Wood Group

2011 Final Results

March 2012

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Agenda

- Highlights
- Financial review
- Divisional review
- Key takeaways

Presenters

- Sir Ian Wood (Chairman)
- Allister Langlands (Chief Executive)
- Alan Semple (CFO)

Highlights

- Completed strategic moves to enhance focus and market-leading positions in engineering, production facilities support and gas turbine services activities
  - acquisition of PSN ($1bn)
  - disposal of Well Support ($2.8bn)
  - return of cash to shareholders of £1.1bn ($1.8bn)

- Total revenue up 20% to $6.1bn. Total EBITA up 16% to $399m

- Continuing Group pro forma revenue up 15% to $6.0bn. Continuing Group pro forma EBITA up 15% to $364m

- Adjusted diluted EPS up 51% to 60.2c

- Dividend per share up 23% to 13.5 cents

Successful strategic repositioning achieved in 2011

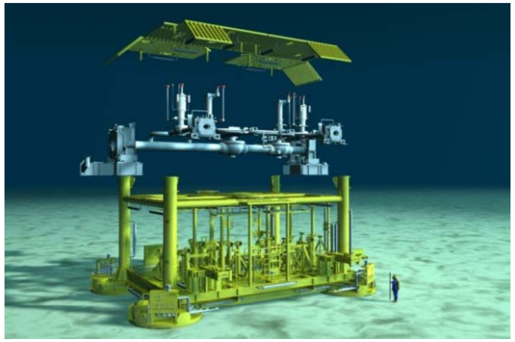
Oil & Gas and Power markets

- Strong oil & gas market
- Challenging economic conditions for power customers
- **Engineering**: Growth in E&P spend forecast of around 5% - 10% in 2012, directed towards increasingly complex engineering challenges
- **Wood Group PSN**: Growth in brownfield production support spending driven by increasing number and ageing of assets and increased focus on asset integrity
- **Wood Group GTS**: Favourable gas pricing, relative environmental considerations and operational flexibility leading to continued growth in gas fired power generation

Strong long term fundamentals in oil & gas and power

Refocused group strategy

- To achieve long term sustainable growth as an **international energy services company**



We will

- maintain a **balance** between development and later cycle production support
- grow and maintain **market leading positions**, based on differentiated know how and technical capabilities
- develop long term **customer relationships** often through performance based contracts
- **extend our services** and **broaden our international presence**

Well balanced in opex and capex driven markets in oil & gas and power

Financial results

	2011 $m	2010 $m	*Change %*
Total revenue	6,052	5,063	*20%*
Revenue from continuing operations	**5,667**	**4,085**	***39%***
Total EBITA	399	345	*16%*
EBITA from continuing operations	**342**	**219**	***56%***
Amortisation	(79)	(29)	
Net finance expense	(9)	(34)	
Profit from continuing operations before tax and exceptional items	**254**	**156**	***63%***
Tax on continuing operations	(75)	(58)	
Profit for the period from continuing operations	**179**	**98**	***82%***
Profit from discontinued operations (net of tax)	36	90	*(60%)*
Profit for the period before exceptional items	**215**	**188**	***15%***
Exceptional items (net of tax)	2,088	(22)	*n/m*
Profit for the year	**2,303**	**166**	***n/m***
Adjusted diluted EPS	**60.2c**	**39.8c**	***51%***
Dividend	**13.5c**	**11.0c**	***23%***

See footnotes on slide 23

Pro forma financial results

	2011 $m Revenue	EBITA	*Margin*	2010 $m Revenue	EBITA	*Margin*
Engineering	1,459	162	*11.1%*	1,239	122	*9.8%*
Wood Group PSN	3,376	175	*5.2%*	3,215	198	*6.2%*
Wood Group GTS	1,195	79	*6.6%*	805	46	*5.7%*
Central costs		(52)			(51)	
Continuing Group Pro forma	**6,030**	**364**	***6.0%***	**5,259**	**315**	***6.0%***
Growth	*15%*	*15%*				

Continuing group pro forma EBITA growth of 15%

Amortisation

PSN acquisition	$m
Enterprise value	1,055
Net assets acquired	(42)
	1,013
Represented by:	
Goodwill	818
Intangible assets arising on acquisition (to be amortised over 5 years)	195

