JOHN WOOD GROUP PLC

Annual report and financial statements

For the year ended 31 December 2022

SC036219

John Wood Group PLC
Annual Report and Accounts 2022

Design the future.

wood.

A global leader in consulting and engineering across energy and materials.

View our report online: woodplc.com/ar22

Our performance

Revenue (pre-exceptional items)[1]
$5,442m (2021: $5,238m) ▼ 3.9%

Adjusted EBITDA[2]
$385m (2021: $404m) ▼ (4.7)%

Operating profit / (loss)
$(568)m (2021: $(62)m) NA

Order book[3]
$6,016m (2021: 6,047) ▼ (0.5)%

Net debt excluding leases[4]
$393m (2021: $1,393m) ▲ (71.8)%

Free cash flow[5]
$(730)m (2021: $(398)m) ▼ (83.4)%

All figures above are based on continuing operations

Contents

To find out more visit: **woodplc.com/sustainability**

1. Revenue includes an exceptional item in FY22 of $(8.0) million (FY21 $(25.4) million) related to contract losses in respect of the closure of the Power and Industrials EPC business. In FY21 the exceptional item related to Aegis Poland. Revenue (pre-exceptional items) is an APM that is used throughout this Report as the Group believes it provides a more useful measure of performance. Given the immaterial size of the exceptional item, we refer to revenue throughout the Report as the $5,442 million pre-exceptional figure.
2. A reconciliation of adjusted EBITDA to operating loss is shown in note 1 to the financial statements. A reconciliation of adjusted EBIT to operating loss is shown in the financial review.
3. 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. Order book is presented as an indicator of the visibility of future revenue.
4. 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 (RCF), the UKEF, overdrafts and unsecured senior loan notes issued in the US private placement market (USPP). Cash and cash equivalents include cash at bank and in hand and short-term bank deposits. A reconciliation of net debt excluding leases to net debt including leases is show in note 30 to the financial statements. We refer to net debt excluding leases throughout this report as net debt.
5. Free cash flow is defined as all cash flows before acquisitions, disposals and dividends. It includes all mandatory payments the Group makes such as interest and tax, and all exceptional cash flows. It excludes the impacts of IFRS 16 (Leases) accounting. A reconciliation of free cash flow to our statutory cash flow statement is shown on page 32.

Highlights

Transformed the Group.

- **Sale of Built Environment Consulting has restored our financial strength** – balance sheet reset
- **This is a new Wood** – new leadership, refreshing our culture, more disciplined and selective
- **We have addressed our legacy issues** – strong balance sheet and defined schedule of cash outflows

Well-positioned for growth.

- **Our markets provide attractive opportunities for growth** – and we can win share
- **A global leader in our markets** – outstanding talent, long term relationships with clients who view us as partners
- **Enabler of net zero** – around 20% of our revenue today is from sustainable solutions

Delivering financial returns.

- **Adjusted EBITDA** margins to be flat in the nearer term, partly as we reinvest in the business to secure growth. In the medium term, we see opportunity for margin improvement
- **Adjusted EBITDA** to grow at mid to high single digit CAGR over the medium term, with momentum building over time as our strategy delivers
- The strong underlying cash flows of our business combined with the reducing legacy liabilities, will result in a return to **positive free cash flow** (after exceptionals) from FY24 onwards

To find out more visit: **woodplc.com/investors**

At a glance

A global leader in consulting and engineering across energy and materials.

35k+
People

60+
Countries

100+
Years of history

Our vision

Deliver solutions that transform the world.

Our mission

Remarkable people, trusted by clients to design, build and advance the world.

Our values

Everything we do is with an unwavering commitment to what we believe in and how we behave:

Care
Working safely, with integrity, respecting and valuing each other and our communities

Commitment
Consistently delivering to all our stakeholders

Courage
Pushing the boundaries to create smarter, more sustainable solutions

To find out more visit:
woodplc.com/values

Our behaviours

Listen up	Lift others up	Stand up
Team up	Speak up	Don't give up

To find out more visit:
woodplc.com/company/our-business

Two end markets:

Energy

Oil & Gas | Hydrogen
Carbon Capture

Energy security:
Delivering safe, reliable and affordable energy

Energy transition:
Enabling a low carbon energy future

Materials

Minerals | Chemicals
Life Sciences

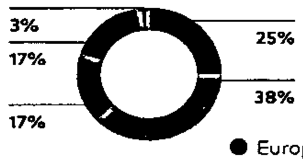
Raw materials demand:
Sustainably deliver key energy transition minerals and chemicals

Life sciences growth:
Advanced, scalable manufacturing post-pandemic

Group revenue

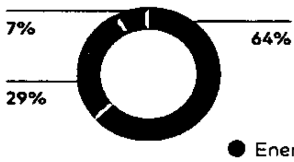
$5,442m

Geographic split



- Europe 25%
- Americas 38%
- Middle East & Africa 17%
- Asia Pacific 17%
- RoW 3%

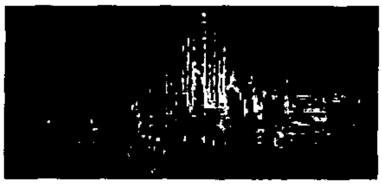
End markets



- Energy 64%
- Materials 29%
- Other 7%

See more in Our markets section on page 10

We operate across three business units:



Consulting

A focused, premium consultancy adding value throughout our client's investment lifecycle.

