2014 Interim Results

19 August 2014

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

WOOD GROUP

Safety
& Assurance

Relationships

Social
Responsibility

People

Innovation

Financial
Responsibility

Integrity

Financial Responsibility

- Capital investment program - $60m saving
- Front End Engineering Design for a large onshore plant – plant costs reduced by 37%
- Pipeline project – overall costs reduced by $25m
- WGPSN UK contractor day rates – 10% reduction

First half financial headlines

- Total revenue up 10% and Total EBITA constant at $244m
- Adjusted diluted EPS of 44.4 cents
- Strong growth in PSN Production Services led by US shale
- Engineering down as anticipated with lower contribution from Upstream
- Disappointing performance in Turbine Activities
- Interim dividend up 25% on 2013 at 8.9 cents

Continue to anticipate EBITA growth overall in 2014

Delivering on strategy

- **Performance:**
  - Significant growth in strong long term US shale market
  - Strong focus on delivering cost efficiencies and adding value for customers
  - EthosEnergy JV completed in May
- **Fit:**
  - Establishing engineering capability in key Norwegian market
  - Further bolt on acquisitions
- **Risk:**
  - Lower exposure to large fixed price contracts
- **Collaboration**
  - Malaysia win

2014 Interim Results – Financial review
Alan Semple - CFO

Financial results

	H1 2014 $m	H1 2013 $m	Change %
Total revenue[1]	**3,801**	**3,447**	*10.3%*
Total EBITA[1]	**244**	**243**	**-**
EBITA margin	*6.4%*	*7.1%*	*(0.7pts)*
Amortisation	(50)	(49)	
Total operating profit pre exceptional items	**194**	**194**	**-**
Net finance expense	(10)	(8)	
Profit before tax and exceptional items	**184**	**186**	*(1.1%)*
Taxation (before exceptional items)	(50)	(51)	
Profit before exceptional items	**134**	**135**	*(0.7%)*
Exceptional Items (net of tax)	16	27	
Profit for the period	**150**	**162**	*(7.4%)*
Adjusted diluted EPS[2] (AEPS)	**44.4c**	**44.5c**	**-**
Dividend	**8.9c**	**7.1c**	*25%*

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, which includes the results of the businesses that transferred to the EthosEnergy joint venture prior to its formation in May.
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.

EBITA and AEPS in line with H1 2013

Total revenue and EBITA

	1H 2014 $m			1H 2013 $m		
	Revenue	**EBITA**	***Margin***	**Revenue**	**EBITA**	***Margin***
Wood Group Engineering	1,020	109	*10.7%*	982	120	*12.2%*
Wood Group PSN – Production Services	2,341	163	*7.0%*	1,914	111	*5.8%*
Wood Group PSN – Turbine JVs	422	17	*4.1%*	441	36	*8.1%*
Dorad/GWF	18	(17)		110	5	
Central costs		(28)			(29)	
Total	**3,801**	**244**	***6.4%***	**3,447**	**243**	***7.1%***

- Engineering : lower EBITA contribution from offshore Upstream, partially offset by Subsea & Pipelines
- PSN - Production Services: strong growth led by US shale performance at higher margins
- PSN – Turbine Activities: disappointing performance in JV's and losses on Dorad

Pro forma revenue and EBITA

	1H 2014 $m			1H 2013 $m		
	Revenue	EBITA	*Margin*	Revenue	EBITA	*Margin*
Wood Group Engineering	1,015	107	*10.5%*	986	120	*12.2%*
Wood Group PSN – Production Services	2,334	162	*6.9%*	2,168	134	*6.2%*
Wood Group PSN – Turbine JVs	422	17	*4.1%*	446	36	*7.4%*
Dorad/GWF	18	(17)		110	5	
Central costs		(28)			(29)	
Pro forma[3]	**3,789**	**241**	***6.4%***	**3,710**	**266**	***7.2%***
Acquisitions	12	3		(228)	(23)	
Constant currency	-	-		(35)	-	
Total as reported	**3,801**	**244**	***6.4%***	**3,447**	**243**	***7.1%***

Note 3: Pro forma Revenue and EBITA have been restated to include the results of acquisitions made in 2013 (Elkhorn, Pyeroy, Intetech) as if they had been acquired on 1 January 2013 and also to apply the average exchange rates used to translate the 2014 results. The 2014 results have been restated to exclude the results of acquisitions made in 2014 (Meesters, Cape, Sunstone).

