
- Technology
- Commercial and Operations
- Compliance and Litigation

The mitigating factors are designed to reduce, but cannot be relied upon to eliminate, the risk areas identified. For further details on the management of risk and the principal risks and uncertainties see pages 45 to 49 of the Group's 2019 Annual Report.

Footnotes

1. Adjusted EBITDA represents operating profit of \$65.6m (June 2019: \$138.8m) before the deduction of depreciation of \$83.1m (June 2019: \$88.4m), amortisation of \$115.2m (June 2019: \$119.3m), exceptional items of \$35.2m (June 2019: \$28.9m) and joint venture interest and tax of \$5.8m (June 2019: \$8.7m) and is provided as it is a key unit of measurement used by the Group in the management of its business.
2. Adjusted diluted earnings per share ("AEPS") is calculated by dividing earnings before exceptional items and amortisation relating to acquisitions, net of tax, by the weighted average number of ordinary shares in issue during the period, excluding shares held by the Group's employee share ownership trusts and adjusted to assume conversion of all potentially dilutive ordinary shares.
3. Interest cover is adjusted EBITDA excluding IFRS 16 of \$229.9m, divided by the net finance expense, which excludes net finance expense from joint ventures of \$1.7m and the impact of IFRS 16 of \$12.6m.

Group income statement

for the six month period to 30 June 2020

	Unaudited Interim June 2020			Unaudited Interim June 2019			Audited Full Year December 2019			
	Note	Pre-exceptional items \$m	Exceptional items (note 4) \$m	Total \$m	Pre-exceptional items \$m	Exceptional items (note 4) \$m	Total \$m	Pre-exceptional items \$m	Exceptional items (note 4) \$m	Total \$m
Revenue	2,3	4,084.7	-	4,084.7	4,788.2	-	4,788.2	9,890.4	-	9,890.4
Cost of sales		(3,647.3)	-	(3,647.3)	(4,233.4)	-	(4,233.4)	(8,768.5)	-	(8,768.5)
Gross profit		437.4	-	437.4	554.8	-	554.8	1,121.9	-	1,121.9
Administrative expenses		(352.6)	(31.4)	(384.0)	(407.8)	(28.9)	(436.7)	(760.4)	(106.3)	(866.7)
Share of post-tax profit from joint ventures		16.0	(3.8)	12.2	20.7	-	20.7	49.5	(1.3)	48.2
Operating profit	2	100.8	(35.2)	65.6	167.7	(28.9)	138.8	411.0	(107.6)	303.4
Finance income		3.2	-	3.2	3.4	-	3.4	9.6	-	9.6
Finance expense		(67.9)	-	(67.9)	(80.0)	-	(80.0)	(164.3)	-	(164.3)
Profit/(loss) before tax		36.1	(35.2)	0.9	91.1	(28.9)	62.2	256.3	(107.6)	148.7
Taxation	8	(13.5)	2.1	(11.4)	(30.8)	(18.3)	(49.1)	(56.4)	(19.5)	(75.9)
Profit/(loss) for period		22.6	(33.1)	(10.5)	60.3	(47.2)	13.1	199.9	(127.1)	72.8
Profit/(loss) attributable to:										
Owners of the parent		18.2	(33.1)	(14.9)	61.0	(47.2)	13.8	199.1	(127.1)	72.0
Non-controlling interests		4.4	-	4.4	(0.7)	-	(0.7)	0.8	-	0.8
		22.6	(33.1)	(10.5)	60.3	(47.2)	13.1	199.9	(127.1)	72.8
Earnings per share (expressed in cents per share)										
Basic	7			(2.2)			2.1			10.7
Diluted	7			(2.2)			2.0			10.5

The notes on pages 21 to 39 are an integral part of the interim financial statements.

Group statement of comprehensive income

for the six month period to 30 June 2020

	Unaudited Interim June 2020 \$m	Unaudited Interim June 2019 \$m	Audited Full Year December 2019 \$m
(Loss)/profit for the period	(10.5)	13.1	72.8
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Re-measurement losses on retirement benefit obligations	(73.7)	(133.6)	(56.1)
Movement in deferred tax relating to retirement benefit obligations	9.9	21.9	6.8
Total items that will not be reclassified to profit or loss	(63.8)	(111.7)	(49.3)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges	(7.1)	(7.3)	(5.3)
Tax on derivative financial instruments	1.4	1.4	1.4
Exchange movements on retranslation of foreign operations	(136.5)	31.3	83.4
Total items that may be reclassified subsequently to profit or loss	(142.2)	25.4	79.5
Other comprehensive (expense)/income for the period, net of tax	(206.0)	(86.3)	30.2
Total comprehensive (expense)/income for the period	(216.5)	(73.2)	103.0
Total comprehensive (expense)/income for the period is attributable to:			
Owners of the parent	(220.9)	(72.6)	102.2
Non-controlling interests	4.4	(0.6)	0.8
	(216.5)	(73.2)	103.0

Exchange movements on the retranslation of foreign currency net assets would only be subsequently reclassified through profit or loss in the event of the disposal of a business.

The notes on pages 21 to 39 are an integral part of the interim financial statements.

Group balance sheet

as at 30 June 2020

	Note	Unaudited Interim June 2020 \$m	Unaudited Interim June 2019 (Restated*) \$m	Audited Full year December 2019 (Restated*) \$m
Assets				
Non-current assets				
Goodwill and other intangible assets	10	6,117.5	6,364.5	6,299.0
Property plant and equipment		136.5	173.0	164.3
Right of use assets		383.0	469.9	412.1
Investment in joint ventures		171.5	160.7	168.3
Other investments		75.2	78.0	81.4
Long-term receivables		83.7	122.2	95.7
Retirement benefit scheme surplus	9	297.8	284.3	368.0
Deferred tax assets		96.0	84.0	87.1
		7,361.2	7,736.6	7,675.9
Current assets				
Inventories		20.8	12.2	14.5
Trade and other receivables		2,067.4	2,635.4	2,306.0
Financial assets		15.7	2.8	10.1
Income tax receivable		48.9	49.3	39.8
Assets held for sale	12	64.2	331.0	518.9
Cash and cash equivalents	15	661.9	1,156.7	1,847.0
		2,878.9	4,187.4	4,736.3
Total assets		10,240.1	11,924.0	12,412.2
Liabilities				
Current liabilities				
Borrowings	15	381.1	892.4	1,752.7
Trade and other payables		2,297.9	2,539.8	2,619.6
Income tax liabilities		199.3	201.2	199.5
Lease liabilities	15	115.4	145.1	142.0
Provisions	11	110.8	102.3	140.6
Liabilities held for sale	12	0.8	71.4	106.0
		3,105.3	3,952.2	4,960.4
Net current (liabilities)/assets		(226.4)	235.2	(224.1)
Non-current liabilities				
Borrowings	15	1,498.1	2,067.7	1,573.2
Deferred tax liabilities		61.1	60.0	88.4
Retirement benefit scheme deficit	9	151.2	169.3	127.0
Lease liabilities	15	400.7	472.4	441.3
Other non-current liabilities		140.6	130.0	146.0
Provisions	11	651.1	750.5	651.6
		2,902.8	3,649.9	3,027.5
Total liabilities		6,008.1	7,602.1	7,987.9
Net assets		4,232.0	4,321.9	4,424.3
Equity attributable to owners of the parent				
Share capital		40.9	40.7	40.9
Share premium		63.9	63.9	63.9
Retained earnings		1,737.3	1,507.4	1,806.4
Merger reserve		2,540.8	2,790.8	2,540.8
Other reserves		(158.1)	(86.0)	(33.2)
		4,224.8	4,316.8	4,418.8
Non-controlling interests		7.2	5.1	5.5
Total equity		4,232.0	4,321.9	4,424.3

*the balance sheet as at 30 June 2019 and 31 December 2019 has been restated to correct differences identified on the adoption of IFRS 16 at 1 January 2019. See note 1 for details. The notes on pages 21 to 39 are an integral part of the interim financial statements.

Group statement of changes in equity

for the six month period to 30 June 2020

	Note	Share Capital \$m	Share Premium \$m	Retained Earnings \$m	Merger Reserve \$m	Other reserves \$m	Equity attributable to owners of the parent \$m	Non- controlling interests \$m	Total equity \$m
At 1 January 2019		40.7	63.9	1,806.7	2,790.8	(111.3)	4,590.8	19.0	4,609.8
Adjustment on initial application of IFRS 16 (net of tax)		-	-	(33.9)	-	-	(33.9)	-	(33.9)
Prior year adjustment on application of IFRS 16 (net of tax)		-	-	(21.3)	-	-	(21.3)	-	(21.3)
* Restated balance at 1 January 2019		40.7	63.9	1,751.5	2,790.8	(111.3)	4,535.6	19.0	4,554.6
Profit/(loss) for the period		-	-	13.8	-	-	13.8	(0.7)	13.1
Other comprehensive income/(expense):									
Re-measurement losses on retirement benefit schemes		-	-	(133.6)	-	-	(133.6)	-	(133.6)
Movement in deferred tax relating to retirement benefit schemes		-	-	21.9	-	-	21.9	-	21.9
Cash flow hedges		-	-	-	-	(7.3)	(7.3)	-	(7.3)
Tax on derivative financial instruments		-	-	-	-	1.4	1.4	-	1.4
Net exchange movements on retranslation of foreign currency operations		-	-	-	-	31.2	31.2	0.1	31.3
Total comprehensive (expense)/income for the period		-	-	(97.9)	-	25.3	(72.6)	(0.6)	(73.2)
Transactions with owners:									
Dividends paid	5	-	-	(159.0)	-	-	(159.0)	-	(159.0)
Share based charges	16	-	-	12.3	-	-	12.3	-	12.3
Shares disposed of by employee share trusts		-	-	0.4	-	-	0.4	-	0.4
Exchange movements in respect of shares held by employee share trusts		-	-	0.1	-	-	0.1	-	0.1
Transactions with non-controlling interests		-	-	-	-	-	-	(13.3)	(13.3)
*Restated balance at 30 June 2019		40.7	63.9	1,507.4	2,790.8	(86.0)	4,316.8	5.1	4,321.9
*Restated balance at 1 January 2020		40.9	63.9	1,806.4	2,540.8	(33.2)	4,418.8	5.5	4,424.3
(Loss)/profit for the period		-	-	(14.9)	-	-	(14.9)	4.4	(10.5)
Other comprehensive income/(expense):									
Re-measurement losses on retirement benefit schemes		-	-	(73.7)	-	-	(73.7)	-	(73.7)
Movement in deferred tax relating to retirement benefit schemes		-	-	9.9	-	-	9.9	-	9.9
Cash flow hedges		-	-	-	-	(7.1)	(7.1)	-	(7.1)
Tax on derivative financial instruments		-	-	-	-	1.4	1.4	-	1.4
Net exchange movements on retranslation of foreign currency operations		-	-	-	-	(136.5)	(136.5)	-	(136.5)
Total comprehensive (expense)/income for the period		-	-	(78.7)	-	(142.2)	(220.9)	4.4	(216.5)
Transactions with owners:									
Share based charges	16	-	-	9.6	-	-	9.6	-	9.6
Dividends paid		-	-	-	-	-	-	(2.0)	(2.0)
Net exchange movements on disposal of foreign currency operations		-	-	-	-	17.3	17.3	-	17.3
Transactions with non-controlling interests		-	-	-	-	-	-	(0.7)	(0.7)
At 30 June 2020		40.9	63.9	1,737.3	2,540.8	(158.1)	4,224.8	7.2	4,232.0