- Technical consulting
- Digital advisory and implementation

People

3,941

Revenue

$625m

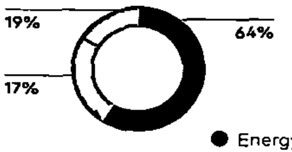
% of revenue

11%

Adjusted EBITDA

$73m

End markets



- Energy 64%
- Materials 17%
- Other 19%

Projects

Delivering solutions for complex, high-value capital investments.

- Advise: concept, Pre-FEED
- Design: FEED, long-lead procurement
- Deliver: PMC, EPCm, Detailed design, Start-up
- Operate: upgrades and expansions

People

13,918

Revenue

$2,211m

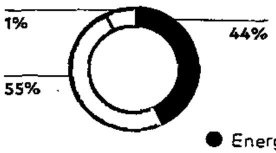
% of revenue

41%

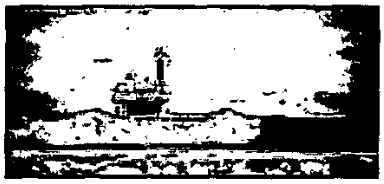
Adjusted EBITDA

$169m

End markets



- Energy 44%
- Materials 55%
- Other 1%



Operations

Essential services that keep the world's most critical industries performing.

- Modifications
- Operations
- Maintenance
- Asset management

People

15,787

Revenue

$2,407m

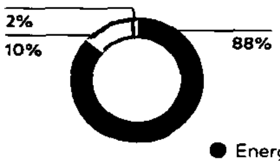
% of revenue

44%

Adjusted EBITDA

$148m

End markets

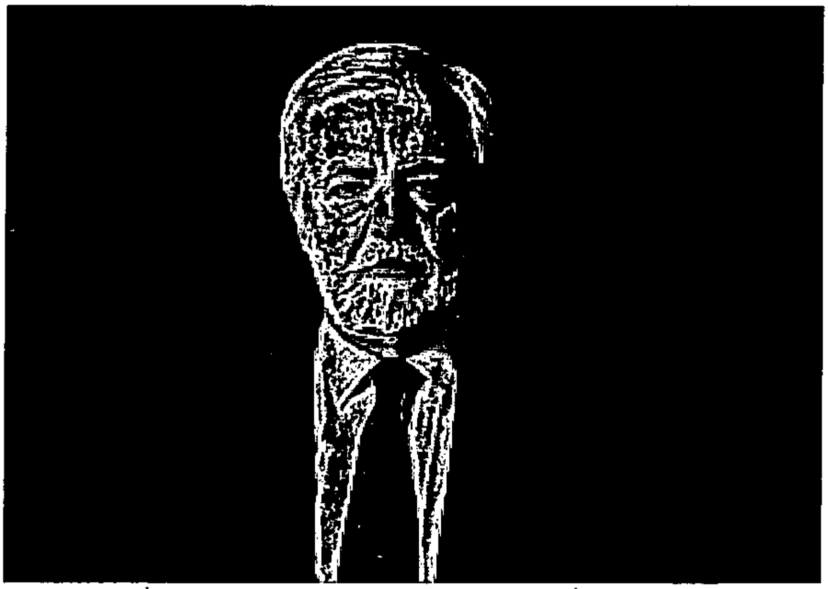


- Energy 88%
- Materials 10%
- Other 2%

See more in Our business model section on page 14

Chair's statement

A transformative year for the Group



Roy A Franklin
Chair

"In 2022, following an extensive consultation with our key stakeholders, we refreshed our strategy with a focus to deliver profitable growth. I am confident that under Ken's leadership and with a new, high performing leadership team, we will deliver results for our investors, clients and employees as we enter 2023."

A new chapter for Wood

2022 was a transformative year for Wood. The sale of the Built Environment Consulting business reset our balance sheet and we addressed many of our legacy issues.

We ended the year with our new executive management team setting out our strategy at a capital markets day, highlighting how Wood is a global leader in its markets and is now set up for success – for focused growth across energy and materials, and for a return to delivering financial returns for our shareholders.

Restored financial flexibility and addressed legacy issues

The sale of Built Environment Consulting completed in September 2022 for an enterprise value of $1.8 billion. This sale transformed the Group's balance sheet, with our net debt (excluding leases) moving from $1.8 billion at June 2022 to $0.4 billion at December 2022.

We addressed many of our legacy issues in the year, including settling the Enterprise litigation claim. The final payment for our SFO settlement is due in early 2024, the Aegis Poland contract is physically complete and moving to its commercial settlement phase, and we have limited lump sum turnkey work remaining across our business. So, while these legacy issues remain for a short time still, we are nearing the end of their impact on the Group. Crucially, we now have the balance sheet to address the defined schedule of cash outflows relating to these liabilities.

A new leadership team

In April 2022, Robin Watson advised the Board of his intention to retire as Chief Executive. Following an extensive search process that included internal and external candidates, Ken Gilmartin was appointed CEO on 1 July 2022. Ken joined Wood in August 2021 as our COO and brought with him a wealth of knowledge and experience from a varied career, most recently as a member of Jacob's senior executive team.

We have a new leadership team in place, with Jennifer Richmond joining as Executive President, Strategy and Development from Jacobs and the leaders of all three business units changing in the year.

Setting a new strategy

Led by Ken and his team, the Company developed a new strategy during the year, leading to a capital markets day in November 2022.