Production Services EBITA up 21% on a like for like basis

Cash flow

	H1 2014 $m	H1 2013 $m	FY 2013 $m
Cash generated pre working capital (excl. JVs)[4]	**330**	**268**	**574**
Working capital movements	(193)	(159)	(65)
Cash generated from operations	**137**	**109**	**509**
Acquisitions & deferred consideration	(65)	(17)	(290)
Capex & intangible assets	(68)	(61)	(135)
Interest, tax, dividends & other	(130)	(108)	(264)
Net increase in net debt	**(126)**	**(77)**	**(180)**
Closing net debt (excl. JVs)	**(451)**	**(222)**	**(325)**
JV Net Cash	**24**	**4**	**15**
Closing net debt (incl JVs)	**(427)**	**(218)**	**(310)**

Note 4:The cash flow and closing net debt position has been prepared using equity accounting for joint ventures, and as such does not proportionally consolidate the assets and liabilities of joint ventures. The JV cash position is added to arrive at a like-for-like total with that previously reported.

Seasonality reflected in working capital position

ROCE and net debt

	June 2014 $m	June 2013 $m
Net operating assets[5]	**3,011**	**2,491**
Net borrowings	(451)	(222)
Net assets	**2,560**	**2,269**
Non controlling interests	(10)	(9)
Shareholders' funds	**2,550**	**2,260**
ROCE[6]	16.0%	18.1%

Note 5: 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 6: Return of Capital Employed (ROCE) is Total EBITA divided by average capital employed

	June 2014 $m	June 2013 $m
Average gross debt[7]	589	392
Average net debt[7]	390	222
Closing gross debt	637	373
Closing net debt (incl JVs)	427	218
Net Debt:EBITDA	0.8x	0.4x

Note 7: 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

Expect Net Debt:EBITDA typically 0.5-1.5x

2014 Final Results – Operational review

Bob Keiller - CEO

Wood Group PSN – Production Services

	1H 2014 $m	1H 2013 $m	Change %
Revenue	**2,341**	1,914	22%
EBITA	**163**	111	47%
Margin	**7.0%**	5.8%	1.2pts
Headcount[8]	**30,000**	26,300	14%

Americas

- Growth led by US shale including Elkhorn
- Largest contributing region to EBITA