*the balance sheet as at 30 June 2019 and 31 December 2019 has been restated to correct differences identified on the adoption of IFRS 16 at 1 January 2019. See note 1 for details.

The figures presented in the above tables are unaudited.

Other reserves include the capital redemption reserve, capital reduction reserve, currency translation reserve and the hedging reserve. The notes on pages 21 to 39 are an integral part of the interim financial statements.

Group cash flow statement

for the six month period to 30 June 2020

	Note	Unaudited Interim June 2020 \$m	Unaudited Interim June 2019 \$m	Audited Full year Dec 2019 \$m
Cash generated from operations	14	84.5	107.3	746.2
Tax paid		(25.0)	(52.2)	(84.3)
Net cash from operating activities		59.5	55.1	661.9
Cash flows from investing activities				
Acquisition of subsidiaries (consideration paid less cash acquired)		(17.3)	-	(5.6)
Disposal of businesses (net of cash disposed)	12	389.3	41.8	43.1
Purchase of property plant and equipment		(7.0)	(14.0)	(52.0)
Proceeds from sale of property plant and equipment		1.0	2.6	19.4
Purchase of intangible assets	10	(51.0)	(52.4)	(94.6)
Interest received		3.2	2.5	3.9
Cash from short-term investments and restricted cash	15	-	11.7	11.7
Investment in joint ventures		-	-	(0.8)
Repayment of loans from joint ventures		3.9	-	30.0
Net cash generated from/(used) in investing activities		322.1	(7.8)	(44.9)
Cash flows from financing activities				
(Repayment of)/proceeds from bank loans and overdrafts	15	(1,377.1)	(92.1)	770.9
(Repayment of)/proceeds from long-term borrowings	15	(78.4)	148.5	(348.2)
Payment of lease liabilities	15	(90.4)	(80.6)	(165.6)
Proceeds from disposal of shares by employee share trusts		-	0.4	0.4
Interest paid		(48.2)	(59.4)	(121.2)
Dividends paid to shareholders	5	-	(159.0)	(235.5)
Dividends paid to non-controlling interests		(2.0)	-	(1.2)
Net cash used in financing activities		(1,596.1)	(242.2)	(100.4)
Net (decrease)/increase in cash and cash equivalents		(1,214.5)	(194.9)	516.6
Effect of exchange rate changes on cash and cash equivalents		(24.1)	5.1	8.4
Opening cash and cash equivalents		1,901.9	1,376.9	1,376.9
Closing cash and cash equivalents		663.3	1,187.1	1,901.9

Cash at bank and in hand at 30 June 2020 includes \$376.4m (December 2019: \$1,448.6m) that is part of the Group's cash pooling arrangements. For internal reporting and for the purposes of the calculation of interest by the bank, this amount is netted with short-term overdrafts. However, in preparing these financial statements, the Group is required to gross up both its cash and short-term borrowings figures by this amount.

The notes on pages 21 to 39 are an integral part of the interim financial statements.

Notes to the interim financial statements

for the six month period to 30 June 2020

1 Basis of preparation

The interim report and condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and in accordance with IAS 34 'Interim financial reporting' as adopted by the European Union. The interim report and condensed financial statements should be read in conjunction with the Group's 2019 Annual Report and Accounts which have been prepared in accordance with IFRSs as adopted by the European Union.

The interim report and condensed consolidated financial statements have been prepared on the basis of the accounting policies set out in the Group's 2019 Annual Report and Accounts. The interim report and condensed consolidated financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The interim condensed financial statements were approved by the Board of directors on 18 August 2020. The results for the six months to 30 June 2020 and the comparative results for six months to 30 June 2019 are unaudited. The comparative figures for the year ended 31 December 2019 do not constitute the statutory financial statements for that year. Those financial statements have been delivered to the Registrar of Companies and include the auditor's report which was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain any statement under Section 498 of the Companies Act 2006.

Going concern

Like many companies, the Group is being affected by the unprecedented events of Covid-19 and associated oil price reductions and so forecasting future activity levels in an uncertain economic environment is more challenging. The directors have undertaken a rigorous assessment of going concern and liquidity, including financial forecasts up to the end of 2021, a period which extends beyond 12 months from the date of approval of these condensed consolidated financial statements, to reflect reasonably possible downsides.

The directors have taken a number of actions to significantly adjust the cost base of the Group in anticipation of a reduction in activity levels. These include a temporary reduction in salaries, permanent headcount reductions and reduced discretionary overhead and capital expenditure. To the extent that the temporary measures are reversed in 2021, we are confident that they will not have any impact of the business' ability to operate as a going concern. The directors withdrew their proposed 2019 final dividend payment to protect cashflows and preserve long-term value. No decision has been taken to resume the dividend and this will be kept under review by the directors. Any decision to resume payment of a dividend will consider the Group's future profitability and cash requirements.

The completed disposals of the nuclear and industrial services businesses in Q1 2020, which generated proceeds of \$389.3m (net of cash disposed and transaction costs) were used to pay down the term loan which was due to be repaid in October 2020. The Group also secured new bilateral loan facilities during Q1 2020 which has extended the maturity profile of the Group's debt facilities.

During the year, the Group has benefited from government Covid-19 schemes, including temporary furlough schemes in the UK, Canada, Australia and Italy which are expected to generate savings of \$10.6m in 2020. There was also a deferral of social security contributions in the US for the period March 2020 to December 2020. The deferral is payable in two equal instalments, being December 2021 and December 2022, totalling \$40m.

In assessing the basis of preparation of the financial statements for the six months ended 30 June 2020, the directors have considered the principles of the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, 2014'; namely assessing the applicability of the going concern basis, the review period and disclosures. In addition, the directors have considered supplementary guidance issued in June 2020 by the Financial Reporting Council in relation to Covid-19.

In order to satisfy themselves that they have adequate resources for the future, the directors have reviewed the Group's existing debt levels, the committed funding and liquidity positions under debt covenants and the Group's ability to generate cash from trading activities. As of 30 June 2020, the Group's principal debt facilities comprise a \$1,750.0m revolving credit facility maturing in May 2022, \$300.0m of bilateral term loans maturing between September 2021 and May 2022 and \$878.5m of US private placement debt repayable in various tranches between August 2021 and July 2031 with over 90% due in 2022 or later. At 30 June 2020, the Group had headroom of \$1,425.9m under its main facilities and a further \$201.2m of other undrawn borrowing facilities. The Group's key financial covenants are set at a ratio of 3.5x for both net debt/maximum rolling 12 month EBITDA and minimum interest cover. These covenants are measured on a semi-annual, frozen GAAP basis. There are no indications from the scenarios modelled that any of these covenants will be breached in the period assessed.

At 30 June 2020, the Group had net current liabilities of \$226.4m and this largely reflects the ability of the Group to effectively manage its short-term working capital cycle including the receipt of advance payments, management of payables and improvements in Days Sales Outstanding (DSO). The cash flow forecasts show that the Group will have sufficient funds to meet its liabilities as they fall due.

The directors have considered a range of scenarios in assessing the impact of Covid-19 and lower activity on the Group's future financial performance and cash flows. These scenarios reflect our experience of the recent lockdowns and take into account the Group's Order Book. Our experience in the first half of 2020 is that the direct impact from Covid-19 was secondary to the reductions in oil price. The majority of our businesses were able to continue to operate either by home working or, for field-based operations, reconfiguring to operate in a post Covid-19 environment with relatively short periods of disruption. The base case scenario therefore assumes that there will be no material impact from a 'second wave' of Covid-19 running into 2021. The upstream oil and gas focussed elements of our business, which makes up around 35% of revenue, were impacted by the sharp reduction in oil prices in Q1. We have since seen a stabilisation at around \$40-\$50 per barrel, with analysts forecasting prices to stay in this range for the medium term, reflecting increased industrial and transport demand. The non upstream parts of our business which make up the other 65% of revenue have been less impacted in the first half of 2020 and we would expect this to continue to be the case. The main drivers for this part of the business include global GDP growth, demand for chemicals and refined products, infrastructure spend, demand for renewables projects and metal prices.

