WOOD GROUP

2015 Interim Results
18 August 2015

Safety & Assurance | Relationships | Social Responsibility | People | Innovation | Financial Responsibility | Integrity

WOOD GROUP

Safety & Assurance

Relationships

Social Responsibility

People

Innovation

Financial Responsibility

Integrity

Operational headlines

- Very challenging market conditions in oil & gas
- Actions taken to offset lower activity and pricing pressure
- Reducing customer project costs and increasing efficiency
- Strict focus on utilisation; headcount down 13%
- Delivered overhead cost savings of $40m in first half
- Continuing to secure new work across the Group
- M&A remains in focus
- Remaining competitive and protecting our capability

Focused on what we can control in a very challenging market

2015 Interim Results – Financial review
David Kemp - CFO

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Financial headlines

- Total revenue down 19% to $3.1bn
- Total EBITA down 7% to $226m
- AEPS down 10% to 40.1c
- Improved Total EBITA Margin - up 100 bps to 7.4%
- Improved cash generation from operations - up 65% to $225m
- Strong balance sheet - Net debt of $277m (Net Debt: EBITDA 0.5x)
- Dividend growth intention remains - interim dividend up 10% to 9.8c

Resilient performance demonstrates flexibility and cost discipline

Financial results

	1H 2015 $m	1H 2014 $m	Change %
Total revenue[1]	**3,069**	**3,801**	*(19.3%)*
Total EBITA[1]	**226**	**244**	(7.4%)
EBITA margin	*7.4%*	*6.4%*	*1.0pts*
Amortisation	(54)	(50)	
Total operating profit pre exceptional items	**172**	**194**	(11.3%)
Net finance expense	(12)	(10)	
Profit before tax and exceptional items	**160**	**184**	(13.0%)
Taxation (before exceptional items)	(43)	(50)	
Profit before exceptional items	**117**	**134**	(12.7%)
Exceptional Items (net of tax)	4	16	
Profit for the period	**121**	**150**	(19.3%)
Adjusted diluted EPS[2] (AEPS)	**40.1c**	**44.4c**	(9.7%)
Dividend	**9.8c**	**8.9c**	*10.1%*

1H down as expected; anticipate full year performance in line with expectations

Focussing on what we can control

Direct costs

- Strict focus on utilisation
- Contractor rate cuts
- High Value Engineering Centres (HVECs)
- Working together with customers towards further efficiencies

Internal overhead cost

- Delivered reductions and deferrals of $40m vs 1H 2014
- Overhead headcount reductions accounting for c. 60% of overhead cost reduction
- Management restructuring
- Expansion of Shared Service centres for back-office functions
- Reductions in property, IT, training and travel costs

Full year benefit of overhead cost savings >$80m

Wood Group PSN – Production Services

Production Services	1H 2015 $m	1H 2014 $m	Change %
Revenue	**1,833**	**2,342**	*(21.7%)*
EBITA	133	163	*(18.3%)*
Margin	7.3%	7.0%	*0.3pts*
Headcount	23,500	30,000	*(21.7%)*

Americas (c.40% of revenue)

- US onshore facing volume and pricing pressure following strong growth in 2014
- Opex activity less affected than capex
- Release of deferred consideration provisions
- 5 year BP contract award for Trinidad JV

North Sea (c.40% of revenue)

- Reduced project and non-essential work
- Working with customers to reduce project and operating costs
- CATS collaborative win with WG Kenny

International (c.20% of revenue)

- Progressing well on key projects in Australia and Asia Pacific
- Near term opportunities in Africa and Middle East

Lower activity but successfully offsetting margin pressure

Wood Group PSN – Turbine Activities

Turbine Activities	1H 2015 $m	1H 2014 $m	Change %
Revenue			
Turbine JVs	**328**	422	*(22.4%)*
Dorad/GWF	**-**	18	*n/m*
Total Revenue	**328**	440	*(25.5%)*
EBITA			
Turbine JVs	**18**	17	*4.6%*
Dorad/GWF	**-**	(17)	*n/m*
Total EBITA	**18**	-	*n/m*
Margin	**5.5%**	0%	*n/m*
Headcount	**2,700**	2,700	-