We are acutely aware that we have not delivered value for our shareholders over the last few years. As part of the development of our strategy, we commissioned an external perception study involving our investors as well as potential shareholders and equity analysts. This was conducted in July 2022 and interviewed 13 top shareholders, representing c.37% of our share capital.

The Board appreciated the constructive comments from participants and the feedback was used in considering strategy, capital allocation and communication.

Our market-led strategy, with a real focus on selectivity, will deliver returns for our shareholders including adjusted EBITDA growth of mid to high single digit CAGR over the medium term. Most importantly, the operating cash flows of our business, combined with the reducing legacy liabilities, will result in a return to positive free cash flow from 2024 onwards.

Performance in 2022

We returned to revenue growth, with growth in Consulting and Operations over the year and growth in Projects in the second half. Our adjusted EBITDA profitability was lower than 2021. This reflected progress in Projects offset by anticipated lower margins in Consulting and Operations, including our exit from Russia and the normalisation of profitability in Operations following a few years of high contract close out benefits.

Our cash performance primarily reflects the financial impact of addressing legacy issues and our decision to normalise working capital. The return to positive free cash flow in 2024 remains our absolute focus.

Capital allocation

Our capital allocation policy is centred on maintaining a prudent leverage over the medium term of around 0.5 to 1.5 times net debt (excluding leases) to adjusted EBITDA (pre-leases) leverage range. This allows us to invest in our business while funding the rundown of our legacy liabilities. Beyond this, and as the Group starts to generate free cash flow from 2024, we will consider how to deliver value for our shareholders from dividends, share buybacks or attractive acquisitions.

Looking ahead

Wood is a much stronger company than a year ago. We have moved on from our past and have a clear path ahead of us to return to sustainable free cash flow. The work that Wood does and the people that we have are critical to the needs of our clients and society, and I am excited for the role Wood has to play.

On behalf of the Board and the Company, I thank you for your continued support.

Roy A Franklin
Chair

World leaders in lithium, gold, potash and copper projects.

11 million

hours worked on major mining project without any lost time injury

Providing minerals for net zero

Access to minerals like lithium and copper will have a critical role to play in delivering a net zero future – they're central to the growth we need in electric vehicles, low-carbon fleets, battery storage and solar panels.

Wood has an outstanding track record in delivering some of the world's largest minerals processing projects. The calibre of our team was evident in some of the work we secured last year and some of the projects we delivered across the globe.

As an example, we were appointed by Enter Engineering to deliver the FEED and detailed design on the world's largest copper concentrator plant in Uzbekistan. Our scope also includes technical assistance during the procurement, construction, commissioning, and start-up stages.

Similarly, in Australia we completed work on one of the largest lithium processing projects in the world. Initially appointed in 2019 to provide engineering, procurement and construction management (EPCm) services, the team performed excellently including a first-class safety performance with over 11 million hours worked without a lost time injury.

Chief Executive review

Results in line with expectations

2022 was a year where we transformed Wood. We reset the business, strengthened our balance sheet, addressed legacy issues and appointed new leadership. We concluded the year by setting out our strategy at a capital markets day, highlighting how we will deliver value consistently through focused growth across our energy and materials end markets, and drive a return to delivering free cash flow.

Financial performance: delivered results in line with expectations

Return to revenue growth

Our performance in 2022 was in line with the expectations we set mid-way through the year. Revenue of $5.4 billion was 8% higher at constant currency[1]. This reflects good growth in Consulting and Operations and an improving trend in Projects, with a return to growth in the second half.

Profitability in line with expectations

Our adjusted EBITDA in 2022 was $385 million, flat at constant foreign exchange rates and at the upper end of the guidance range we gave in our January trading update. Our adjusted EBITDA margin[2] was 7.1%, lower than the 7.7% in 2021, partly reflecting a normalisation of margins in Operations, which benefited from contract close out benefits in previous years, along with a lower margin in Consulting. The margin in our Projects business was higher in the year as we shifted the business to a service-led model and saw improved overall project performance

Our adjusted EBIT was $174 million and our adjusted diluted EPS was down 67% to 5.7c. This reflects the lower profitability, high interest costs in the year and the disposal of Built Environment Consulting.

Our statutory loss for the year was $352 million and includes the impairment of goodwill and intangibles. Basic EPS was a loss of 52.4c per share, reflecting this statutory loss.

Cash performance reflects our reset

Free cash outflow for the year was $730 million and reflects a significant working capital outflow, partly reflecting our decision to exit lump sum turnkey ("LSTK") and larger EPC activity, as well as our decision to normalise payables at period ends. In addition to these working capital impacts, we also had large exceptional cash outflows arising from legacy issues, including the settlement of the Enterprise litigation claim for $115 million in the year.

Balance sheet now in a strong position

Our net debt excluding leases at December 2022 was $393 million, with a net debt (excluding leases) / adjusted EBITDA of 1.3 times. This reflects a significant improvement on last year (3.3 times) given the impact of the sale of Built Environment Consulting. Through the sale, we reset our balance sheet and this allowed us to address legacy issues and provide a firmer footing for future growth.

"Our strategy is already delivering. We started 2023 with good momentum – with order book for delivery in 2023 up 10%, headcount up 8% and financial guidance for 2023 in line with our medium-term financial targets – we now look to the future with confidence as a much stronger company."

Ken Gilmartin
Chief Executive

Our approach to capital allocation

Our capital allocation policy starts with having a strong balance sheet. We will look to manage our target leverage over the medium term within a range of around 0.5 to 1.5 times net debt (excluding leases) to adjusted EBITDA (pre-IFRS 16). This allows us to invest in our business, people and systems and fund the rundown of our legacy liabilities.