North Sea

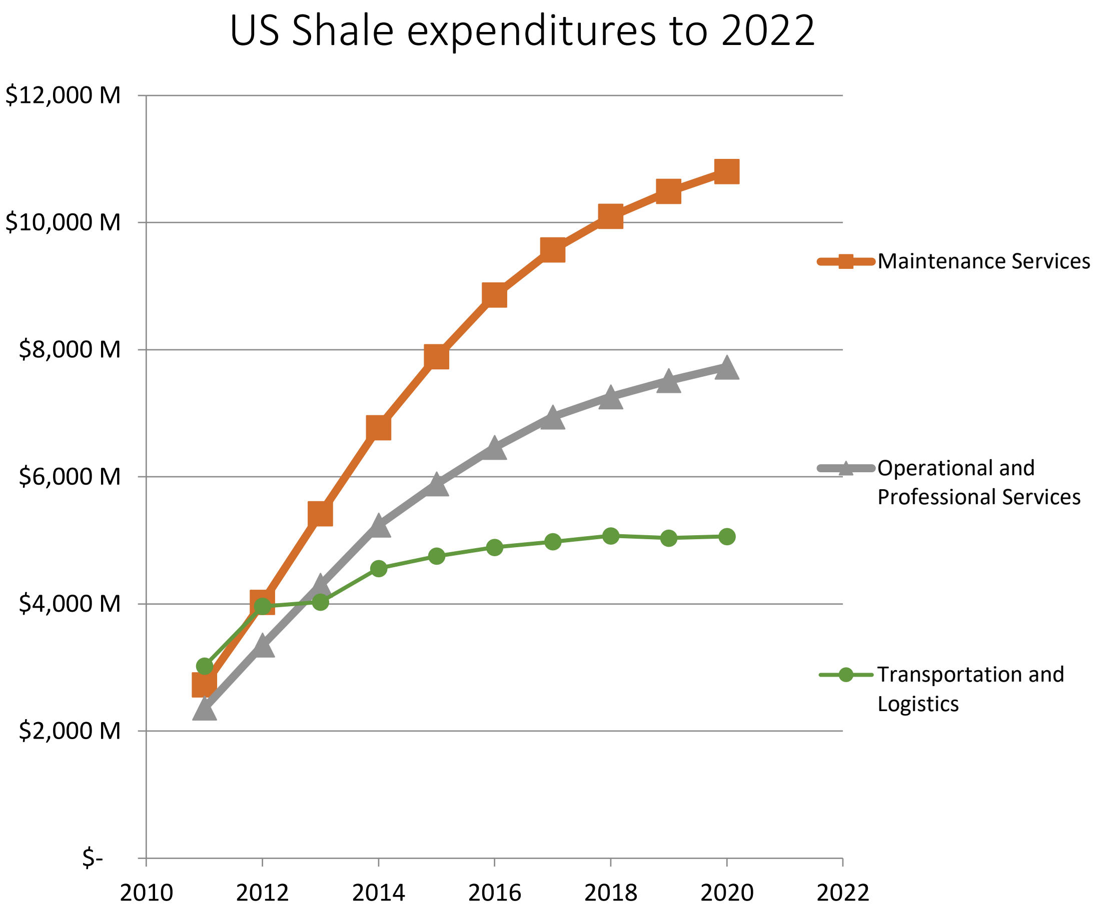
- Robust performance; benefitting from Pyeroy
- Contract renewals and new wins maintain position
- Client focus on efficiency and cost

International

- Work commenced with Exxon in PNG
- New contract award in Malaysia
- Oman broadly breakeven; exiting by July 2015

Strong growth in FY 2014 led by US shale activity

Production Services – US shale market



Source: Rystad DCube March 2014

- Current annual revenue of c$1bn
- >5000 personnel
- Delivering higher margins than in other PSN markets
- Services including site preparation, fabrication, installation, commissioning and construction
- Further acquisition and capex spend in Bakken and Eagle Ford in H1

Significant long term opportunity in US shale

Wood Group PSN – Turbine Activities

	1H 2014 $m	1H 2013 $m	Change %
Revenue			
Turbine JVs	**422**	441	(4%)
Dorad/GWF	**18**	110	n/m
Total revenue	**440**	551	(20%)
EBITA			
Turbine JVs	**17**	36	(52%)
Dorad/GWF	**(17)**	5	n/m
Total EBITA	**-**	41	n/m
Margin	**-**	7.4%	n/m
Headcount	**2,700**	3,200	(16%)

Turbine JVs

- Comprises EthosEnergy, Rolls Wood Group and TransCanada Turbines
- Performance reflects low EPC activity and deferrals
- EthosEnergy completed in May – challenging outlook for 2014; taking actions to reduce costs

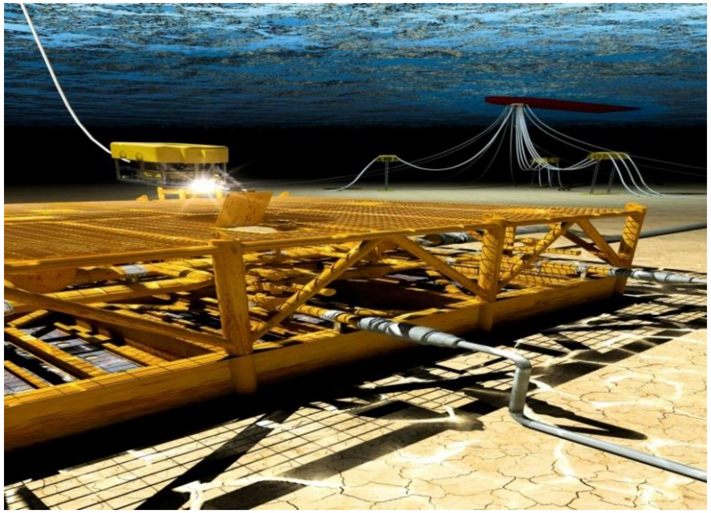
Dorad

- Delayed handover in May contributed to loss in the period
- Financial position expected to be largely recovered in H2