- Lower oil & gas business related revenues
- Capital efficiency and cost reduction initiatives in EthosEnergy
- Dorad contract reached final agreement with customer early 2015

Improvement in EthosEnergy; JV performance overall in line with 2014

Wood Group Engineering

	1H 2015 $m	1H 2014 $m	Change %
Revenue	**908**	1,020	*(10.9%)*
EBITA	**102**	109	*(6.5%)*
Margin	**11.2%**	10.7%	*0.5pts*
Headcount	**9,700**	10,500	*(7.6%)*

Upstream (c.35% of revenue)

- Ivar Aasen and Hess Stampede underpinning 2015
- Very subdued market for detailed design awards
- High volume of early stage work
- Saudi Aramco 6 year OMP contract

Subsea & Pipelines (c.40% of revenue)

- Reduction in large subsea capex awards coming to market
- Good activity in Caspian and Australia
- US onshore pipelines robust; working with ETC and Dow

Downstream, process & industrial (c.25% of revenue)

- Positive impact from lower feedstock prices
- Detailed design award for Flint Hills Resources
- Contract close outs

Good performance in onshore pipelines and downstream , process and industrial

Cash flow and net debt

	1H 2015 $m	1H 2014 $m	FY 2014 $m
Cash generated pre working capital (excl. JVs)[3]	**242**	**330**	**651**
Working capital movements	(17)	(193)	(80)
Cash generated from operations	**225**	**137**	**571**
Acquisitions and deferred consideration	(13)	(65)	(263)
Capex & intangible assets	(42)	(68)	(110)
Tax	(48)	(49)	(85)
Interest, dividends and other	(71)	(80)	(115)
Net decrease /(increase) in net debt	**51**	**(126)**	**(2)**
Closing net debt (excl. JVs)	**(276)**	**(451)**	**(327)**
JV Net (Debt)/Cash	**(1)**	**24**	**31**
Closing net debt (incl. JVs)	**(277)**	**(427)**	**(296)**

- Security in the flexibility, diversity and maturity of our funding
- Cash conversion of 93% (2014: 26%)[4]
- Net debt to EBITDA ratio of 0.5x, at lower end of targeted range

Strong cash generation and conversion

Financial headlines

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Anticipate full year performance in line with expectations

2015 Interim Results
Responding to a challenging market
Bob Keiller - CEO

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PSN : improving productivity and extending asset lives