Beyond this, we will consider how best to create value for our shareholders from dividends, share buybacks or attractive acquisitions.

A new chapter for Wood: we transformed the Group in 2022

Wood is built on strong foundations, from our outstanding technical expertise and people, to our long-term client relationships. However, we have not delivered for our shareholders in recent years. While part of that underperformance reflects the challenging market backdrop of lower customer investment and the Covid pandemic, it was also driven by company-specific issues including insufficient discipline in project selection, high levels of restructuring and a series of legacy issues arising from the acquisition of Amec Foster Wheeler in 2017.

We tackled these issues head-on in 2022 and launched a new chapter for the Group with the transformative sale of Built Environment Consulting, reset of our balance sheet and launch of our profitable growth strategy. As we look ahead, we have instilled a structure and discipline into the business which will mitigate against future issues and allow us to grow from these strong foundations.

Sale of Built Environment Consulting transformed the Group

We completed the sale of Built Environment Consulting in September 2022 for an enterprise value of $1.81 billion, representing an attractive EV multiple of 16 times (including expected standalone costs). The net proceeds of around $1.7 billion, after the remaining tax due is paid in 2023, transformed the Group's balance sheet, funded the settlement of the Enterprise litigation and restored our financial flexibility.

We have addressed legacy issues

- We are no longer pursuing LSTK activity or major lump sum EPC activity, with remaining contracts due to complete in 2023
- Our Aegis Poland contract is physically complete with commercial settlement remaining
- The final payment for our SFO settlement is due in early 2024
- Our onerous leases come to an end in 2024
- We settled the Enterprise litigation

Our strengthened balance sheet will allow us to address the defined schedule of cash outflows relating to these legacy liabilities, as well as our asbestos liability, and allow the Group to return to positive free cash flow in 2024.

A new leadership team in place

We have a new leadership team, with seven of nine members of our Executive Leadership Team appointed to their roles in 2022 and 2023. Our wider senior leadership team has also undergone change, and we have added key hires throughout 2022 to strengthen our commercial offering, including recruiting leading subject-matter experts.

Our refreshed strategy: profitable growth

We launched our new strategy in November 2022 following extensive consultation with our employees, clients and investors.

Our strategic pillars

Our strategy is delivered across three pillars:

- **Profitable growth** – we will focus on priority markets and geographies where we can lead, with an absolute focus on driving operating cash flow, and building a high quality, low risk pipeline with a focus on cost reimbursable work.
- **Inspired culture** – we will drive improved employee engagement and reduced levels of voluntary turnover, while maintaining our focus on safety, and we aim to maintain a top quartile ESG rating amongst peers. We commit to driving greater diversity in our business, including a target of women comprising 40% of leadership roles before 2030.
- **Performance excellence** – with a focus on strong leadership, commercial governance and efficient ways of working. We will increase the use of our Global Excellence Centres to differentiate our offer to clients and drive improved margin. We will ensure our core digital solutions become embedded in client delivery, and we expect the proportion of revenue coming from sustainable solutions to grow each year.

Our attractive markets

The energy and materials markets offer significant growth opportunities for Wood. We are now taking a more focused approach to growth, targeting specific priority markets within energy and materials that best match our competitive strengths. This narrower focus will help ensure we can grow both profitably and sustainably.

We are focused on:

- Large markets with solid growth – Oil & Gas and Chemicals
- Small markets today with substantial growth potential – Hydrogen and Carbon Capture
- Large markets where we can significantly grow our share – Minerals and Life Sciences

Chief Executive review continued

Executive Leadership Team pictured at 2022 Leadership Conference

Our medium-term financial targets[3]

Our strategy will deliver returns for our shareholders and at our Capital Markets Day we set out new financial targets:

- Adjusted EBITDA margins to be flat in the nearer term, partly as we reinvest in the business to secure growth. In the medium term, we see opportunity for margin improvement
- Adjusted EBITDA to grow at mid to high single digit CAGR over the medium term, with momentum building over time as our strategy delivers
- The strong underlying cash flows of our business combined with the reducing legacy liabilities, will result in a return to positive free cash flow (after exceptionals) from FY24 onwards

We expect to expand our margin in the medium term, supported by:

- Improved pricing expectations across our markets, reflecting the selectivity of work undertaken and the significant demand for our services
- The continued shift to our services-led model
- Addressing the small number of underperforming businesses in our portfolio

We continue to target costs savings in two key areas to support our targets:

- As outlined at our Capital Markets Day, continued rationalisation of our property portfolio as our leases expire and reflecting post-Covid working patterns. We anticipate annualised savings of $15 million to $20 million by the end of 2025, with benefits accruing from 2024. EBIT will benefit by $10 million to $15 million per year
- IT cost savings of $10 million to $15 million from licence rationalisation and other efficiency measures, with material benefit accruing from 2024 onwards

Our management team are committed to delivery of these targets. The Board has agreed LTIP targets for 2023-2025 consistent with our medium-term targets. These targets are weighted:

- 60% to EBITDA targets, with a threshold of 450 million and a maximum level at $525 million in 2025
- 30% to total shareholder return relative to our peer group
- 10% to ESG metrics relating to carbon emission reductions and leadership gender diversity

In addition, as at 31 December 2022, and as set out in note 33 of our accounts, our main UK defined benefit scheme (WPP) was 119% funded and had a significant surplus of $432 million on an IAS 19 basis, and is currently expected to be around 105% funded with a surplus of around £100 million ($130 million) on the more prudent Technical Provisions basis at 31 March 2023, consistent with the assumptions used at the last triennial actuarial valuation.

