# Wood Group

2012 Interim Results

August 2012

Energy Supporting Energy

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# Agenda

- Summary
- Management team
- Markets and strategy
- Financial review
- Divisional review
- Key takeaways

Presenters

- Allister Langlands (CEO)
- Alan Semple (CFO)
- Bob Keiller (Chief Executive – Wood Group PSN)

# Summary

- Good growth across all three divisions in H1 and confident of achieving full year performance in line with expectations
- Revenue from continuing operations up 36% to $3.3bn. EBITA from continuing operations up 53% to $205m
- Adjusted diluted EPS up 48% to 37.4 cents
- Board intention to pay full year dividend of 17.0 cents, up 26%. Interim dividend per share of 5.7 cents
- Recently announced Board changes and our new management team well placed to further develop leading positions across engineering, production facilities support and gas turbine services

# Senior management team
(from 1 November 2012)

**Wood Group**

| | |
|---|---|
| Allister Langlands | Chairman |
| Bob Keiller | CEO |
| Alan Semple | CFO |

**Engineering**
Mike Straughen – Chief Executive

**Wood Group PSN**
Robin Watson – Chief Executive

**Wood Group GTS**
Mark Dobler - Chief Executive

# Markets and strategy

- Overall, conditions in energy markets remain favourable
- Uncertainty about global economic prospects has had no discernible impact on activity or current outlook

- Our strategy continues to be that of pursuing long term sustainable growth by:
- maintaining a balance between development and later cycle production support
- growing and maintaining market leading positions, based on differentiated know how and technical capabilities
- developing long term customer relationships often through performance based contracts
- extending our services and broadening our international presence



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

# Financial results

| | 1H 2012 $m | 1H 2011 $m | *Change %* |
|---|---|---|---|
| **Revenue from continuing operations** | **3,346** | **2,466** | *36%* |
| **EBITA from continuing operations** | **205** | **134** | *53%* |
| Amortisation | (39) | (27) | *45%* |
| Net finance expense | (6) | (4) | *42%* |
| **Profit from continuing operations before tax and exceptional items** | **160** | **103** | *56%* |
| Tax on continuing operations | (46) | (31) | *49%* |
| **Profit for the period from continuing operations** | **114** | **72** | *58%* |
| (Loss)/profit from discontinued operations, net of tax | (1) | 37 | *n/m* |
| **Profit for the period before exceptional items** | **113** | **109** | *3%* |
| Exceptional items, net of tax | 10 | 2,154 | *n/m* |
| **Profit for the period** | **123** | **2,263** | *n/m* |
| **Adjusted diluted EPS** | **37.4c** | **25.2c** | *48%* |
| **Dividend** | **5.7c** | **3.9c** | *46%* |



Strong performance from continuing operations

See footnotes on slide 21

# Pro forma financial results

| | H1 2012 $m | | | H1 2011 $m | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **EBITA** | ***Margin*** | **Revenue** | **EBITA** | ***Margin*** |
| Engineering | 872 | 104 | *11.9%* | 688 | 73 | *10.5%* |
| Wood Group PSN | 1,774 | 90 | *5.1%* | 1,660 | 87 | *5.2%* |
| Wood Group GTS | 700 | 38 | *5.4%* | 481 | 23 | *4.7%* |
| Central costs | | (27) | | | (27) | |
| **Continuing Group Pro forma** | **3,346** | **205** | ***6.1%*** | **2,829** | **156** | ***5.5%*** |
| Pre acquisition PSN | - | - | | (363) | (22) | |
| **Continuing Operations** | **3,346** | **205** | ***6.1%*** | **2,466** | **134** | ***5.4%*** |
| Divested operations | 7 | (2) | | 363 | 58 | |
| **Total** | **3,353** | **203** | ***6.1%*** | **2,829** | **192** | ***6.8%*** |



Continuing group pro forma EBITA growth of 32%

# Tax

| | 1H 2012 $m | 1H 2011 $m |
|---|---|---|
| Profit from continuing operations before tax | 160 | 103 |
| **Tax charge per financial statements** | **46** | **31** |
| **Effective tax rate on continuing operations** | **29.0%** | **30.0%** |

- Expect typical effective tax rate going forward to be no more than 29.0%
- Reduction since 2011 and future movements reflect
  - changes in geographic mix
  - reduced rates in certain jurisdictions
  - management actions taken