Going concern (continued)

The directors have also considered severe, but plausible downside scenarios. The most severe of these reflect further material reductions in revenue and EBITDA from the base scenario. This could result from a worsening of the pandemic in 2021 leading to contractions in economic growth and a significantly reduced oil price. The downside case also modelled the impact of unexpected working capital outflows and other significant unforeseen cash payments. In each of the scenarios modelled, the financial covenants were comfortably met with significant facility headroom remaining available.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Judgements and Estimates: Impact of Covid-19

Management have considered the impact on accounting policies, judgements and estimates in light of the Covid-19 pandemic. With the exception of the estimates noted below, in preparing these condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2019. Where the extent of estimation uncertainty has been impacted as result of Covid-19 this has been explained below:

Impairment of goodwill (estimate)

Impairment reviews of goodwill are ordinarily performed on an annual basis. Additional impairment reviews of PP&E, investment in joint ventures and other intangible assets are performed whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Value-in-use calculations are performed for each cash-generating unit using cash flow projections and are based on the latest financial forecasts prepared by management and approved by the board of directors. Management expectations are formed in line with performance to date and experience, as well as available external market data. Future cash flow projections have remained a key source of estimation uncertainty during the period and given the unprecedented uncertainty created by Covid-19 and the oil & gas market downturn, management have taken the decision to review all goodwill and other non-current assets for impairment at the half year. Please refer to note 10 for the outcome of these considerations.

Retirement benefit schemes (estimate)

The value of the Group's retirement benefit schemes surplus/deficit is determined on an actuarial basis using several assumptions. Depending on the scheme, the assumptions are updated on an annual or semi-annual basis following consultation with the retirement benefit schemes' actuaries. As a result of current market volatility, an interim valuation of the three largest defined benefit schemes has been performed at 30 June 2020. The valuations are particularly sensitive to changes in discount rate, which is determined by the Group in conjunction with the scheme actuaries and reflects the return on high quality corporate bonds. Additionally, the market values of property included within scheme assets have been updated. Market volatility has increased the degree of estimation relating to significant assumptions and the valuation of Level 3 scheme assets, being primarily properties where the external valuer has reported on the basis of a material uncertainty. Please refer to note 9 for further information.

Asbestos discount rate (estimate)

The extreme market conditions seen in the first half of 2020 have led to unprecedented reductions in US Treasury rates. The 30 year US Treasury rate, which closely matches the duration of the liabilities has reduced to 1.41% from 2.93% at the end of December 2019. This has resulted in a charge of \$25.6m being recognised through the income statement and has been treated as exceptional by virtue of its size.

Restatement of December 2019 balance sheet

The Group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach. During 2020, immaterial calculation and classification differences were identified that led to adjustments on the transition balances. The differences impacted the opening right-of use asset, short and long-term lease liabilities and onerous lease liabilities. These differences have been corrected at 1 January 2019 and the balance sheet has been restated. As a consequence, the balance sheet at 30 June 2019 has also been restated. The impact on the statement of comprehensive income for the year to 31 December 2019 is not material and it has not been restated. The table below reconciles the amounts on the reported balance sheet to the restated figures now included as comparatives. As a result of the calculation differences identified, an additional \$21.3m was recorded through retained earnings.

	Reported Balance Sheet 1 January 2019 \$m	Prior year adjustment 2019 \$m	Reclassification 2019 \$m	Restated Balance Sheet 1 January 2019 \$m
Right of use assets	450.6	(9.9)	-	440.7
Lease investment (included within right of use assets)	-	4.1	-	4.1
Total non-current assets	7,720.60	(5.8)	-	7,714.8
Current assets	4,032.7	0.0	-	4,032.7
Current Lease liabilities	(141.0)	(2.2)	20.1	(123.1)
Current liabilities	(3,870.1)	(2.2)	20.1	(3,852.2)
Net current assets	162.6	(2.2)	20.1	180.5
Non-current Lease Liabilities	(428.0)	(6.8)	(20.1)	(454.9)
Onerous lease liabilities (included within other non-current liabilities)	(70.7)	(6.5)	-	(77.2)
Non-current liabilities	(3,273.4)	(13.3)	(20.1)	(3,306.8)
Equity adjustment on initial application of IFRS 16	(33.9)	-	-	(33.9)
Net assets	4,575.9	(21.3)	-	4,554.6

Functional currency

The Group's earnings stream is primarily US dollars and the principal functional currency is the US dollar, being the most representative currency of the Group. The Group's financial statements are therefore prepared in US dollars.

The following exchange rates have been used in the preparation of these accounts:

	June 2020	June 2019
Average rate £1 = \$	1.2920	1.2927
Closing rate £1 = \$	1.2356	1.2728

Disclosure of impact of new and future accounting standards

There have been no new standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2020. Amendments to existing standards do not have a material impact on the financial statements.

2 Segmental reporting

The Group operates through four segments, Asset Solutions EAAA ('AS EAAA'), Asset Solutions Americas ('AS Americas'), Technical Consulting Solutions ('TCS') and Investment Services ('IS'). Under IFRS 11 'Joint arrangements', the Group is required to account for joint ventures using equity accounting. Adjusted EBITDA as shown in the table below includes our share of joint venture profits and excludes exceptional items, which is consistent with the way management review the performance of the business units.

The segment information provided to the Group's Chief Executive for the reportable operating segments for the period included the following:

Reportable operating segments

	Revenue			Adjusted EBITDA ⁽¹⁾			Operating profit before exceptionals		
	Unaudited Interim June 2020 \$m	Unaudited Interim June 2019 \$m	Audited Full Year 2019 \$m	Unaudited Interim June 2020 \$m	Unaudited Interim June 2019 \$m	Audited Full Year 2019 \$m	Unaudited Interim June 2020 \$m	Unaudited Interim June 2019 \$m	Audited Full Year 2019 \$m
Asset Solutions EAAA	1,282.9	1,484.6	3,147.6	139.0	157.6	352.7	45.6	72.0	164.7
Asset Solutions Americas	1,650.9	1,845.4	3,894.5	71.0	120.7	238.0	10.1	52.3	107.5
Technical Consulting Solutions	1,096.7	1,425.0	2,779.1	119.0	138.2	299.6	75.8	80.1	183.8
Investment Services	54.2	33.2	69.2	10.7	14.8	36.3	6.3	14.0	35.5
Central costs ⁽²⁾	-	-	-	(34.8)	(47.2)	(71.2)	(37.0)	(50.7)	(80.5)
Total	4,084.7	4,788.2	9,890.4	304.9	384.1	855.4	100.8	167.7	411.0
Exceptional items							(35.2)	(28.9)	(107.6)
Operating profit							65.6	138.8	303.4
Finance income							3.2	3.4	9.6
Finance expense							(67.9)	(80.0)	(164.3)
Profit before taxation from continuing operations							0.9	62.2	148.7
Taxation							(11.4)	(49.1)	(75.9)
(Loss)/profit for the period from continuing operations							(10.5)	13.1	72.8

Notes

1. A reconciliation of operating profit to Adjusted EBITDA is provided in the table below. Adjusted EBITDA is provided as it is a unit of measurement used by the Group in the management of its business. Adjusted EBITDA is stated before exceptional items (see note 4).
2. Central includes the costs of certain management personnel in both the UK and the US, along with an element of Group infrastructure costs.
3. Revenue arising from sales between segments is not material.

2 Segmental reporting (continued)

Reconciliation of Alternative Performance Measures

	Unaudited Interim June 2020 \$m	Unaudited Interim June 2019 \$m	Audited Full Year December 2019 \$m
Operating profit per income statement	65.6	138.8	303.4
Exceptional items (note 4)	35.2	28.9	107.6
Operating profit before exceptionals	100.8	167.7	411.0
Operating profit per income statement	65.6	138.8	303.4
Share of joint venture finance expense and tax	5.8	8.7	18.7
Exceptional items (note 4)	35.2	28.9	107.6
Amortisation	115.2	119.3	243.7
Depreciation	23.7	26.5	53.6
IFRS 16 depreciation on right of use asset	59.4	61.9	128.4
Adjusted EBITDA	304.9	384.1	855.4

Amortisation and depreciation expense includes amounts relating to joint ventures of \$1.1m and \$3.7m respectively (June 2019: \$0.7m and \$3.6m respectively).

Analysis of joint venture profits by segment

	Adjusted EBITDA ⁽¹⁾			Operating profit		
	Unaudited Interim June 2020 \$m	Unaudited Interim June 2019 \$m	Audited Full Year 2019 \$m	Unaudited Interim June 2020 \$m	Unaudited Interim June 2019 \$m	Audited Full Year 2019 \$m
Asset Solutions EAAA	26.5	35.0	74.7	15.6	28.1	60.1
Asset Solutions Americas	3.3	3.6	9.2	2.4	3.4	8.7
Technical Consulting Solutions	-	0.9	0.9	-	0.9	0.9
Investment Services	-	(2.8)	(2.8)	-	(2.8)	(2.8)
Total	29.8	36.7	82.0	18.0	29.6	66.9

3 Revenue

In the following table, revenue is disaggregated by primary geographical market and major service line. The tables provided below analyses total revenue excluding our share of joint venture revenue.

Primary geographical market	AS EAAA	AS EAAA	AS Americas	AS Americas	TCS	TCS	IS	IS	Total	Total
	June 2020	June 2019	June 2020	June 2019	June 2020	June 2019	June 2020	June 2019	June 2020	June 2019
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
US	-	-	1,445.0	1,592.6	523.6	629.7	16.0	3.9	1,984.6	2,226.2
Europe	455.1	634.8	-	0.7	200.1	292.2	25.4	17.1	680.6	944.8
Rest of the world	827.8	849.8	205.9	252.1	373.0	503.1	12.8	12.2	1,419.5	1,617.2
Revenue	1,282.9	1,484.6	1,650.9	1,845.4	1,096.7	1,425.0	54.2	33.2	4,084.7	4,788.2
Major service lines										
Upstream/midstream	737.2	839.9	517.0	811.2	138.0	250.6	-	-	1,392.2	1,901.7
Chemicals & downstream	412.9	414.0	526.4	510.0	46.5	77.9	-	-	985.8	1,001.9
Built Environment	86.1	89.8	-	-	582.2	633.5	4.0	-	672.3	723.3
Renewables and other energy	46.7	140.9	607.5	524.2	330.0	463.0	50.2	33.2	1,034.4	1,161.3
Revenue	1,282.9	1,484.6	1,650.9	1,845.4	1,096.7	1,425.0	54.2	33.2	4,084.7	4,788.2

The Group's revenue is largely derived from the provision of services over time.