The Group is currently working closely with the Trustee to agree a preferred direction regarding the future of the plan. Options being assessed include moving to a buy-in insured basis and eventual buy-out with a third party as soon as is reasonably practical, or to continue to run the WPP on for a limited number of years which could potentially generate further surplus. Any potential further surplus that might arise from running the scheme on could benefit both the Group and pension members, ensuring that appropriate safeguards for both the funding position and members' interests are taken into account at all times.

Delivering on our profitable growth strategy

Right business model now in place with focus on cost reimbursable work

We have de-risked our contract pipeline by minimising the LSTK activity and major lump sum EPC activity, and today we are predominately a cost reimbursable services business. Across the Group, the proportion of our revenue that came from cost reimbursable work is around 80% (and around 85% of our order book). Only around 4% of revenue in FY22 came from LSTK contracts, with the remainder being fixed price services work.

Well-positioned for growth

In addition to our order book of around $6 billion, we have a pipeline of opportunities many times larger in magnitude. In line with our focused and selective strategy, this pipeline is now aligned with our focus markets.

At December 2022, over 90% of our pipeline related to our six focus markets (Oil & Gas, Chemicals, Hydrogen, Carbon Capture, Minerals and Life Sciences), compared to 73% a year ago. The difference mainly relates to the removal of EPC opportunities across renewables, in line with our new risk appetite and strategy to focus on the complex work where we add the most value for our clients.

Encouragingly, we have a higher pipeline in nearly all our markets compared to a year ago, including a more than doubling of opportunities across hydrogen and carbon capture.

Progress on our people strategy

Our headcount at December 2022 was 35,573 people, up 8% on last year with significant increases in Consulting and Projects. This is an increasingly important metric with our shift to a services-led business model.

We are pleased that in the latter parts of 2022 we saw significant improvements in both employee engagement and employee net promoter score. We have also grown our Global Execution Centres significantly, with more than 3,000 skilled employees now in India and Colombia.

Progress on sustainability

Wood is an enabler of net zero, providing solutions across decarbonisation, energy transition, and materials for a net zero world. In addition, our life sciences solutions are aligned to the UN Sustainable Development goal of ensuring good health and well-being.

Around 20% of our revenue today is from sustainable solutions[4], with around 30% of revenue in Projects, around 25% of revenue in Consulting, and around 10% in Operations from such solutions. This strict measure does not include much of the decarbonisation activity we perform today for our clients, particularly in our Operations business with work such as reducing methane emissions and flaring.

We have seen strong growth in our pipeline for sustainable solutions in the year, including across hydrogen and carbon capture work.

Our progress on ESG matters is reflected in our MSCI AA rating, awarded for the 8th consecutive year, and the maintenance of our top quartile ranking against peers.

In 2022, we made further progress on many of our other key ESG goals including:

- Reducing scope 1 & 2 carbon emissions by 65% compared to our target of a 40% reduction from our 2019 baseline
- Embedding fair working practices through incorporating 'Building Responsibly' principles into our supply chain pre-qualification stages and supplier code of conduct

Optimising our portfolio

We are currently evaluating our portfolio and have identified underperforming businesses that do not fit with our focused strategy, generate negative margin and represent around 4% of revenue. We are considering options in respect of these businesses.

In addition to this, the sale of our offshore labour supply operations in Gulf of Mexico completed in March 2023 for cash consideration of $17 million. This reflects a proactive step in focusing the Group's portfolio on our focus markets and solutions.

Winning work across markets

Our order book at 31 December 2022 was $6 billion, broadly flat on the position a year ago but up by 4% at constant currency rates. The order book for delivery in the year ahead was up 10% on a year ago and positions us well for 2023, albeit with a more volatile macroeconomic backdrop to win the remaining work for 2023.

Significant contract wins across **Energy** in the year included:

- 10-year engineering & project support agreement with Chevron that forms a global strategic partnership across offshore and onshore assets
- Major contract extension with Equinor for operation on the Norwegian Continental Shelf to 2026
- 5-year multi-region engineering services contract renewal with bp
- 3-year operations and maintenance contract renewal with Shell in the UK North Sea
- Appointed delivery partner for Centrica Storage in the UK for key gas storage assets
- Contract for the FEED design to deliver a large-scale green hydrogen production facility in Norway

Significant contract wins in the year in **Materials** included:

- 2-year EPCm contract with Solvay to deliver a new polyvinylidene fluoride (PVDF) site in France
- 4-year EPCm contract with INEOS worth over $100 million for an ethane cracker
- Contracts with Enter Engineering in Uzbekistan worth over $200 million - engineering and procurement services for a gas to chemical complex, and FEED and detailed design for a mineral processing

Outlook[3]

While mindful of the uncertain economic outlook, our expectations for 2023 remain unchanged.