Amortisation	
Amortisation on software etc	22
Amortisation of intangible assets arising on acquisition	
- PSN	47
- Other	10
	79

Interest

	2011 $m	2010 $m
Interest on debt	9	20
Non-utilisation fees	2	5
Non cash charges on pension and deferred consideration	1	2
Bank fees and charges	2	8
Total finance charge from continuing operations	**14**	**35**
Finance income	(5)	(2)
Net finance expense from continuing operations	**9**	**33**

Tax

	2011 $m	2010 $m
Profit from continuing operations before tax	254	156
Add amortisation on intangible assets arising on acquisition	-	11
Adjusted Profit	**254**	**167**
Underlying tax charge	92	58
Credit in relation to deferred tax on amortisation of intangible assets arising on acquisition	(17)	-
Tax charge per financial statements	**75**	**58**
Effective tax rate on continuing operations	**29.5%**	**34.7%**

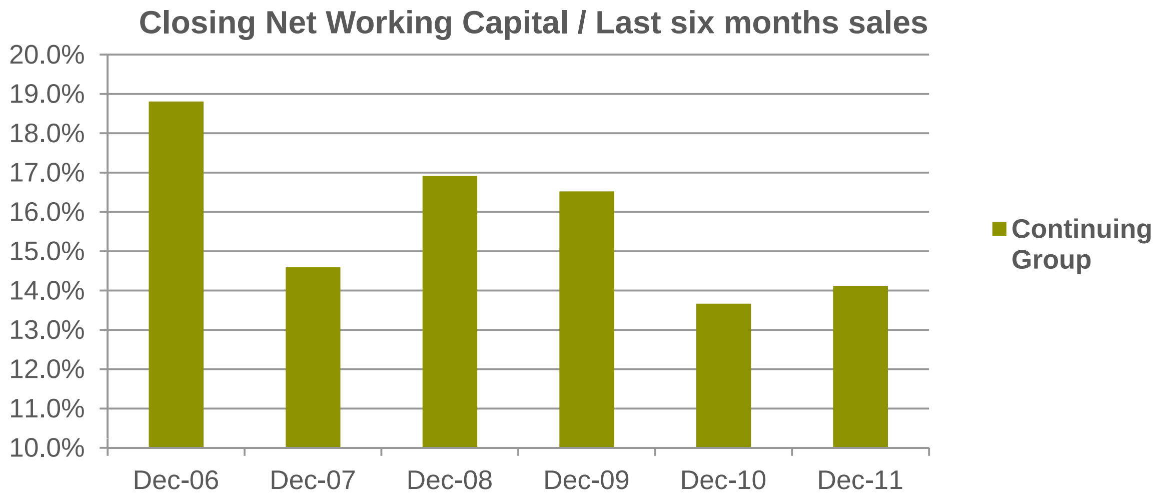
Exceptional items

	2011 $m
Business divested or to be divested	2,294
Acquisition costs	(16)
Integration and restructuring charge	(84)
Political disruption	(13)
Impairment of goodwill	(46)
Total exceptional items before tax	**2,135**
Tax on exceptional items	(47)
Total exceptional items after tax	**2,088**

Cash flow

	2011 $m	2010 $m
EBITA	399	345
Depreciation & other non cash items	73	77
Cash generated pre working capital	**472**	**422**
Working capital movements (continuing operations)	(109)	24
Working capital movements (discontinued operations)	(78)	(43)
Cash generated from operations	**285**	**403**
Acquisitions & deferred consideration	(979)	(69)
Capex & intangible assets	(105)	(70)
Disposal of subsidiaries	2,794	-
Return of cash to shareholders	(1,741)	-
Interest, tax, dividends & other	(228)	(197)
Exchange movements on net debt	(15)	6
Decrease in net borrowings	**11**	**73**
Closing net borrowings	**(4)**	**(15)**

Working capital



- Working capital outflow in 2011 generated by higher activity levels, with a slight deterioration from December 2010 as a percentage of revenue
- General improvement in working capital as a percentage of revenue over time

Balance sheet

	2011 $m	2010 $m
Non current assets	1,874	1,059
Net current assets	344	541
Long term liabilities	(240)	(168)
Net operating assets	**1,978**	**1,432**
Net borrowings	(4)	(15)
Net assets	1,974	1,417
Non controlling interests	(10)	(11)
Shareholders' funds	**1,964**	**1,406**
Average gross debt	*296*	*364*
Closing gross debt	*231*	*195*
Closing net debt	*4*	*15*