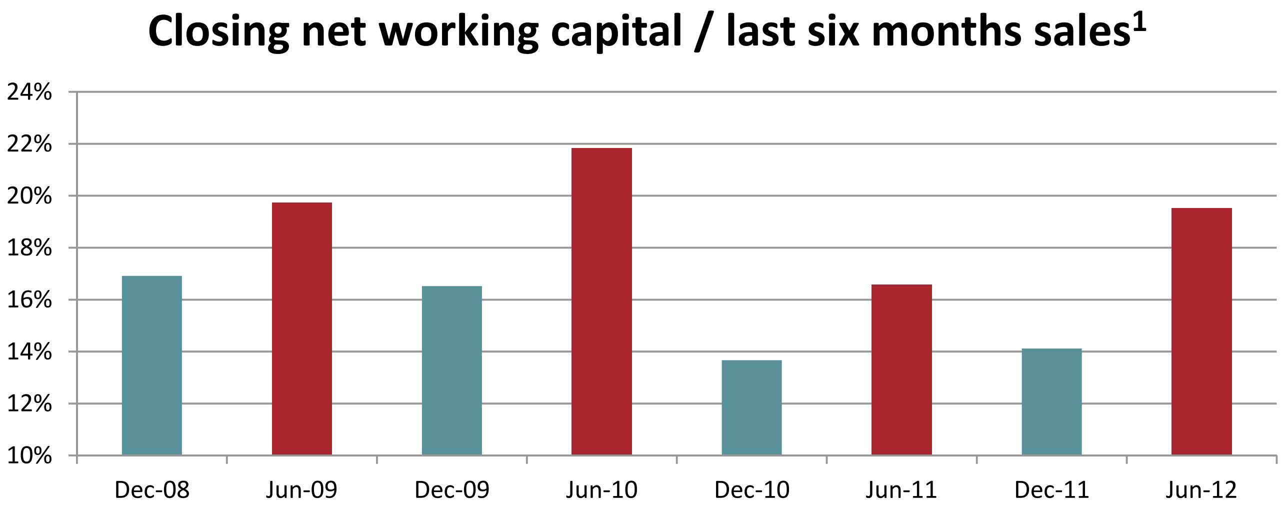
# Exceptional items

| | 1H 2012<br>$m | 1H 2011<br>$m |
|---|---|---|
| Gain on disposals | 21 | 2,267 |
| Provision for doubtful debts | (9) | (23) |
| Acquisition and integration costs | - | (23) |
| **Total exceptional items** | **12** | **2,221** |
| Tax | (2) | (67) |
| **Total exceptional items after tax** | **10** | **2,154** |

# Cash flow

| | 1H 2012 $m | 1H 2011 $m |
|---|---|---|
| EBITA | 203 | 192 |
| Depreciation & other non cash items | 24 | 26 |
| **Cash generated pre working capital** | **227** | **218** |
| Working capital movements | (173) | (165) |
| **Cash generated from operations** | **54** | **53** |
| Acquisitions & deferred consideration | (26) | (927) |
| Capex & intangible assets | (45) | (51) |
| Disposal of subsidiaries | 38 | 2,746 |
| Return of cash to shareholders | (8) | (681) |
| Interest, tax, dividends & other | (116) | (140) |
| **Net (decrease)/increase in net debt** | **(103)** | **1,000** |
| **Closing (net debt)/cash** | **(107)** | **985** |

# Working capital




- Working capital outflow of $173m in H1, reflecting

| | $m |
|---|---|
| Increase in inventories | 31 |
| Increase in receivables | 134 |
| Decrease in payables | 8 |

- Anticipate improved working capital position in H2, generating strong cash flows



[1]Continuing Group figures

# Balance sheet

| | June 2012 $m | Dec 2011 $m | June 2011 $m |
|---|---|---|---|
| Non current assets | 1,881 | 1,874 | 1,957 |
| Net current assets | 564 | 345 | 332 |
| Long term liabilities | (263) | (240) | (207) |
| **Net operating assets** | **2,182** | **1,979** | **2,082** |
| Net (borrowings)/cash | (107) | (4) | 985 |
| Net assets | **2,075** | **1,975** | **3,067** |
| Non controlling interests | (9) | (10) | (11) |
| **Shareholders' funds** | **2,066** | **1,965** | **3,056** |
| | | | |
| *Average gross debt* | *324* | *296* | *283* |
| *Closing gross debt* | *288* | *231* | *202* |
| *Closing net debt/(cash)* | *107* | *4* | *(985)* |