Significant improvement in H2 but lower EBITA overall in FY2014

Wood Group Engineering

	1H 2014 $m	1H 2013 $m	Change %
Revenue	**1,020**	983	4%
EBITA	**109**	120	(9%)
Margin	**10.7%**	12.2%	(1.5pts)
Headcount	**10,500**	10,500	-



Upstream

- Lower contribution from offshore and Canada
- Working with Agility projects on Ivar Aasen
- Slower pace of large offshore greenfield detailed awards
- Increased involvement in early stage work

Subsea & Pipelines

- Good activity in Europe, Middle East and Caspian
- Several new subsea awards
- Onshore pipelines benefitting from US shale, Sunstone acquisition

Downstream, process & industrial

- Greenfield and brownfield work in refining and chemicals

Subsea & pipelines performance offset by Upstream; overall reduction in EBITA in FY 2014

Summary and outlook

- Wood Group Engineering

  - lower contribution from offshore work in Upstream

  - good performance in Subsea & Pipelines and Downstream
- Wood Group PSN – Production Services
  - good growth led by US shale

  - robust North Sea performance

  - exit Oman contract by July 2015
- Wood Group PSN – Turbine Activities
  - disappointing performance; significant improvement expected in H2

Overall, on track to deliver full year EBITA in line with expectations and up on 2013

Footnotes

1. Total EBITA represents operating profit including JVs on a proportional basis of $221.5m (2013: $225.7m) before the deduction of amortisation of $50.3m (2013: $48.8m) and exceptional income of $27.9m (2013: $31.3m) 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, 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: Pro forma Revenue and EBITA have been restated to include the results of acquisitions made in 2013 (Elkhorn, Pyeroy, Intetech) as if they had been acquired on 1 January 2013 and also to apply the average exchange rates used to translate the 2014 results. The 2014 results have been restated to exclude the results of acquisitions made in 2014 (Meesters, Cape, Sunstone).

4:The cash flow and closing net debt position has been prepared using equity accounting for joint ventures, and as such does not proportionally consolidate the assets and liabilities of joint ventures. The JV position is added to arrive at a like-for-like total with that previously reported.

5: 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.

6: Return of Capital Employed (ROCE) is Total EBITA divided by average capital employed

7: 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

8. Headcount includes employees and contractors at 30 June and includes our proportional share of headcount in joint ventures.

Appendix

Reconciliation of operating profit

	H1 2014 $m	H1 2013 $m
EBIT	**194**	**194**
Impact of JV profit included pre vs post-tax	(7)	(7)
Impact of discontinued activities	4	(21)
Operating profit per Group Income Statement	**191**	**166**

Exceptional gain

	H1 2014 $m	H1 2013 $m
Integration and restructuring charges	(30)	-
Lease termination income	-	15
Bad debt recoveries	-	2
Business divested in prior years	58	14
Total exceptional gain	**28**	**31**
Tax	(12)	(4)
Total exceptional gain after tax	**16**	**27**

Amortisation

	1H 2014 $m	1H 2013 $m
Amortisation on software, development costs and licenses	19	21
Amortisation of intangible assets arising on acquisition		
- PSN	14	20
- Other	17	8
	50	**49**

- Total amortisation charge for 2014 is anticipated to be c.$104m (excluding Agility)

Tax

	H1 2014 $m	H1 2013 $m
Profit from continuing operations before tax	184	187
Tax charge	**50**	**52**
Effective tax rate on continuing operations	**27.4%**	**27.5%**

- All the above are pre-exceptional items
- The tax charge above includes $6m in relation to joint ventures (June 2013: $6m)

Finance expense

	1H 2014 $m	1H 2013 $m
Interest on debt	5	4
Other fees and charges	6	5
Total finance expense	**11**	**9**
Finance income	(1)	(1)
Net finance expense	**10**	**8**

- Interest cover was 25.7 times (June 2013: 31.2 times).
- Total finance expense for 2014 is expected to be just under $25m, including the impact of the US private placement drawdown (excluding Agilty).

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