For the 6 months to 30 June 2020, 68% (June 2019: 69%) of the Group's revenue came from reimbursable contracts and 32% (June 2019: 31%) from lump sum contracts. The calculation of revenue from lump sum contracts is based on estimates and the amount recognised could increase or decrease.

Contract assets and liabilities

The following table provides a summary of receivables, contract assets and contract liabilities arising from the Group's contracts with customers:

	Unaudited Interim June 2020 \$m	Unaudited Interim June 2019 \$m	Audited Full Year December 2019 \$m
Trade receivables	849.8	1,320.1	943.5
Gross amounts due from customers	802.9	976.4	962.8
Gross amounts due to customers	(345.0)	(520.0)	(480.5)
	1,307.7	1,776.5	1,425.8

The contract asset balances include amounts the Group has invoiced to customers (trade receivables) as well as amounts where the Group has the right to receive consideration for work completed which has not been billed at the reporting date (gross amounts due from customers). Gross amounts due from customers are transferred to trade receivables when the rights become unconditional which usually occurs when the customer is invoiced. Gross amounts due to customers primarily relates to advance consideration received from customers, for which revenue is recognised over time.

The reduction in trade receivables is primarily due to better collection of cash during 2020 compared with 2019 and reduced activities caused by Covid-19 and a depressed oil price. There have been no instances of material default by our customers as a result of the current market conditions. The reduction in gross amounts due to customers of \$135.5m relates to the unwinding of a major contract in the ASA business during the first half of 2020.

Trade receivables and gross amounts due from customers are included within the 'Trade and other receivables' heading in the Group balance sheet. Gross amounts due to customers is included within the 'Trade and other payables' heading in the Group balance sheet.

Revenue recognised in 2020 which was included in gross amounts due to customers at the beginning of the year of \$379.4m represents amounts included within contract liabilities at 1 January 2020. Revenue recognised from performance obligations satisfied in previous periods of \$26.8m represents revenue recognised in 2020 for performance obligations which were considered operationally complete at 31 December 2019.

As at 30 June 2020, the Group had received \$200.0m (June 2019: \$191.5m) of cash relating to a non-recourse financing arrangement with one of its banks. An equivalent amount of trade receivables was derecognised on receipt of the cash.

Transaction price allocated to the remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2020 was as follows:

\$m	Year 1	Year 2	Total
Revenue	3,112.0	2,594.0	5,706.0

The Group has not adopted the practical expedients permitted by IFRS 15, therefore all contracts which have an original expected duration of one year or less have been included in the table above. The estimate of the transaction price does not include any amounts of variable consideration which are constrained.

4 Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

	Unaudited Interim June 2020 \$m	Unaudited Interim June 2019 \$m	Audited Full Year December 2019 \$m
(Gain)/loss on sale of business	(55.8)	8.9	9.4
Impairment losses on non core business	19.0	-	-
Redundancy, restructuring and integration costs	40.5	11.2	41.7
Investigation support costs (note 11)	5.9	8.8	56.5
Updated discount rate on asbestos related provision (note 11)	25.6	-	-
	35.2	28.9	107.6
Tax (credit)/charge	(2.1)	18.3	19.5
Exceptional items including tax	33.1	47.2	127.1

The gain on sale of business relates to the disposals of the nuclear and industrial services businesses totaling \$59.1m, partially offset by the \$3.3m loss on disposal of an owned property in Aberdeen.

A gain of \$57.2m has been recognised on completion of the sale of Wood's nuclear business. Proceeds of \$292.5m (net of cash disposed) were received compared to the net book value of \$232.2m which included an allocation of goodwill and intangible assets arising on the AFW acquisition of \$233.9m, and costs relating to the disposal of \$2.5m. In addition, as the nuclear business was a GBP functional currency entity, a cumulative foreign currency translation loss of \$0.6m has been recognised through the income statement.

A further gain of \$1.9m was recognised in relation to the sale of Wood's industrial services business. Proceeds of \$101.8m (net of cash disposed) were received compared to the net book value of \$76.1m which included goodwill and intangible assets arising on the original acquisition of the business in 2013 of \$26.6m. In addition, as the industrial services business was a GBP functional currency entity, a cumulative foreign currency translation loss of \$16.7m has been recognised through the income statement as required by IAS 21. Costs of \$2.5m relating to the disposal were incurred and a provision of \$4.6m has been made for future obligations.

Impairment losses recognised in the period to 30 June mainly relate to the Group's strategic decision to exit YKK, our Kazakh provider of training and related services. An offer has been accepted for the business. Management are confident that the deal will complete within 12 months of the balance sheet date and therefore have classified the assets and liabilities of the business as held for sale. The net asset value, including goodwill, has been written down in the period by \$16.0m to reflect the agreed sale price.

During the period to 30 June 2020, \$40.5m (including \$3.8m by joint ventures) was incurred in relation to redundancy, restructuring and integration. These costs relate to the restructuring work which commenced during 2019 with the creation of the TCS business unit and the margin improvement programmes to achieve the Group's medium term strategic objective to deliver 100 basis points margin improvement. These initiatives were already in progress prior to the impact of the Covid-19 pandemic and volatility in oil price to reduce the Group's cost base, improve operational efficiency and drive improved margins. Some of the actions have been amplified in response to the pandemic and the lower oil price environment but the costs taken as exceptional are incurred to bring about sustainable improvements in the Group's cost base. The broader impact of Covid-19 and lower oil prices on activity levels are reflected in the Group's operating performance.

During the period to 30 June costs of \$5.9m were incurred in relation to legal and other support costs associated with the ongoing investigations referred to in notes 11 and 19. There have been no material changes to the status of these investigations that would result in a change to the amounts provided.

Since the acquisition of AFW, asbestos related costs have not been treated as exceptional items, with a judgement made on individual elements based on materiality. The extreme market conditions seen in the first half of 2020 have led to unprecedented reductions in US treasury yields. The 30-year US treasury rate, which most closely matches the duration of the liabilities has reduced to 1.41% from 2.39% at the end of December 2019. The impact of this is a charge to the income statement of \$25.6m and therefore has been treated as exceptional by virtue of its size. In the period to 30 June 2019, an equivalent charge of \$5.8m was taken to EBITDA.

An exceptional tax credit of \$2.1m (June 2019: \$18.3m charge) has been recorded in the period reflecting deductible exceptional expenses net of taxable income on the release of onerous lease provisions.

5 Dividends

	Unaudited Interim June 2020 \$m	Unaudited Interim June 2019 \$m	Audited Full Year December 2019 \$m
Dividends on ordinary shares			
Final paid	-	159.0	159.0
Interim paid	-	-	76.5
Total dividends	-	159.0	235.5

In the first half of 2020, the directors withdrew their proposed 2019 final dividend payment of \$160.4m (23.9 cents per share) to protect cashflows and preserve long-term value of the Group. No decision has been taken to resume the dividend and this will be kept under review by the directors. Any decision to resume payment of a dividend will consider the Group's future profitability and cash requirements.

An interim dividend of 11.4 cents per share was declared in the comparative period to June 2019 which was paid in September 2019. This is shown as an appropriation of retained earnings in the financial statements for the year ended 31 December 2019.

6 Acquisitions

Estimated contingent consideration liabilities at 30 June 2020 amounted to \$2.2m (June 2019: \$24.2m) and are expected to be paid over the next year. The reduction of the liability was largely due to the settlement of deferred consideration of \$17.3m during the period. The amount of contingent consideration payable is dependent, in part, on the post-acquisition profits of the acquired entities and the provision made is based on the Group's estimate of the likely profits of those entities.

7 Earnings per share

	Unaudited Interim June 2020			Unaudited Interim June 2019			Audited Full Year December 2019		
	Earnings attributable to equity shareholders (\$m)	Number of shares of millions	Earnings per share per share (cents)	Earnings/ (losses) attributable to equity shareholders (\$m)	Number of shares of millions	Earnings per share per share (cents)	Earnings/ (losses) attributable to equity shareholders (\$m)	Number of shares of millions	Earnings per share per share (cents)
Basic pre-exceptional	18.2	671.7	2.7	61.0	670.9	9.1	199.1	670.9	29.7
Exceptional items, net of tax	(33.1)	-	(4.9)	(47.2)	-	(7.0)	(127.1)	-	(19.0)
Basic	(14.9)	671.7	(2.2)	13.8	670.9	2.1	72.0	670.9	10.7
Effect of dilutive ordinary shares	-	-	-	-	15.9	(0.1)	-	15.8	(0.2)
Diluted	(14.9)	671.7	(2.2)	13.8	686.8	2.0	72.0	686.7	10.5
Adjusted diluted earnings per share calculation									
Basic	(14.9)	671.7	(2.2)	13.8	670.9	2.1	72.0	670.9	10.7
Effect of dilutive ordinary shares	-	-	-	-	15.9	(0.1)	-	15.8	(0.2)
Diluted	(14.9)	671.7	(2.2)	13.8	686.8	2.0	72.0	686.7	10.5
Effect of dilutive ordinary shares (adjusted)	-	20.2	-	-	-	-	-	-	-
Exceptional items, net of tax	33.1	-	4.8	47.2	-	6.9	127.1	-	18.5
Amortisation of intangibles on acquisition, net of tax	51.9	-	7.5	64.1	-	9.3	117.1	-	17.0
Adjusted diluted	70.1	691.9	10.1	125.1	686.8	18.2	316.2	686.7	46.0
Adjusted basic	70.1	671.7	10.4	125.1	670.9	18.6	316.2	670.9	47.1

The calculation of basic earnings per share is based on the earnings attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year excluding shares held by the Group's employee share trusts. For the calculation of diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares, only when there is a profit per share. The Group's dilutive ordinary shares comprise share options granted to employees under Executive Share Option Schemes and the Long-term Retention Plan, shares and share options awarded under the Group's Long-term Plan and shares awarded under the Group's Employee Share Plan. Adjusted basic and adjusted diluted earnings per share are disclosed to show the results excluding the impact of exceptional items and acquisition related amortisation, net of tax.