# Wood Group PSN

| | H1 2012 $m | H1 2011 $m | % change |
|---|---|---|---|
| Revenue | **1,774** | 1,297 | 37% |
| *Pro forma Revenue* | *1,774* | *1,660* | *7%* |
| EBITA | **90** | 65 | 38% |
| *Pro forma EBITA* | *90* | *87* | *3%* |
| Margin | **5.1%** | 5.0% | 0.1pts |
| *Pro forma Margin* | *5.1%* | *5.2%* | *(0.1% pts)* |

- Revenue up 37% and EBITA up 38%, primarily from the contribution of PSN for the full six months in 2012
- Pro forma results benefitted from strong performance in North Sea and North America, offset by losses in Oman
- Headcount increased by 4,000 since June 2011 to 28,000, including 2,500 in Oman



Strong performance in North Sea and North America

# Wood Group PSN

- PDO Oman

  - increased activity on our significant long term contract

  - client recognition of safety record and improved management of shutdown activity

  - recognised losses of just over $10m in H1; anticipate full year 2012 loss of around $15m - $20m

  - potential for long run profitability

  - significantly strengthened management team in country

  - commercial discussions progressing



Contract losses anticipated to reduce over time

# Wood Group PSN

- North Sea (c40% of revenue)
  - strong performance and confidence in medium term market outlook
  - active on longer term contracts with BP, Shell, Talisman and TAQA. Recently awarded contract with Premier

- Americas (c30% of revenue)
  - strength in North America; particularly in shale regions
  - acquisition of Duval in Eagle Ford region
  - offshore gulf of Mexico also performing well
  - Colombia downstream project scheduled to complete in H2 as expected

- International (c30% of revenue)
  - active in Australia, Africa and the Caspian

- Looking ahead
  - continued strength in North Sea, North America, Africa and Australia
  - reduction of contract losses



Anticipate improved performance from full year impact of PSN, underlying growth and reduction of contract losses

# Engineering

| | H1 2012 $m | H1 2011 $m | % change |
|---|---|---|---|
| Revenue | **872** | 688 | 27% |
| EBITA | **104** | 73 | 44% |
| Margin | **11.9%** | 10.5% | 1.4pts |

- Revenue growth of 27% reflecting increased activity in upstream and subsea & pipelines
- EBITA up by 44% reflecting higher volumes and some improvement in pricing
- Headcount increased to 10,100 from 8,000 in June 2011 and 9,100 in December 2011, both organically and through the acquisition on ISI solutions in H2 2011



Revenue growth and margin improvement in H1

# Engineering

- Upstream (c40% of revenue)
  - working on offshore developments in Gulf of Mexico; active in Canada
  - important international wins; Ichthys and Mafumeira Sul

- Subsea & pipelines (c40% of revenue)
  - particularly active in North Sea and Australia
  - Enterprise Frame Agreements secured with Shell

- Downstream (c20% of revenue)
  - performance impacted by lower expenditure in US refining market

- Looking ahead
  - activity levels remain high
  - anticipate full year EBITA up over 30% on 2011