Note: average net debt since completion of the return of cash to shareholders has been $128m

Engineering

	2011 $m	2010 $m	% change
Revenue	**1,459**	1,239	18%
EBITA	**162**	122	33%
Margin	**11.1%**	9.8%	1.3pts

- Revenue up 18% reflecting increased activity in upstream and subsea & pipelines, downstream, process & industrial in line with prior year
- Increased margins reflecting higher volumes and some improvements in utilisation and pricing
- Increase in revenue and margins led to EBITA up 33%
- Headcount increased by 2,200 due to increased demand for services in upstream and subsea & pipelines, together with acquisitions in Saudi Arabia and Latin America

Strong revenue growth and margin improvement

Engineering

- Upstream (40% of revenue)
  – good growth in US and Canada
  – framework agreement secured with Saudi Aramco
  – first contract awards for JV in Malaysia

- Subsea & pipelines (40% of revenue)
  – continues to perform strongly
  – high activity in Australia and UK
  – onshore pipelines benefitting from liquids focused US shale activity

- Downstream (20% of revenue)
  – refining market in North America remains flat
  – some early signs of improvement in process and industrial

- Looking ahead
  – good order book increase in the first two months
  – recent awards support growth (Ichthys, Tubular Bells, Shell subsea framework agreements)

Further revenue growth and margin improvement expected in 2012

Wood Group PSN

	2011 $m	2010 $m	% change
Revenue	**3,013**	2,041	48%
Pro forma Revenue	**3,376**	3,215	5%
EBITA	**153**	101	51%
Pro forma EBITA	**175**	198	(12%)
Margin	**5.1%**	5.0%	0.1pts
Pro forma Margin	**5.2%**	6.2%	(1.0% pts)

- Revenue up 48% and EBITA up 51%, due to post acquisition contribution of PSN
- PSN acquisition performed ahead of expectations
- EBITA losses in Oman and Colombia

Acquisition performing well and integration largely complete

Wood Group PSN

- Losses in Oman and Colombia of around $30m in total; Oman will continue to impact at a reduced level in 2012
- Oman (PDO): start up and mobilisation losses
  - low utilisation of field crew
  - difficulties in hiring personnel key to workflow planning
  - resource availability and transitioning
  - continuing to strengthen management team
  - mobilisation and transitioning continuing in H1 2012; profitable from 2013 onwards
- Colombia (Ecopetrol): providing for anticipated losses
  - prudent recognition of anticipated losses
  - strengthened management team
  - contract expected to complete in H2 2012

Action taken in Oman and Colombia; Oman continuing to impact in 2012

Wood Group PSN

- North Sea (40% of revenue)
  - strong activity levels expected to continue
  - contract extensions with Shell, Talisman, TAQA and Premier Oil

- Americas (30% of revenue)
  - offshore GoM performing well
  - good growth prospects in US onshore including shale regions

- International (30% of revenue)
  - active with Exxon in Australia
  - good performance in Africa; secured BP topsides work in Angola
  - extended SEIC contract in Sakhalin; working with TengizChevroil and AGIP in Kazakhstan

- Looking ahead
  - integration largely complete; on track to deliver synergies
  - unique international footprint; contract extensions demonstrating customer support
  - continued strength in North Sea and North America and Africa

Performance improvement from underlying growth and reduction of contract losses

Wood Group GTS

	2011 $m	2010 $m	% change
Revenue	1,195	805	49%
EBITA	79	46	71%
Margin	6.6%	5.7%	0.9% pts

- Maintenance revenue up 10% to $784m and maintenance EBITA up over 20%; benefitting from operating efficiency and product capability initiatives
- Power Solutions revenue of $411m (2010: $89m) reflects successful progression of Dorad and GWF contracts, significant profit recognition in H2

 Strong recovery in Maintenance and good progress in Power Solutions

Wood Group GTS

- Maintenance - Oil & Gas
  - improved performance
  - good performance in Iraq
  - enhanced operating efficiency and product capability

- Maintenance - Power
  - market remained challenging
  - formed strategic alliance with Pratt & Whitney
  - enhanced combustion technology capability