In the comparative periods, the Group reported a basic earnings per ordinary share, therefore any potential ordinary shares are dilutive and are included in the calculation of diluted earnings per share. As adjusted diluted earnings per share is a non-GAAP measure, the potential ordinary shares were not excluded from this calculation.

8 Taxation

The taxation charge, including profits from joint ventures, for the six months ended 30 June 2020 is 23.5% (June 2019: 23.4%) which is the anticipated effective rate on profit before taxation, exceptional items and amortisation for the year ending 31 December 2020.

The key factors driving the rate which may result in the rate differing at the year-end are: the profits for the US business, both current year and forecast, and the impact of actuarial adjustments to the UK pension scheme reducing the deferred tax liabilities which support deferred tax asset recognition.

Without the impact of reduced activity and the benefit of Covid-19 related tax legislation in the US, the effective rate forecasted would have been 21.5%.

The table below shows how these rates reconcile to the amounts presented in the income statement.

	Unaudited Interim June 2020 \$m	Unaudited Interim June 2019 \$m	Audited Full Year December 2019 \$m
Profit before tax and exceptional items per the income statement	36.1	91.1	256.3
Joint venture tax	4.1	6.9	12.8
Amortisation (including joint venture amortisation)	115.2	119.3	243.7
Profit before tax, amortisation and exceptional items (including share of joint ventures)	155.4	217.3	512.8
Tax charge excluding exceptional items per the income statement	13.5	30.8	56.4
Joint venture tax	4.1	6.9	12.8
Tax credit on amortisation	18.9	13.1	53.3
Tax charge excluding amortisation and exceptional items (including share of joint ventures)	36.5	50.8	122.5
Effective tax rate	23.5%	23.4%	23.9%

9 Retirement benefit obligations

The Group operates a number of defined benefit pension schemes which are largely closed to future accrual. The surplus or deficit recognised in respect of each scheme represents the difference between the present value of the defined benefit obligations and the fair value of the scheme assets. The assets of these schemes are held in separate trustee administered funds.

At 30 June 2020, the largest schemes were the Wood Pension Plan ('WPP'), the Foster Wheeler Inc Salaried Employees Pension Plan ('FW Inc SEPP') and the Foster Wheeler Inc Pension Plan for Certain Employees ('FW Inc PPCE'). An interim revaluation of these schemes has been carried out at 30 June 2020 and the related actuarial losses of \$73.7m (June 2019: \$133.6m) are recorded in the Group statement of comprehensive income. The losses are largely a result of a decrease in the discount rate in the period. The discount rate is determined by the scheme actuaries and reflects the return on high quality corporate bonds. A decrease in the discount rate will increase the defined benefit obligation.

Under the Coronavirus Aid, Relief and Economic Security (CARES) Act, signed into US law in March 2020, the Group obtained relief allowing minimum required contributions on the FW Inc SEPP and FW Inc PPCE schemes to be deferred to January 2021. The effect of this relief at 30 June 2020 is \$4.3m, with additional benefits of \$13.5m anticipated for the second half of 2020.

No changes to future payment arrangements or scheme contribution levels have been agreed for the Wood Pension Plan.

9 Retirement benefit obligations (continued)

The principal assumptions used in calculating the Group's defined benefit pension schemes are as follows:

	Jun-20 Wood Pension Plan %	Jun-20 FW Inc SEPP %	Jun-20 FW Inc PPCE %	Jun-19 Wood Pension Plan %	Jun-19 FW Inc SEPP %	Jun-19 FW Inc PPCE %	Dec-19 Wood Pension Plan %	Dec-19 FW Inc SEPP %	Dec-19 FW Inc PPCE %
Discount rate	1.6	2.3	2.3	2.3	3.3	3.3	2.1	3.0	3.0
Rate of retail price index inflation	2.8	N/A	N/A	3.1	N/A	N/A	2.7	N/A	N/A
Rate of consumer price index inflation	2.3	N/A	N/A	2.1	N/A	N/A	2.2	N/A	N/A

As a result of the UK Statistics Authority and Chancellor of the Exchequer announcing a consultation in March 2020, which includes plans to bring RPI in line with CPIH (CPI with housing allowance) between 2025 and 2030, the basis from the RPI assumption has changed since the 31 December 2019 year end. A deduction from the break-even RPI rate from 0.5% to 0.3%, effectively increasing the overall RPI assumption by 0.2% per annum has been applied. This change reflects the actuary's view that the break-even RPI rate implied from the gilt markets now fully reflects the impact of future RPI reforms.

The company has implemented a change to the derivation of the CPI assumption in light of the expected narrowing of the gap between RPI and CPI post 2030 as a result of the ongoing process of RPI reform. The proposed new methodology assumes an RPI/CPI 'wedge' of 1.0% until 2030 and 0% thereafter.

The impact of this change in approach results in an increase to the defined benefit obligation by around 2%.

Sensitivity to discount rate and inflation rate

The impact of changes to the key assumptions on the retirement benefit obligation is shown below. The sensitivity is based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension obligation recognised in the Group balance sheet.

	June 2020 Wood Pension Plan \$m	June 2020 FW Inc SERP \$m	June 2020 FW Inc PPCE \$m	December 2019 Wood Pension Plan \$m	December 2019 FW Inc SERP \$m	December 2019 FW Inc PPCE \$m
Discount rate						
Plus 0.1%	(66.7)	(1.0)	(2.2)	(63.1)	(0.9)	(2.0)
Minus 0.1%	68.5	1.0	2.2	64.7	0.9	2.0
Inflation						
Plus 0.1%	41.0	N/A	N/A	37.9	N/A	N/A
Minus 0.1%	(40.4)	N/A	N/A	(37.4)	N/A	N/A

Wood Pension Plan property assets

The WPP holds property assets of \$279.6m, representing approximately 7% of total scheme assets. The valuation of these assets requires significant judgement as the valuation techniques are based on assumptions that are not directly observable, such as comparable market transactions and property rental yields. These assumptions have introduced greater volatility and uncertainty into the valuation due to market conditions at the reporting date.

The carrying value of these assets at 30 June is based on an external valuation as at 31 March 2020, rolled forward to 30 June 2020 using the MSCI UK Monthly Property Index applicable to the respective asset property segment. The valuation report includes a 'material valuation uncertainty' clause, as a result of the Covid-19 pandemic. The inclusion of the uncertainty clause does not invalidate the valuation, nor does it mean that the valuation cannot be relied upon. The declaration has been included in the valuation report to ensure transparency of the fact that less certainty can be attached to the valuation than would otherwise be the case under normal market conditions.

9 Retirement benefit obligations (continued)

The directors have reviewed the asset values at 30 June 2020 and consider that the valuations, adjusted on the basis set out above, continue to represent the best estimate of fair value, recognising that there is short-term volatility driven by the market conditions at the reporting date. As a sensitivity, the following impacts are observed when applying a percentage change in the index applied.

	June 2020 Wood Pension Plan \$m
Approximate impact on WPP property assets arising from % change in respective MSCI index	
Decrease by 10%	(1.2)
Decrease by 20%	(2.3)

10 Intangible assets

	Goodwill \$m	Software and development costs \$m	Customer contracts and relationships \$m	Order backlog \$m	Brands \$m	Total \$m
Cost						
At 1 January 2020	5,209.7	303.5	814.5	183.1	658.4	7,169.2
Exchange movements	(86.3)	(26.7)	(14.6)	(1.3)	(7.8)	(136.7)
Additions	-	58.4	-	-	-	58.4
Disposals	-	(0.9)	-	-	-	(0.9)
Businesses divested (see note 12)	(20.1)	-	(1.6)	-	(0.3)	(22.0)
At 30 June 2020	5,103.3	334.3	798.3	181.8	650.3	7,068.0
Amortisation and impairment						
At 1 January 2020	0.8	203.2	481.6	109.8	74.8	870.2
Exchange movements	-	(21.2)	(11.0)	(0.8)	(0.9)	(33.9)
Amortisation charge	-	52.0	27.8	18.5	15.8	114.1
Impairment charge	9.1	-	-	-	-	9.1
Disposals	-	(0.3)	-	-	-	(0.3)
Businesses divested (see note 12)	(9.1)	-	0.4	-	-	(8.7)
At 30 June 2020	0.8	233.7	498.8	127.5	89.7	950.5
Net book value at 30 June 2020	5,102.5	100.6	299.5	54.3	560.6	6,117.5

The businesses divested during the year related to the nuclear and industrial services businesses, and were both classified as held for sale as at 31 December 2019. The incremental movements in the businesses divested line mainly relate to movements in foreign exchange revaluation.

The unprecedented events of Covid-19 and associated oil price reductions have led to a challenging trading environment for the Group. In accordance with IAS 36 'Impairment of assets', goodwill and other non-current assets were tested for impairment at the Cash Generating Unit ('CGU') level as at 30 June 2020 (the "test date"). The Group has four CGUs, and Goodwill is monitored by management at CGU level (there is no goodwill attributable to the Investment Services business).

Updated value-in-use calculations have been prepared for each CGU using the cash flow projections included in the financial forecasts prepared by management to reflect the downturn in activity caused by Covid-19 and the associated oil price reductions. As lockdown restrictions are being eased in the territories which the Group operates in, the Group has greater visibility over second half activity and has the majority of revenue for the rest of 2020 in backlog. Whilst the longer term outlook remains challenging, a range of scenarios have been applied to 2021 and considered sensitivities on the scenarios described further in the going concern disclosure.