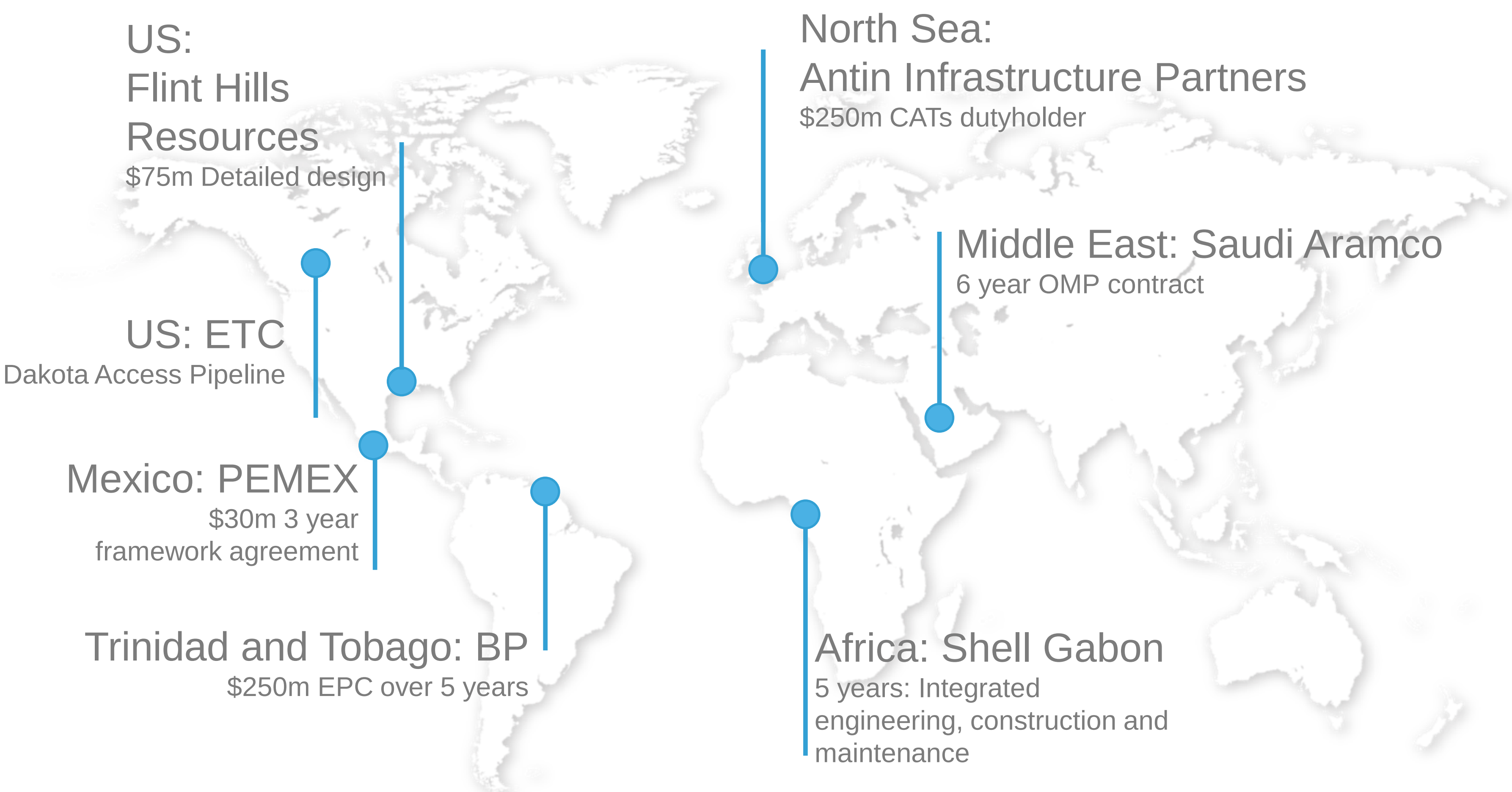
XTEND
Securing our future in the UKCS

- Improving offshore productivity in the North Sea
  - Defining the Ideal Supervisor
  - Repair order factory

Engineering: enabling project execution efficiency

- Leading position, unique breadth of experience and capability
- Design catalogue - proven designs fine tuned for specific needs
- Design One, Build Two – Lucius and Heidelberg
    - Schedule savings
    - Engineering savings
    - Fabrication savings
    - Procurement savings

1H awards highlight breadth, diversity and track record



Positioning for the future

- Focused on remaining competitive and protecting our capability
- Managing utilisation and reducing overheads
- Delivering lower project costs and increasing operating efficiency for customers
- Maintaining a strong balance sheet to provide a platform for growth
- H1 demonstrating resilience and flexibility; anticipate full year performance in line with expectations

Appendix

Revenue and EBITA by SBU

	1H 2015 $m			1H 2014 $m		
	Revenue	**EBITA**	***Margin***	**Revenue**	**EBITA**	***Margin***
Wood Group PSN – Production Services	1,833	133	*7.3%*	2,341	163	*7.0%*
Wood Group PSN – Turbine Activities	328	18	*5.5%*	440	-	*nm*
Wood Group Engineering	908	102	*11.2%*	1,020	109	*10.7%*
Central costs		(27)			(28)	
Total	**3,069**	**226**	***7.4%***	**3,801**	**244**	***6.4%***