- Power Solutions
  - good progress on Dorad and GWF projects providing visibility into 2012

- Looking ahead
  - further Maintenance growth despite challenges in power market
  - anticipate strong EBITA growth in Power Solutions in 2012

 Further Maintenance growth and good visibility in Power Solutions

Key Takeaways

- Continuing Group pro forma revenue up 15% to $6.0bn. Continuing Group pro forma EBITA up 15% to $364m
- Completed strategic moves to enhance focus and market-leading positions in engineering, production facilities support and gas turbine services
- Refocused group well balanced in opex and capex driven markets in oil & gas and power
- **Engineering**: Order book & prospects support expectation of further revenue growth and margin improvement
- **Wood Group PSN**: Acquisition performing well and integration largely complete. Performance improvement led by underlying growth and reduction of contract losses
- **Wood Group GTS**: Further Maintenance growth and good visibility in Power Solutions

Anticipate further good progress in all three divisions in 2012

Footnotes

1. *EBITA from continuing operations represents operating profit from continuing operations pre exceptional items of $262.9m (2010: $189.7m) before the deduction of amortisation of $78.7m (2010: $29.0m) and is provided as it is a key unit of measurement used by the Group in the management of its business. Total revenue and Total EBITA is the sum of the Continuing Operations and the activity of the Well Support business up to the date of disposal. This is a non-GAAP measure.*

2. *Shares held by the Group's employee share trusts are excluded from the number of shares in calculating earnings per ordinary share. Adjusted diluted earnings per ordinary share is based on the diluted number of shares, taking account of share options where the effect of these is dilutive. Adjusted diluted earnings per ordinary share is calculated on profit for the year before amortisation and exceptional items, net of tax.*

3. *Average net and average gross debt based on the average of the net and gross debt balances respectively at the end of each month.*

Appendix

Reconciliation of pro forma financial results

	2011 $m			2010 $m		
	Revenue	**EBITA**	***Margin***	**Revenue**	**EBITA**	***Margin***
Engineering	1,459	162	*11.1%*	1,239	122	*9.8%*
Wood Group PSN	3,376	175	*5.2%*	3,215	198	*6.2%*
Wood Group GTS	1,195	79	*6.6%*	805	46	*5.7%*
Central costs		(52)			(51)	
Continuing Group Pro forma	**6,030**	**364**	***6.0%***	**5,259**	**315**	***6.0%***
Pre acquisition PSN	(363)	(22)		(1,174)	(96)	
Continuing Operations	**5,667**	**342**	***6.0%***	**4,085**	**219**	***5.4%***
Well Support - divested	348	58		947	128	
Wood Group GTS (Aero) - to be divested	37	(1)		31	(2)	
Total	**6,052**	**399**	***6.6%***	**5,063**	**345**	***6.8%***

Share numbers

	2011 Closing	2011 Weighted average
Ordinary shares – opening balance	**530**	**530**
PSN acquisition	10	7
Tender Offer	(66)	(38)
B/C share issue and share capital consolidation	(105)	(53)
Allocation of shares issued to employee trusts	2	1
Ordinary shares – closing balance	**371**	**447**
Shares held by employee trusts	(15)	(13)
Basic shares for EPS purposes	**356**	**434**
Effect of dilutive shares	13	15
Fully diluted shares for EPS purposes	**369**	**449**

Divisional characteristics and market drivers

	Typical Share of Group revenues	EBITA margin range	Capex/Opex split (%)	Typical contract duration	Backlog range [1]
Engineering					
Upstream	c10%	Over 10%	90/10		
Subsea & Pipelines	c10%	Over 10%	80/20	3 to 24 months	6 to 9 months
Downstream, process & Industrial	c5%	5- 10%	90/10		
Wood Group PSN					
North Sea	c20%	Around 5%	20/80	3 to 5 years	
Americas	c20%	5-10%	20/80	Evergreen	18 to 36 months
International	c20%	5-10%	20/80	3 to 5 years	
Wood Group GTS					
Maintenance	c15%	5-10%	0/100	Transactional c(50%); 1 to 5 years c(50%)	Around 12 months
Power Solutions	c5%	5-10%	100/0	Transactional c(20%); 1 to 3 years c(80%)	

1 Typical backlog as a % of forecast revenue