Strong order book and future prospects

# Wood Group GTS

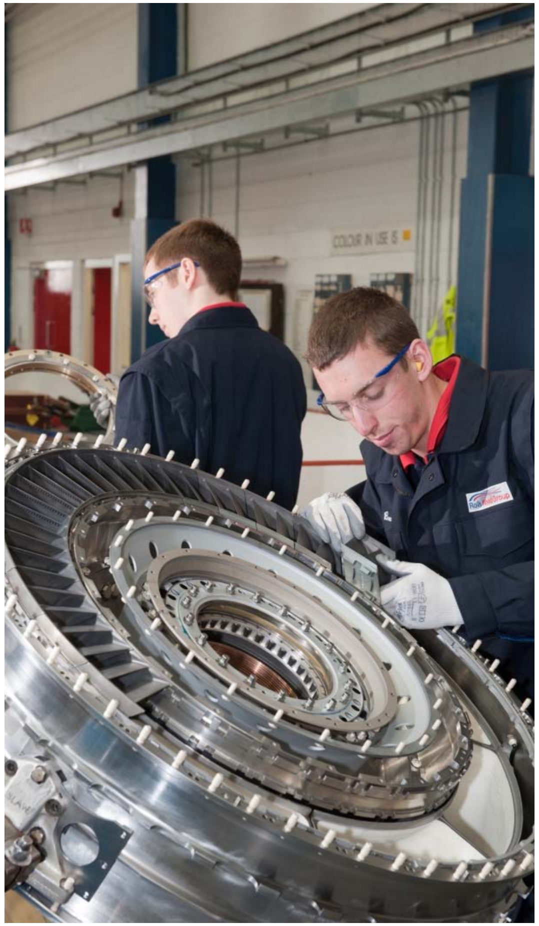
| | H1 2012 $m | H1 2011 $m | % change |
|---|---|---|---|
| Revenue | **700** | 481 | 46% |
| EBITA | **38** | 23 | 69% |
| Margin | **5.4%** | 4.7% | 0.7pts |

- Revenue up 46% and EBITA up 69%
- Maintenance revenue and EBITA up around 10% led by oil and gas activities
- Power Solutions EBITA benefitted from more advanced stage of completion on Dorad contract



Growth in Maintenance and Power Solutions

# Wood Group GTS



- Maintenance
  - continued strength in oil & gas
  - new contracts in power

- Power Solutions
  - Dorad on track, completion in H2 2013
  - GWF experiencing some delay, completion in H2

- Looking ahead
  - signs of improvement in US power market for maintenance
  - visibility in Power Solutions for 2012; actively pursuing additional opportunities in the US, Caspian, the Middle East and Africa



Good growth in EBITA for the year, weighted to the second half

# Key takeaways

- Good growth across all three divisions in H1 and confident of achieving full year performance in line with expectations
- Board changes give the Group a strong management team to further develop leading positions across engineering, production facilities support and gas turbine services
- Group well placed with a balance of opex and capex activities across key regions, a robust balance sheet and strong cashflow anticipated in H2
- **Engineering** : Order book & future prospects support expectation of full year EBITA up over 30% on 2011
- **Wood Group PSN** : Strength in North Sea and North America underpin profit growth in 2012
- **Wood Group GTS** : Growth in Maintenance and Power Solutions for the year



Anticipate further good growth in all three divisions in 2012

# Footnotes

1. *Continuing operations revenue and EBITA figures include the results of PSN since acquisition in April 2011, and exclude the results of Well Support and the Wood Group GTS Aero engine overhaul business, disposed of in April 2011 and April 2012 respectively. The figures for June 2011 have been restated to show the Wood Group GTS aero engine overhaul business as discontinued.*

2. *EBITA from continuing operations represents operating profit from continuing operations pre-exceptional items of $166.1m (2011: $107.0m) before the deduction of amortisation of $39.0m (2011: $26.9m) and is provided as it is a key unit of measurement used by the Group in the management of its business.*

3. *Adjusted diluted earnings per share ("AEPS") is calculated by dividing earnings before exceptional items and amortisation, 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.*

# Appendix

# Amortisation

| | 1H 2012 $m | 1H 2011 $m |
|---|---|---|
| Amortisation on software | 12 | 10 |
| Amortisation of intangible assets arising on acquisition | | |
| - PSN | 23 | 12 |
| - Other | 4 | 5 |
| | **39** | **27** |

- Full year amortisation anticipated to be around $80m

# Interest

| | 1H 2012 $m | 1H 2011 $m |
|---|---|---|
| Interest on debt | 5 | 5 |
| Other fees and charges | 2 | 2 |
| **Total finance charge from continuing operations** | **7** | **7** |
| Finance income | (1) | (3) |
| **Net finance expense from continuing operations**[1] | **6** | **4** |



[1] pre exceptional items

# Share numbers

| | 2012 Closing | 2012 Weighted average |
|---|---|---|
| **Ordinary shares** | **371** | **371** |
| Shares held by employee trusts | (10) | (12) |
| **Basic shares for EPS purposes** | **361** | **359** |
| Effect of dilutive shares | 12 | 12 |
| **Fully diluted shares for EPS purposes** | **373** | **371** |