10 Intangible assets (continued)

We have prepared forecasts for the second half of 2020 and whole of 2021, which include the short-term growth rate, and subsequently applied long-term growth assumptions to periods from 2022. The forecasts are based on various assumptions including market outlook, resource utilisation, contract backlog, contract margins and assumed contract awards. The short-term EBITDA growth rate assumptions used in the June 2020 impairment test, covering the period from 30 June 2020 to 31 December 2021, were in the range of 3% to 11%. In December 2019, we used forecasts for the period 1 January 2020 to 31 December 2021 and a range for short-term EBITDA growth of 7% to 15%. The lower short-term growth rates reflect anticipated reductions in the Group's activities compared with December 2019.

The growth rates assumed from 2022 have also been used in the calculation of the terminal value. The growth rates used do not exceed the long-term average growth rates for the regions in which the CGUs operate and are 3% for EAAA (2019: 3%); 2.5% for ASA (2019: 2%); and 2.4% (2019: 2.4%) for TCS.

The cash flows have been discounted using discount rates appropriate for each CGU, and these rates are reviewed for each impairment review performed. The discount rate is a critical assumption in the impairment test and the significant volatility in financial markets has led to reductions in the risk-free rate being used in the calculation. The Group has considered the additional specific risks related to each business such as country risk and forecasting risk. The updated impairment model reflects the uncertainties caused by the current economic environment. However, this is offset by the fact the Group now has greater visibility over the synergies achieved by the formation of TCS and some legacy contract execution issues in ASA.

The pre-tax rates used for the 2020 review are as follows : 10.1% for Asset Solutions EAAA (2019: 11.3%), 9.7% for Asset Solutions Americas (2019: 11.5%) and 10.5% (2019: 11.8%) for Technical Consulting Solutions (the equivalent post-tax rates are 9.0%, 8.6%, 9.1% respectively) (2019: 9.4%, 9.4% and 10% respectively) and were derived from the Group WAAC calculation with specific adjustments for CGU specific risks including country risk premiums.

The carrying value of the goodwill for each CGU as at the test date is shown in the table below.

Cash Generating Unit	Goodwill carrying value (\$m)
Asset Solutions EAAA	2,000.0
Asset Solutions Americas	1,795.5
Technical Consulting Solutions	1,307.0

The headroom on Asset Solutions EAAA based on the assumptions above was \$337m. A sensitivity analysis has been performed assuming the impact of reasonably possible changes to the assumptions used in the impairment review.

- A 1.0% reduction in the long-term growth rate would result in a reduction of the headroom to \$nil and a 0.5% decrease in the long-term growth rate would result in headroom of \$152m
- A 1.0% increase in the discount rate would result in headroom of \$nil.
- A 1.0% reduction in EBITDA margin in 2021 would reduce headroom to \$nil.

The headroom on Asset Solutions Americas based on the assumptions above was \$443m. A sensitivity analysis has been performed assuming the impact of reasonably possible changes to the assumptions used in the impairment review.

- A 1.5% reduction in the long-term growth rate would result in a reduction of the headroom to \$nil and a 0.5% reduction in the long-term growth rate would result in headroom of \$270m.
- A 1.4% increase in the discount rate would result in headroom of \$nil and a 1% increase in the discount rate would result in headroom of \$111m.
- A 1.0% reduction in EBITDA margin in 2021 would reduce headroom to \$nil.

Reasonably possible changes in the critical assumptions did not identify any potential impairments for Technical Consulting Solutions.

A goodwill impairment charge of \$9.1m was recognised upon reclassification of a non-core business as held for sale at the period end. The business was acquired a number of years ago and the residual goodwill was deemed to be impaired upon classification as held for sale by management.

11 Provisions

	Asbestos related litigation \$m	Insurance and property \$m	Litigation related provisions \$m	Project related provisions \$m	Total \$m
At 1 January 2020	418.9	110.2	111.8	151.3	792.2
Reclassifications	2.5	(4.4)	2.2	27.6	27.9
Utilised	(20.7)	(0.7)	(5.0)	(25.5)	(51.9)
Charge to income statement	30.2	1.0	0.3	8.5	40.0
Released to income statement	(0.7)	(0.1)	(2.4)	(30.7)	(33.9)
Exchange movements	(3.7)	(3.1)	(0.4)	(5.2)	(12.4)
At 30 June 2020	426.5	102.9	106.5	126.0	761.9
Presented as					
Current	-	6.5	51.8	52.5	110.8
Non-current	426.5	96.4	54.7	73.5	651.1

Asbestos related litigation

The Group assumed the majority of its asbestos-related liabilities when it acquired Amec Foster Wheeler in October 2017. Whilst some of the asbestos claims have been and are expected to be made in the United Kingdom, the overwhelming majority have been and are expected to be made in the United States.

Amec Foster Wheeler's US subsidiaries are defendants in numerous asbestos-related lawsuits and out-of-court informal claims pending. Plaintiffs claim damages for personal injury alleged to have arisen from exposure to, or use of, asbestos in connection with work allegedly performed during the 1970s and earlier. The estimates and averages presented have been calculated on the basis of the historical US asbestos claims since the initiation of claims filed against these entities.

The number and cost of current and future asbestos claims in the US could be substantially higher than estimated and the timing of payment of claims could be sooner than estimated, which could adversely affect the Group's financial position, its results and its cash flows.

Some of Amec Foster Wheeler US subsidiaries are named as defendants in numerous lawsuits and out-of-court administrative claims pending in the US in which the plaintiffs claim damages for alleged bodily injury or death arising from exposure to asbestos in connection with work performed, or heat exchange devices assembled, installed and/or sold, by these entities. The Group expects these subsidiaries to be named as defendants in similar suits and that new claims will be filed in the future. For purposes of these financial statements, management have estimated the indemnity and defence costs to be incurred in resolving pending and forecasted claims through to 2050.

Although we believe that these estimates are reasonable, the actual number of future claims brought against the Group and the cost of resolving these claims could be higher.

Some of the factors that may result in the costs of asbestos claims being higher than the current estimates include:

- an increase in the rate at which new claims are filed and an increase in the number of new claimants
- increases in legal fees or other defence costs associated with asbestos claims
- increases in indemnity payments, decreases in the proportion of claims dismissed with zero payment and payments being required to be made sooner than expected

The Group has worked with its advisors with respect to projecting asbestos liabilities and to estimate the amount of asbestos-related indemnity and defence costs at each year-end through to 2050. Each year the Group records its estimated asbestos liability at a level consistent with the advisors' reasonable best estimate. The Group's advisors perform a quarterly and annual review of asbestos indemnity payments, defence costs and claims activity and compare them to the forecast prepared at the previous year-end. Based on its review, they may recommend that the assumptions used to estimate future asbestos liabilities are updated, as appropriate.

The total liability recorded in the Group's balance sheet at 30 June 2020 is based on estimated indemnity and defence costs expected to be incurred to 2050. Management believe that any new claims filed after 2050 will be minimal.

In connection with updating the estimated asbestos liability and related assets, a net interest charge of \$3.8m for the time value of money (June 2019: \$5.3m charge) and a charge of \$25.6m (June 2019: \$5.8m charge) for changes in the 30 year US Federal funds treasury rate in the first half of 2020 have been recorded. The \$25.6m charge has been treated as an exceptional item by virtue of size, as described in note 4.

Asbestos related receivables represents management's best estimate of insurance recoveries relating to liabilities for pending and estimated future asbestos claims through to 2050. The receivables are only recognised when it is virtually certain that the claim will be paid. The Group's asbestos-related assets have been discounted at an appropriate rate of interest.

The net asbestos liability at 30 June 2020 amounted to \$390.2m (June 2019: \$386.2m) and comprised \$426.5m in provisions (June 2019: \$438.5m) and \$49.4m in trade and other payables (June 2019: \$52.9m) less \$66.7m in long-term receivables (June 2019: \$88.9m) and \$19.0m in trade and other receivables (June 2019: \$16.3m).

11 Provisions (continued)

Insurance and property provisions

The Group has liabilities in relation to its captive insurance companies and for property dilapidations.

The Group currently has two captive insurance companies, Garlan Insurance Limited which is active and is based in Guernsey and Atlantic Services Limited which is dormant and is based in Bermuda. These companies provide or provided insurance solely to other Group companies and do not provide any insurance to third parties. The provisions recorded by the insurance captives represent amounts payable to external parties in respect of claims, the value of which is based on actuarial reports which assess the likelihood and value of these claims. These are reassessed annually, with movements in claim reserves being recorded in the income statement.

Property dilapidations relate to the cost of restoring leased property back into its original, pre-let condition.

Litigation related provisions

The Group is party to litigation involving clients and sub-contractors arising from its contracting activities. Management has taken internal and external legal advice in considering known or reasonably likely legal claims and actions by and against the Group. Where a known or likely claim or action is identified, management carefully assesses the likelihood of success of the claim or action. A provision is recognised only in respect of those claims or actions where management consider it is probable that a settlement will be required.

Provision is made for management's best estimate of the likely settlement costs and/or damages to be awarded for those claims and actions that management considers are likely to be successful. Due to the inherent commercial, legal and technical uncertainties in estimating project claims, the amounts ultimately paid or realised by the Group could differ materially from the amounts that are recognised in the financial statements. Litigation related provisions include contingent liabilities acquired with Amec Foster Wheeler, which were originally measured at fair value on acquisition. These liabilities continue to be recognised until the liability is settled, cancelled or expired at the higher of the fair value initially recorded or the amount recognised in accordance with IAS 37.