We expect our performance in FY23 to be line with our medium-term targets:

- Adjusted EBITDA margins to be flat in the nearer term, partly as we reinvest in the business to secure growth. In the medium term, we continue to see opportunity for margin improvement
- Adjusted EBITDA to grow at mid to high single digit CAGR over the medium term, with momentum building over time as our strategy delivers
- As is typical for our business, performance will be weighted to the second half of the year

We expect a material improvement in cash flow in FY23 with a significant improvement in operating cash flow, reflecting a much-improved working capital performance. As previously guided, we expect significantly lower exceptional cash flows in FY23 of around $135 million. This, plus the remaining tax payable on the sale of Built Environment Consulting of around $60 million, partially offset by disposal proceeds of around $25 million, will lead to higher net debt in FY23.

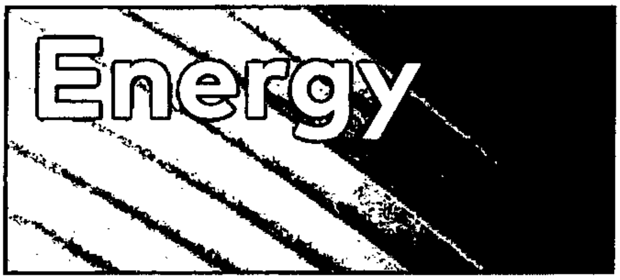
The exceptional cash outflows in FY23 are weighted to the first half of the year, and the tax payable on the sale of Built Environment will be paid in the first half of the year.

The improved operating cash flow performance of the Group, along with a continued reduction in exceptional cash outflows, will enable a return to positive free cash flow (after exceptionals) in FY24.

Footnotes

1. Refer to note 7 in the financial review
2. Refer to note 8 in the financial review
3. Certain of the statements in this section and repeated elsewhere in this Annual Report are classed as profit forecasts for the purposes of the City Code on Takeovers and Mergers (as set out in the announcement made by Wood on 28 March 2023).
4. Refer to note 9 in the financial review

Our markets



We are leaders in energy – ensuring energy security today and delivering the transition to a net zero future.

Oil & Gas[1]

Our focus is on onshore and offshore production, gas processing and pipelines where our clients continue to invest in new and ageing assets to improve efficiency and/or reduce emissions.

Trends:
Energy security | Transition to net zero | High commodity prices

Hydrogen

Our focus is on low carbon hydrogen as we believe it will be an important part of the hydrogen mix by 2050. We expect increased spend for new-build and retrofit facilities further incentivised by the US Inflation Reduction Act.

Trends:
Supportive policies | Transition to net zero | Technology advancement

Carbon Capture

Our core focus is on oil and natural gas facilities and carbon dioxide distribution and storage. We also see longer-term emerging opportunities to apply our expertise to iron, steel, cement and waste facilities.

Trends:
Supportive policies | Transition to net zero | Improving economics

We are leaders in materials processing and production, applying circular economy practices to deliver critical materials sustainably and responsibly as we strive for net zero.

Minerals

Our focus is primarily on minerals for net zero and the clean energy transition for example, copper, nickel and lithium. The growth in clean mineral processing is expected to increase six-fold by 2040 to meet net-zero targets.

Trends:
Supportive policies | Transition to net zero | Technology advancement

Chemicals[1]

Our focus is on prioritising complex integrated petrochemicals facilities and selected specialty chemicals. Additionally, the specialty chemicals market is growing quickly due to the focus on eco-friendly products and advanced materials.

Trends:
Rising consumer demand | Cirular initiatives | Transition to net zero

Life Sciences

Our focus is on on-shoring trends, particularly in North America where our strong engineering and major project delivery capability coupled with digital solutions offers a differentiated approach.

Trends:
Rising consumer demand | Re-shoring commitments | Ageing population

Our focus:

c.$230bn

2025 total addressable market in core geographies[1]

Large markets with solid growth.

Oil & Gas – Delivering energy security
Chemicals – Rising global demand

Small markets with substantial growth.

Hydrogen – Enabling energy transition
Carbon Capture – Enabling energy transition

Large markets where we will significantly grow our share.

Minerals – Delivering energy security
Life Sciences – Rising global demand

Details on market growth:

Energy

Materials

Oil & Gas	Hydrogen	Carbon Capture	Metals & Minerals	Chemicals	Life Sciences
Market drivers	**Market drivers**	**Market drivers**	**Market drivers**	**Market drivers**	**Market drivers**
Energy security Net zero agenda High commodity prices	Energy transition Supportive policy Technology advancement	Net zero agenda Improving economics Supportive policy	Transition to net zero Supportive policy Technology advancement	Consumer demand Circular initiatives Net zero agenda	Consumer demand Onshoring commitments Ageing populations
Addressable market (2025)[2]	Addressable market (2025)[2]	Addressable market (2025)[2]	Addressable market (2025)[2]	Addressable market (2025)[2]	Addressable market (2025)[2]
$124bn	**$4bn**	**$4bn**	**$21bn**	**$50bn**	**$26bn**
Market CAGR: 2022-2025[3]	Market CAGR: 2022-2025[3]	Market CAGR: 2022-2025[3]	Market CAGR: 2022-2025[3]	Market CAGR: 2022-2025[3]	Market CAGR: 2022-2025[3]
6%	**67%**	**29%**	**7%**	**1%**	**6%**
Market CAGR: 2022-2030[3]	Market CAGR: 2022-2030[3]	Market CAGR: 2022-2030[3]	Market CAGR: 2022-2030[3]	Market CAGR: 2022-2030[3]	Market CAGR: 2022-2030[3]
2%	**31%**	**15%**	**7%**	**2%**	**6%**

Our key market drivers explained:

Energy transition
The global shift of the energy sector from fossil based production and consumption to renewable and low carbon energy sources.

