

# Interim Results 2015

25 August 2015



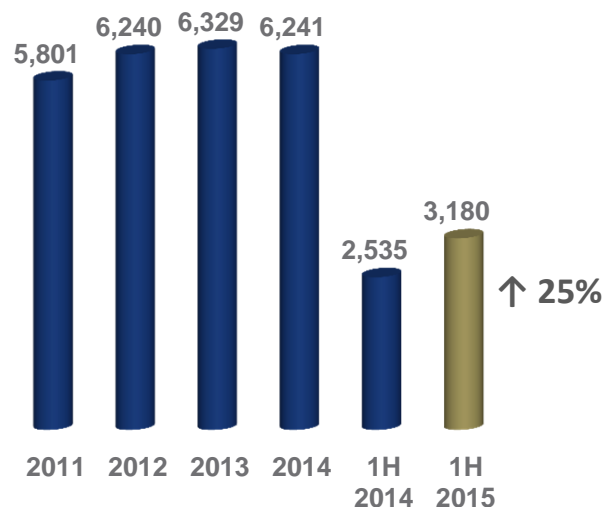
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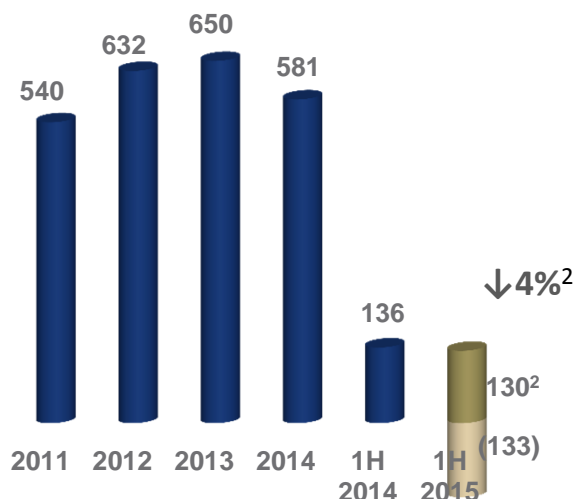
# Headlines

- Strong revenue growth, up 25%, as a number of OEC projects move into execution stage
- On Laggan-Tormore, commissioning is well underway, with major systems handed over to the client; first gas is now expected in Q4 2015 with additional costs recognised of around £30m
- Rest of portfolio remains in good shape and is performing in line with our expectations<sup>1</sup>
- Group backlog stood at US\$20.9bn at 30 June 2015, with ECOM backlog up 14% over 1H 2015 to US\$17.8bn, giving excellent revenue visibility; continue to see a healthy pipeline of bidding opportunities
- Net debt of US\$1.0bn at 30 June 2015, primarily reflecting ongoing investment in IES's Greater Stella Area project and JSD6000, payment of 2014 final dividend and incremental costs on Laggan-Tormore
- Interim dividend maintained at 22.00 cents per share

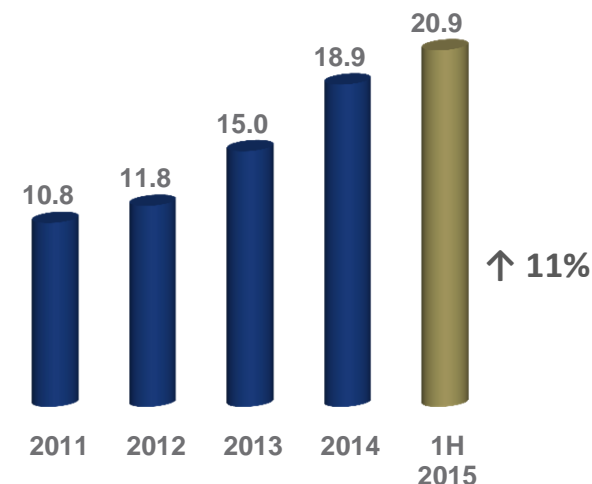
Revenue (US\$m)



Net profit (US\$m)



Backlog (US\$ billion)



<sup>1</sup> On 25 February 2015, we noted that based on an average oil price of around US\$60 per barrel in 2015, our net profit after tax was expected to be around US\$460m. After recognising the loss in the year to date on the Laggan-Tormore project of US\$263m (US\$220m (as previously announced up to 23 June) plus US\$43m (around £30m) of further costs), the Group's net profit before exceptional items and certain re-measurements for 2015 is expected to be around US\$200m.

<sup>2</sup> Before recognition of the year to date loss on Laggan-Tormore and before exceptional items and certain re-measurements.