Chemical Plant Litigation in the United States

In 2013, one of Amec Foster Wheeler plc's subsidiaries contracted to engineer, procure and construct a chemical plant for a client in Texas. In December 2015 the client partially terminated the contract and in September 2016, terminated the remainder of the contract and commenced a lawsuit in Texas against the subsidiary and also Amec Foster Wheeler plc, seeking damages for breach of contract and warranty, gross negligence, and fraud. The claim amount is unspecified but the client alleges that the projected cost for the assigned scope of work is approximately \$800 million above the alleged estimate and that the subsidiary's delays have caused it to suffer continuing monthly damages of \$25 million due to the alleged late completion of the facility and resultant delay to the client's ability to sell the expected products from the facility. We understand that the facility was completed mechanically in late 2017 and began commercial operation in early 2018. The client seeks recovery of actual and punitive damages, as well as the disgorgement of the full project fixed fee paid to the subsidiary (approximately \$66.5 million).

The Group believes that the claims lack legal and factual merit but provided for an amount representing the fair value of the exposure upon acquisition of Amec Foster Wheeler. The estimate that the subsidiary provided was in connection with the client's initial request for a lump sum bid and highly conditioned. The contract that was ultimately signed, and which governs the dispute, is a reimbursable cost plus fixed fee contract, with no guaranteed price or schedule, wherein the client assumed joint responsibility for management of the work and development of the project schedule. Liability for consequential damages is barred, except in the case of wilful misconduct. Except for gross negligence, wilful misconduct, and warranty claims, overall liability is capped at 10 percent of the contract price (or approximately \$100 million). The Group has denied the claims and intend to vigorously defend the lawsuit. It has also interposed a counterclaim in an amount to be determined. The lawsuit is in the early stages of proceedings and it would be premature to predict the ultimate outcome of the matter. As at 30 June 2020 the Group has a provision of \$51.0m (June 2019: \$68.0m, December 2019: \$56.0m). This includes \$29.0m included as a fair value adjustment on the acquisition of Amec Foster Wheeler.

Investigations

The Group has received voluntary requests for information from, and continues to cooperate with, the US Securities and Exchange Commission ("SEC") and the US Department of Justice ("DOJ") in connection with their ongoing investigations into Amec Foster Wheeler in relation to Unaoil and the historical use of agents and certain other business counterparties by Amec Foster Wheeler and its legacy companies in various jurisdictions.

Amec Foster Wheeler made a disclosure to the UK Serious Fraud Office ("SFO") about these matters and, since April 2017, in connection with the SFO's investigation into Unaoil, the SFO has required Amec Foster Wheeler to produce information relating to any relationship of Amec Foster Wheeler with Unaoil and certain other third parties. In July 2017, the SFO opened an investigation into Amec Foster Wheeler predecessor companies and associated persons. The investigation focuses on the historical use of agents and certain other business counterparties, and the possible bribery, corruption, and related offences in various jurisdictions. The Group is co-operating with and assisting the SFO in relation to this investigation.

Notifications of certain matters within the above investigations have also been made to the relevant authorities in Brazil, namely, the Federal Prosecution Service, the Office of the Comptroller General and the Attorney General's Office.

Independently, the Group has conducted an internal investigation into the historical engagement of Unaoil by legacy Wood Group companies, reviewing information available to the Group in this context. This internal investigation confirmed that a legacy Wood Group joint venture engaged Unaoil and that the joint venture made payments to Unaoil under agency agreements. In September 2017, the Group informed the Crown Office and Procurator Fiscal Service ("COPFS"), the relevant authority in Scotland, of the findings of this internal investigation. The Group has since taken steps to conclude its investigation of these matters and has now submitted its report on possible bribery and corruption offences to the COPFS. These matters are now being considered by Scotland's Civil Recovery Unit as part of the self-reporting initiative applicable to Scotland.

11 Provisions (continued)

Discussions concerning possible resolutions of the investigations by the authorities in the US, Brazil and Scotland have progressed to the point where the Group believes that it is likely to be able to settle the relevant matters with these authorities at an aggregate cost of approximately \$46.0m, which was recognised as a provision as at 31 December 2019. The Group have reassessed the provision as at 30 June 2020 and concluded the \$46.0m provision remains an appropriate estimate. Achieving resolution of the relevant matters will involve negotiations with six authorities in three separate jurisdictions, and accordingly there is no certainty that resolution will be reached with any or all of those authorities or that the aggregate settlement amount will not exceed the amount of the provision.

As set out in note 19, at this time it is not possible to make a reliable estimate of the expected financial effect that may arise in relation to the SFO's investigation and therefore no provision has been made for it in the financial statements.

Project related provisions

The Group has numerous provisions relating to the projects it undertakes for its customers. The value of these provisions relies on specific judgements in areas such as the estimate of future costs or the outcome of disputes and litigation. Whether or not each of these provisions will be required, the exact amount that will require to be paid and the timing of any payment will depend on the actual outcomes. During the year \$27.6m from project accruals were reclassified to provisions, which the Group considered to be a more appropriate classification.

Aegis Poland

This legacy AFW project involves the construction of various buildings to house the Aegis Ashore anti-missile defence facility for the United States Army Corps of Engineers. The project was around 86% complete by value at 30 June 2020 and 93% complete by physical progress and is expected to be operationally complete during January 2021. Management's latest estimate is that the loss at completion will be \$120m representing the expected loss to complete less estimated revenue to be earned. A charge of \$7m was made to the income statement during 2020 in relation to this project and the full amount of this loss has been recognised to date.

During the year provisions of \$9.0m were utilised and \$16.0m remains on the balance sheet at 30 June 2020. In reaching its assessment of this loss, management have made certain estimates and assumptions relating to the date of completion, productivity of workers on site and the costs to complete. If the actual outcome differs from these estimates and assumptions, the ultimate loss will be different. In addition, the Group's assessment of the ultimate loss includes change orders which have not been agreed with the customer and management's assessment of liquidated damages and the current estimate is that these will not be settled until 2021 at the earliest. If the amounts agreed are different to the assumptions made, then the ultimate loss could be materially different.

The balance of project related provisions relates to a number of provisions which are not individually material or significant.

Other project related provisions

Certain of the jurisdictions in which the Group operates, in particular the US and the EU, have environmental laws under which current and past owners or operators of property may be jointly and severally liable for the costs of removal or remediation of toxic or hazardous substances on or under their property, regardless of whether such materials were released in violation of law and whether the operator or owner knew of, or was responsible for, the presence of such substances. Largely as a consequence of the acquisition of Amec Foster Wheeler, the Group currently owns and operates, or owned and operated, industrial facilities. It is likely that, as a result of the Group's current or former operations, hazardous substances have affected the property on which those facilities are or were situated.

The Group has also received and may continue to receive claims pursuant to indemnity obligations from the present owners of facilities we have transferred, which may require us to incur costs for investigation and/or remediation. As at 30 June 2020, the Group held provisions totaling \$28.1m for the estimated future environmental clean-up costs in relation to industrial facilities that it no longer operates. Whilst the timing of the related cash flows is typically uncertain, the Group expects that certain of its remediation obligations may continue for up to 60 years.

As described in note 19, the Group agreed to indemnify certain third parties relating to businesses and/or assets that were previously owned by the Group and were sold to them. These principally relate to businesses that were sold by Amec Foster Wheeler prior to its acquisition by the Group. The Group had recognised legacy provisions which comprised many individually immaterial provisions relating to a large number of contracts and exposures. The Group manages its exposure to these liabilities within Investment Services. During the first half of 2020, legacy provisions were utilised or released as claims were closed out or due to the expiry of indemnity time periods where no claims had been received, meaning that the likelihood of an outflow was no longer probable.

12 Divestments and assets and liabilities held for sale

Divestments

During the first half of 2020 the Group disposed of the nuclear and industrial services businesses, both of which were classified as held for sale as at 31 December 2019. The assets and liabilities disposed of are set out in the table below:

	\$m
Intangible assets	260.5
Property, plant and equipment	29.2
Right of use asset	15.5
Inventory	1.4
Trade and other receivables	180.7
Trade and other payables	(133.6)
Current tax	(20.2)
Deferred tax on intangibles	(7.1)
Right of use lease liability	(18.1)
Net assets disposed	308.3
Cash received and receivable	394.3
Provision for future obligations	(4.6)
Disposal costs	(5.0)
Post-acquisition translation reserve	(17.3)
Gain on disposal (see note 4)	59.1

Held for sale

Amounts categorised as held for sale include the assets and liabilities of non core businesses. The composition of the amounts shown on the balance sheet is set out below.

	\$m
Assets held for sale	\$m
Investment in joint ventures	60.7
Trade and other receivables	0.7
Income tax receivable	1.2
Other receivables	0.2
Cash and cash equivalents	1.4
	64.2
Liabilities held for sale	\$m
Trade and other payables	0.8
	0.8

13 Related party transactions

The following transactions were carried out with the Group's joint ventures in the six months to 30 June. These transactions comprise sales and purchase of goods and services in the ordinary course of business. The receivables include loans to certain joint venture companies.

	Unaudited Interim June 2020 \$m	Unaudited Interim June 2019 \$m	Audited Full Year December 2019 \$m
Sales of goods and services to joint ventures	19.0	24.4	43.1
Purchase of goods and services from joint ventures	0.3	4.9	8.8
Receivables from joint ventures	24.9	87.3	26.9
Payables to joint ventures	3.8	3.4	4.4

In addition, the Group made no sales (June 2019: \$9.7m) to a joint venture which acts only as a transactional entity between the Group and the Group's end customer (at nil gain or loss) and does not trade independently.