"Like for like" revenue and EBITA

	1H 2015 $m			1H 2014 $m		
	Revenue	EBITA	*Margin*	Revenue	EBITA	*Margin*
Wood Group PSN – Production Services	1,833	133	*7.3%*	2,239	162	*7.2%*
Wood Group PSN – Turbine JVs	328	18	*5.5%*	422	(1)	*n/m*
Wood Group Engineering	908	102	*11.2%*	1,081	113	*10.5%*
Central costs		(27)			(27)	
Pro forma[5]	**3,069**	**226**	***7.4%***	**3,742**	**247**	***6.6%***
Acquisitions				(143)	(14)	
Constant currency				202	11	
Total as reported	**3,069**	**226**	***7.4%***	3,801	244	***6.4%***

Reconciliation of operating profit (pre-exceptionals)

	1H 2015 $m	1H 2014 $m
EBIT	**172**	**194**
Tax and interest charges on JVs included within operating profit but not EBITA	(5)	(7)
Impact of discontinued activities	-	4
Operating profit before exceptional items per Group income statement	**167**	**191**

Exceptional gain

	1H 2015 $m	1H 2014 $m
Venezuela Settlement	-	(58)
Integration and restructuring charges	-	7
Onerous contract	(4)	-
Transaction related costs	-	23
Total exceptional gain	**(4)**	**(28)**
Tax	-	12
Total exceptional gain after tax	**(4)**	**(16)**

Amortisation

	1H 2015 $m	1H 2014 $m
Amortisation on software, development costs and licenses	27	19
Amortisation of intangible assets arising on acquisition	27	31
	54	**50**

Tax

	1H 2015 $m	1H 2014 $m
Profit from continuing operations before tax	160	184
Tax charge	**43**	**50**
Effective tax rate on continuing operations	**27.0%**	**27.4%**

- Tax charge includes $3.9m in relation to joint ventures (1H 2014: $6.1m)
- Tax rate expected to remain around 27% in the medium term

Finance expense

	1H 2015 $m	1H 2014 $m
Interest on debt including fees	7	10
Interest and fees on US private placement debt	7	-
Total finance expense	**14**	**10**
Finance income	(2)	(1)
Net finance expense	**12**	**9**

- Interest cover was 19.3 times (June 2014: 25.7 times)
- Included in the above are net finance charges in respect of Joint Ventures of $1.1m (2013: $0.5m)

Net debt and interest cover

	June 2015 $m	June 2014 $m
Average gross debt[6]	581	589
Average net debt[6]	291	390
Closing gross debt	572	637
Closing net debt (incl JVs)	277	427
Net Debt:EBITDA	0.5x	0.8x
Interest cover	19.3x	25.7x

ROCE

	June 2015 $m	June 2014 $m
Net operating assets[7]	**2,854**	**3,011**
Net borrowings	(276)	(451)
Net assets	**2,578**	**2,560**
Non controlling interests	(16)	(10)
Shareholders' funds	**2,562**	**2,550**
ROCE[8]	15.4%	16.0%

Footnotes

Note 1: Performance is presented on a proportionally consolidated basis. Total Revenue and Total EBITA presented in these slides include the contribution from joint ventures and activities classified as discontinued in 2014, which includes the results of the businesses that transferred to the EthosEnergy joint venture prior to its formation in May 2014.

Note 2: 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.

Note 3: The cash flow and closing net debt position have been prepared using equity accounting for joint ventures, and as such do not proportionally consolidate cashflows and debt relating to joint ventures.

Note 4: The cash conversion ratio is post working capital cash flow divided by EBITDA .

Note 5: Pro forma Revenue and EBITA have been restated to include the results of acquisitions made in 2014 (Meesters, Cape, Sunstone, Agility and Swaggarts) as if they had been acquired on 1 January 2014 and also to apply the average exchange rates used to translate the 2015 results. The purchase of Beta Machinery occurred at the end of June 2015 and did not impact the June 2015 results, so no adjustment has been made for this acquisition.

Note 6: Average net and average gross debt is based on the average of the net and gross debt balances respectively at the end of each month and includes JV net cash/debt

Note 7: The balance sheet has been prepared using equity accounting for joint ventures, and as such does not proportionally consolidate the joint ventures assets and liabilities.

Note 8: Return of Capital Employed ("ROCE") is Total EBITA divided by average capital employed.

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