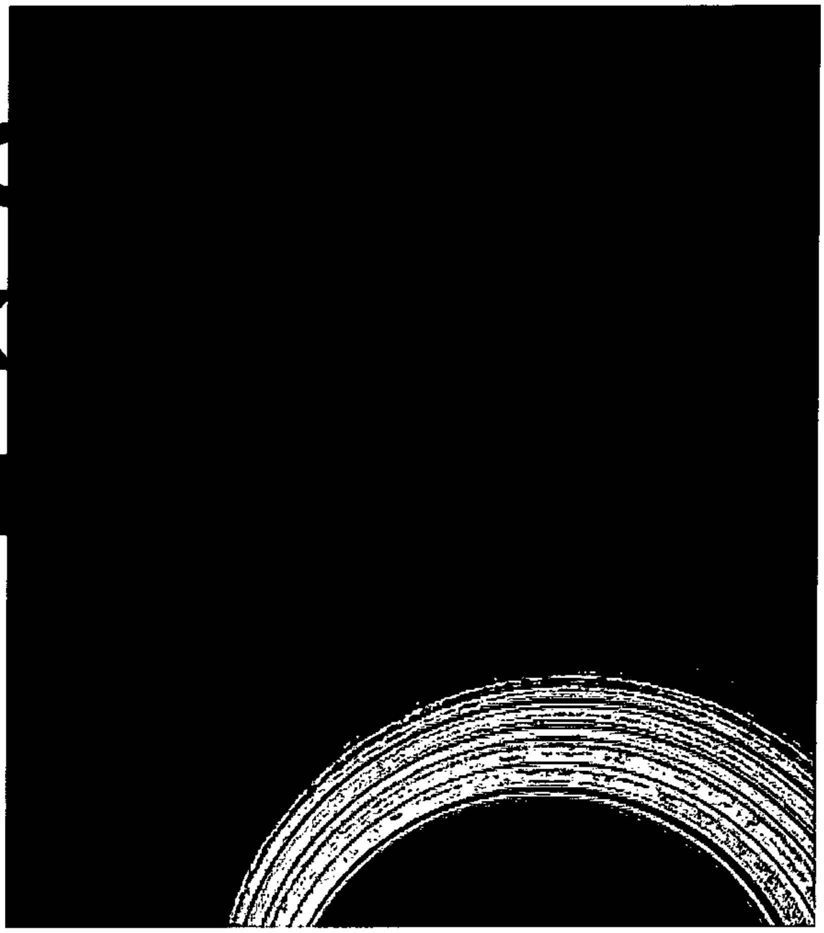
Net-zero agenda
The investment from our clients to meet their net zero goals.

Energy security
Our clients focus on delivering safe, reliable and affordable energy.

Footnotes:
1. Oil & Gas refers to upstream and midstream. Chemicals excludes refining
2. Addressable market sizes estimated using secondary sources
3. Market CAGR assumptions shown are nominal growth rates based on a range of global inflation assumptions from 0% to 2.5%

Our strategy

Our fo
is our k
differe



We focus on complex work in markets and geographies where we are most differentiated. The markets we choose to operate in are forecasted to spend c.$1tn of capital over the next few years; we anticipate our addressable markets to spend around **$230bn** in 2025, see page 10.

Our selective and focused approach:

Market attractiveness

Where we play:

We target large markets with strong growth opportunities where we can achieve good margins and where we have strong client relationships to accelerate growth.

Our ability to win

Where we play:

We target markets and projects where we can leverage our ability to win and hold a leading position based on current core capabilities as well as leveraging our ability to scale talent, our competitive offering and geographic footprint.

Contracting dynamics

Where we play:

We target projects where we can make sure that the contracting dynamics within our chosen markets and type of projects we work on meet our preferred low risk profile and contracting model. We will no longer pursue lump sum turnkey projects and have exited large-scale EPC projects.

Delivered across three pillars:

Profitable growth.

A higher grade business

Growth in priority markets and geographies focusing on EBITDA and solutions and portfolios aligned to growth markets, a focus on sustainable cash flow. And a balanced approach to risk where we ensure an appropriate level of contract and project risk.

2022 progress

- Results in line with expectations
- Revenue up 8%[1]
- Headcount up 8%
- Cost reimbursable contract portfolio
- Legacy liabilities addressed
- Sale of Gulf of Mexico offshore labour supply business

Inspired culture.

Creating a great place to work

Investing in creating a great place to work. This means prioritising employee wellbeing, doing the right thing, putting sustainability at the heart of our business and empowering each other to design the future.

2022 progress

- Significant improvements in employee engagement score (+8 points)
- 32% female leadership
- AA MSCI rating for eighth consecutive year

Performance excellence.

Results focused and delivering for clients

How we do business and deliver for our clients and includes the ethical standards we maintain, the innovation we bring, the quality of our work and the sustainability and reliability of our solutions. This is about simplifying and improving how we operate. It's the things we need to do to have a relentless focus on exceeding client expectations and always challenging the status quo.