14 Cash generated from operations

	Unaudited Interim June 2020 \$m	Unaudited Interim June 2019 \$m	Audited Full Year December 2019 \$m
Reconciliation of operating profit to cash generated from operations:			
Operating profit	65.6	138.8	303.4
Less share of post-tax profit from joint ventures	(12.2)	(20.7)	(48.2)
	53.4	118.1	255.2
Adjustments (excluding share of joint ventures)			
Depreciation	76.3	84.8	169.5
Loss/(gain) on disposal of property	-	1.5	(1.9)
Gain on disposal of investment in joint ventures	-	-	(3.6)
Gain on disposal of businesses	(55.8)	-	-
Impairment charges	19.0	-	-
Gain on disposal of subsidiaries	-	(3.6)	-
Amortisation of intangible assets	114.1	118.6	242.4
Share based charges	9.6	12.3	23.4
Decrease in provisions	(74.7)	(115.7)	(216.1)
Dividends from joint ventures	4.0	25.8	43.0
Exceptional items – non-cash impact	6.6	22.3	69.9
Changes in working capital (excluding effect of acquisition and divestment of subsidiaries)			
(Increase)/decrease in inventories	(9.0)	0.1	(2.8)
Decrease/(increase) in receivables	178.0	(68.3)	200.2
(Decrease)/increase in payables	(229.8)	(83.7)	(19.1)
Exchange movements	(7.2)	(4.9)	(13.9)
Cash generated from operations	84.5	107.3	746.2

15 Reconciliation of cash flow to movement in net debt

	Restated At 1 January 2020 \$m	Cash flow \$m	Other \$m	Exchange movements \$m	At 30 June 2020 \$m
Short-term borrowings	(1,752.7)	1,377.1	-	(5.5)	(381.1)
Long-term borrowings	(1,573.2)	78.4	(2.0)	(1.3)	(1,498.1)
	(3,325.9)	1,455.5	(2.0)	(6.8)	(1,879.2)
Cash and cash equivalents	1,847.0	(1,161.0)	-	(24.1)	661.9
Cash included in assets held for sale (see note 12)	54.9	(53.5)	-	-	1.4
Net debt before leases	(1,424.0)	241.0	(2.0)	(30.9)	(1,215.9)
Leases	(583.3)	90.4	(42.6)	19.4	(516.1)
Net debt including leases	(2,007.3)	331.4	(44.6)	(11.5)	(1,732.0)

Cash at bank and in hand at 30 June 2020 includes \$376.4m (December 2019: \$1,448.6m) that is part of the Group's cash pooling arrangements. For internal reporting and the calculation of interest, this amount is netted with short-term overdrafts and is presented as a net figure on the Group's balance sheet. In preparing these financial statements, the Group is required to gross up both its cash and short-term borrowings figures by this amount.

The lease liability at 30 June is made up of long-term leases of \$400.7m and short-term leases of \$115.4m.

The other movement of \$44.6m in the above table represents new leases entered into of \$29.9m during the first half, interest expense of \$12.7m and amortisation of bank facility fees of \$2.0m.

16 Share based charges

Share based charges for the period of \$9.6m (June 2019: \$12.3m) relate to options granted under the Group's executive share option schemes and awards under the Long-term Plan. The charge is included in administrative expenses in the income statement.

17 Financial risk management and financial instruments

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange and cash flow interest rate risk), credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's 2019 Annual Report and Accounts.

There have been no material changes in the risk management function or in any risk management policies since 31 December 2019.

Fair value of non-derivative financial assets and financial liabilities

The fair value of short-term borrowings, trade and other payables, trade and other receivables, short-term deposits and cash at bank and in hand approximates to the carrying amount because of the short maturity of interest rates in respect of these instruments.

Derivative financial assets and liabilities

The Group enters into forward contracts to hedge foreign exchange exposures arising in the normal course of business. The Group also hedges against changes in interest rates by entering into interest rate swaps. The fair values of these derivative financial instruments are included in financial assets and trade and other payables in the Group balance sheet. The fair values at 30 June 2020 are not significant.

18 Capital commitments

At 30 June 2020 the Group had entered into contracts for future capital expenditure amounting to \$0.7m. The expenditure relates to property plant and equipment and intangible assets and has not been provided for in the financial statements.

19 Contingent liabilities

Cross guarantees

At the balance sheet date, the Group had cross guarantees without limit extended to its principal bankers in respect of sums advanced to subsidiaries.

Legal Claims

From time to time, the Group is notified of claims in respect of work carried out. For a number of these claims the potential exposure is material. Where management believes we are in a strong position to defend these claims no provision is made. At any point in time there are a number of claims where it is too early to assess the merit of the claim, and hence it is not possible to make a reliable estimate of the potential financial impact.

Employment claims

The Group is aware of challenges to historic employment practices which may have an impact on the Group. This includes a challenge by HMRC into the historic application of employer's National Insurance Contributions to workers on the UK Continental Shelf. We believe that we are in a strong position to defend this challenge and that our technical position is robust, therefore as a result we do not expect that it is probable that a liability will arise and no provision has been made. The maximum potential exposure to the Group in relation to tax and interest should we be unsuccessful in our position, is around \$27.0m.

Indemnities and retained obligations

The Group has agreed to indemnify certain third parties relating to businesses and/or assets that were previously owned by the Group and were sold to them. Such indemnifications relate primarily to breach of covenants, breach of representations and warranties, as well as potential exposure for retained liabilities, environmental matters and third party claims for activities conducted by the Group prior to the sale of such businesses and/or assets. We have established provisions for those indemnities in respect of which we consider it probable that there will be a successful claim. We do not expect indemnities or retained obligations for which a provision has not been established to have a material impact on the Group's financial position, results of operations or cash flows.

19 Contingent liabilities (continued)

Investigations

The Group has received voluntary requests for information from, and continues to cooperate with, the US Securities and Exchange Commission ("SEC") and the US Department of Justice ("DOJ") in connection with their ongoing investigations into Amec Foster Wheeler in relation to Unaoil and the historical use of agents and certain other business counterparties by Amec Foster Wheeler and its legacy companies in various jurisdictions.

Amec Foster Wheeler made a disclosure to the UK Serious Fraud Office ("SFO") about these matters and, since April 2017, in connection with the SFO's investigation into Unaoil, the SFO has required Amec Foster Wheeler to produce information relating to any relationship of Amec Foster Wheeler with Unaoil and certain other third parties.

In July 2017, the SFO opened an investigation into Amec Foster Wheeler predecessor companies and associated persons. The investigation focuses on the historical use of agents and certain other business counterparties and possible bribery and corruption and related offences in various jurisdictions. The Group is co-operating with and assisting the SFO in relation to this investigation.

Notifications of certain matters within the above investigations have also been made to the relevant authorities in Brazil, namely the Federal Prosecution Service, the Office of the Comptroller General, and the Attorney General's Office.

Independently, the Group has conducted an internal investigation into the historical engagement of Unaoil by legacy Wood Group companies, reviewing information available to the Group in this context. This internal investigation confirmed that a legacy Wood Group joint venture engaged Unaoil and that the joint venture made payments to Unaoil under agency agreements. In September 2017, the Group informed the Crown Office and Procurator Fiscal Service ("COPFS"), the relevant authority in Scotland, of the findings of this internal investigation. The Group has since taken steps to conclude its investigation of these matters and has submitted its report on possible bribery and corruption offences to COPFS. These matters are now being considered by Scotland's Civil Recovery Unit as part of the self-reporting initiative applicable to Scotland.

Discussions concerning possible resolutions of the investigations by the authorities in the US, Brazil and Scotland have progressed to the point where the Group believes that it is likely to be able to settle the relevant matters with these authorities at an aggregate cost of approximately \$46.0m, which is reflected as a provision in the financial statements as described in note 11. Achieving resolution of the relevant investigations will involve negotiations with five authorities in three separate jurisdictions, and accordingly there is no certainty that resolution will be reached with any or all of those authorities or that the aggregate settlement amount will not exceed the amount of the provision.

The Group could also face further potential civil and criminal consequences in relation to the investigation by the SFO described above. At this time, it is not possible to make a reliable estimate of the expected financial effect that may arise in relation to the SFO's investigation, and therefore no provision has been made for it in the financial statements.

In addition, depending on the outcome of the various investigations described above, it is possible that there may be other adverse consequences for the Group's business (including financial penalties and restrictions from participating in public contracts). At this time, these cannot be reliably estimated, and therefore no provision has been made in respect of them in the financial statements.

Tax planning

Recent changes to the tax environment, including the OECD's project around Base Erosion and Profit Shifting have brought into question tax planning previously undertaken by multinational entities. There have been several recent high profile tax cases against tax authorities and large groups. The European Commission continues formal investigations to examine whether decisions by the tax authorities in certain European countries comply with European Union rules and has issued judgements in some cases which are being contested by the groups and the countries affected. The Group is monitoring the outcome of these cases in order to understand whether there is any risk to the Group.

Specifically, the EC issued its decision regarding the UK Controlled Foreign Companies (CFC) rules and whether a financing exemption constituted state aid in April. The decision found that in certain circumstances the financing exemption constituted state aid. This is being contested by the UK Government and a number of groups as to whether the technical basis for the decision is correct. The application of the decision is also judgemental and there is no consensus regarding how it should be applied. Based on the Group's current assessment of such issues and the Group's specific circumstances, it is not currently considered probable that there will be an outflow in respect of these issues and no provision has been made in the financial statements. The maximum potential exposure to the Group of the EC CFC challenge, including interest, is around \$65.0m.

20 Post balance sheet events

The directors have reviewed the position of the Group, up to the date authorised for issue of these financial statements, and have not identified any events arising after the reporting period which require disclosure.

Statement of directors' responsibilities

for the six month period to 30 June 2020

We confirm that to the best of our knowledge:

- the interim condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the IASB and adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - a. DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b. DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The directors of John Wood Group PLC are listed in the Group's 2019 Annual Report and Accounts. Birgitte Brinch Madsen and Nigel Mills were appointed to the Board on 1 March 2020 and 1 May 2020 respectively. On 29 June 2020, Jeremy Wilson resigned from the Board.

R Watson
Chief Executive

D Kemp
Chief Financial Officer

17 August 2020

Independent review report to John Wood Group PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the Group income statement, the Group statement of comprehensive income, the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Catherine Burnet
for and on behalf of KPMG LLP

Chartered Accountants

1 Marischal Square
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17 August 2020

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