2022 progress

- Strengthened leadership team
- High quality pipeline reflects focus and selectivity
- Market-leading client NPS – first among nine closest peers
- Growth in Global Execution Centres (over 3,000 employees)
- Around 20% of revenue from sustainable solutions based on strict definition

Our medium-term targets:

Adjusted EBITDA margins to be flat in the nearer term, partly as we reinvest in the business to secure growth. In the medium term, we see opportunity for margin improvement

The strong underlying cash flows of our business combined with the reducing legacy liabilities, will result in a return to positive free cash flow (after exceptionals) from FY24 onwards

Adjusted EBITDA to grow at mid to high single digit CAGR over the medium term, with momentum building over time as our strategy delivers

1. At constant currency, see note 7 of the financial review

Our business model

We create value by delivering differentiated consultancy and engineering solutions across the energy and materials markets.

Our relationships and resources

Outstanding talent

Talented, flexible and motivated workforce.

Read more on page 60

Financial

Cash generation allows us to invest in the business, people and systems.

Read more in our CFO's review on page 26

Our relationships

Decades-long trusted client relationships with the firms who invest in critical infrastructure.

Robust governance

Robust risk governance and operations assurance policies and processes.

Read more in our risks section on page 104

Intellectual property

We have proprietary software solutions.

Our purpose

We complete complex work in critical industries.

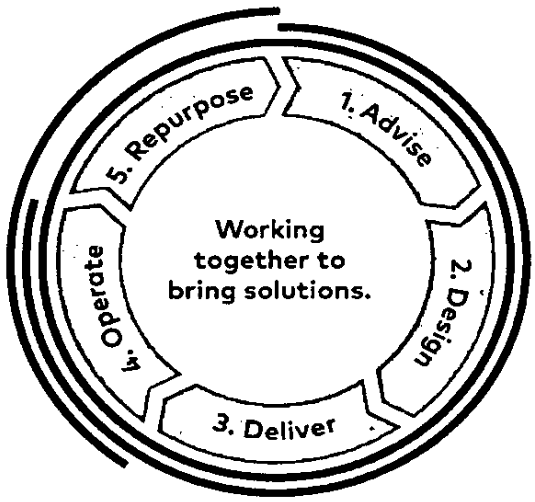
We contribute to unlocking solutions to the world's most critical challenges.

What we do

We are an engineering and consultancy business providing solutions to clients across the lifecycle of their projects.

Our integrated offering

This can range from the very outset of a project when clients are looking to test the feasibility of their plans, all the way through to the detailed design, the detailed engineering, the project delivery and then into the long-term operation and optimisation of assets to maximise the value they deliver.



1. Advise:
- Feasibility studies
- Concept design
- Pre-FEED
- Strategy planning

2. Design:
- FEED
- Detailed design
- Owner's engineer

3. Deliver:
- PMC
- EPCm
- Commissioning

4. Operate:
- Maintenance
- Modifications
- Brownfield engineering
- Asset management
- Asset optimisation

5. Repurpose:
- Life extension
- Asset repositioning
- Decommissioning

Our contracting structure

How we contract with clients is critical to their success and ours. In 2022 c.80% of revenue from cost reimbursable contracts whereby the costs to deliver the work are charged directly to the clients.

The value we generate

Consulting

- Technical and digital advisory business
- Trusted adviser to clients' toughest challenges
- Deep domain expertise coupled with operational technology capabilities

Read more on page 22

Projects

- Delivering solutions for high value capital investment
- Balanced portfolio across energy and materials built on strong long term client partnerships well positioned for profitable growth in energy, chemicals, minerals and life sciences

Read more on page 23

Operations

- Leader in energy operations, delivering highly skilled, integrated technical solutions across critical infrastructure
- Long term client partnerships
- Deep expertise in energy security, decarbonisation and sustainable energy transition

Read more on page 24

The remainder of the work we did was fixed price services where we charge a fixed fee to deliver the work. Included in this, around 4% of work was lump sum turnkey (LSTK) whereby Wood takes on delivery risk. We will not pursue LTSK projects and have exited largescale EPC projects, as discussed in the CEO statement on page 06.

Our competitive advantage

World class subject matter expertise
With our global execution centres, we utilise a shared resource base with leading subject matter experts across our markets.

Ability to leverage
Our global footprint and expertise across the asset lifecycle allows us to offer highly-skilled, technically-integrated solutions for critical industries.

Highly valued by our clients
We rank higher than the market average in NPS[1] and first amongst our closest peers.

Global scale and footprint
We have a geographically optimum footprint within key regions and our operating model allows us to scale up or down in response to market opportunities.

Differentiating with decarbonisation and digital
Our two cross cutting drivers of decarbonisation and digital are critical to our clients' ambitions.

Footnotes:
1. Net Promoter Score (NPS) is a customer loyalty and satisfaction measurement taken from asking customers how likely they are to recommend your product or service to others on a scale of 0-10

Our business model continued

The value we generate

For investors and lenders
- Growth and cash generation
- Targeting total shareholder returns

For our people
- Rewarding careers and employee retention
- A workplace where different backgrounds, experience and expertise are welcomed and celebrated

Read more on page 60

For our clients
- Best-in-class delivery, consistently
- Leading technical services and smarter, more sustainable solutions
- Track record on industry-leading projects
- NPS 20% higher than market average and key competitors

For communities
- Significant contribution to local employment and communities
- *Employee matched funding & community support*

Read more on page 66

For suppliers
- A responsible partner

For the environment
- Gross carbon reduction
- Enabling our clients to decarbonise and transition away from fossil fuels

Read about how we engage with our stakeholders on pages 38

Sustainable solutions

The majority of the work we do across our businesses reduces the carbon intensity of our clients' assets.

20%

2022 revenue from sustainable solutions

Read more in sustainability on page 48