## ECOM - Laggan-Tormore update

- Commissioning is well underway, with major systems handed over to the client
- First gas now expected in Q4 2015
- Additional costs recognised during 1H 2015 predominantly relate to additional direct construction manhours, along with the associated indirect, subcontractor and material costs



# ECOM – operational update

## Onshore Engineering & Construction

- Portfolio remains in good shape and is performing in line with our expectations
- Achieved over US\$4bn of order intake in year to date, including new awards in Kuwait - Lower Fars heavy oil project and Manifold Group Trunkline (MGT) system

## Offshore Projects & Operations

- Secured approximately US\$800m of new wins and extensions during the first half of the year, including Oranje-Nassau Energie, CNR International and Eni
- Substantial progress has been made on the SARB3 and BorWin3 offshore capital projects

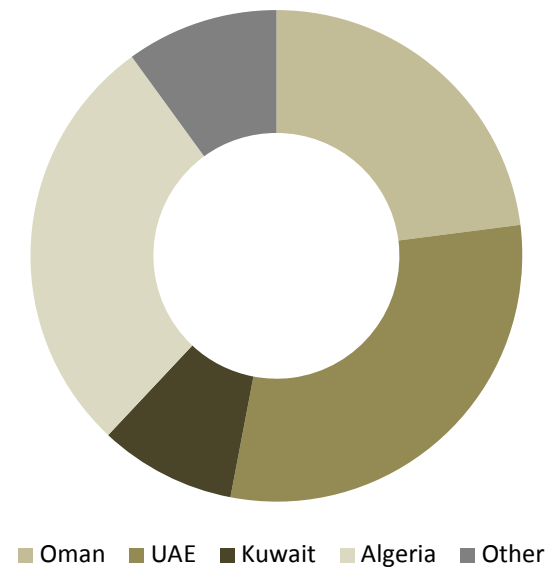
## Engineering & Consulting Services

- Good progress on Rabab Harweel Integrated Project in Oman
- Record backlog and revenue visibility following the award of Yibal Khuff project in Oman worth around US\$900m
- Secured number of new awards in Plant Asset Management

## ECOM - bidding pipeline attractive

- Continue to bid on a number of prospects in OEC in 2H 2015
- OEC bidding pipeline in 2016 is attractive with high priority prospects totalling c. US\$28 billion
- Majority of clients are NOCs who are committed to ongoing investment in our core markets where we have an excellent track record and a very cost-competitive delivery capability
- Competitive environment remains good
- Anticipate further awards and extensions in OPO in 2H 2015

Onshore Engineering & Construction 2016 prospects



## IES – operational update

- **Production Enhancement Contracts, Mexico** - contract migration is progressing and in July we brought on production from Santuario North East, the first developed near-field opportunity on the Santuario field
- **Greater Stella Area development, UK North Sea** - continues to progress with first production still expected mid-2016
- **Block PM304, Malaysia** - completed drilling program on the Cendor field, after five years of continuous rig activity on the Block; production levels are expected to ramp up as we tie in new wells on Cendor phase 2 and optimise well production
- **Chergui gas concession, Tunisia** - 1H 2015 production below expectations due to periods of civil unrest during March/April, but production has since returned to full capacity

## Maintaining our strong competitive position

- We started our action on cost early with our cost efficiency and optimisation programme, which commenced in 2012 and is focused on:
  - Resource optimisation
  - Tighter control and enhancing awareness of costs
  - Better integration of Indian engineering offices
  - Improvement in work processes
- Overall headcount is broadly flat over 1H 2015, despite a substantial increase in activity levels, and we continue to look for ways to deliver our operations more efficiently and to reduce overhead and support costs
- We have maintained our focus on operational excellence and cost efficiency across the business and expect incremental savings during 2015 of approximately US\$80m
  - These savings will protect our strong competitive position and help clients deliver their projects for less
- We continue to identify and progress further cost saving opportunities, which will deliver benefits in 2016 and beyond



# Income Statement

US\$m	1H 2015**	1H 2014
Revenue	3,180	2,535
Operating (loss)/profit*	(83)	205
(Loss)/profit before tax	(133)	188
Income tax expense	-	(53)
(Loss)/profit for the period	(133)	135
Profit for the period before Laggan-Tormore losses	130	135
EBITDA	9	340
ROCE***	10%	20%
EPS, diluted (cents per share)	(39.3)	39.8
Interim dividend (cents per share)	22.0	22.0

Note: all figures presented above are for the full year ended 31 December (US\$ millions unless otherwise stated)

\* Including share of results of associates

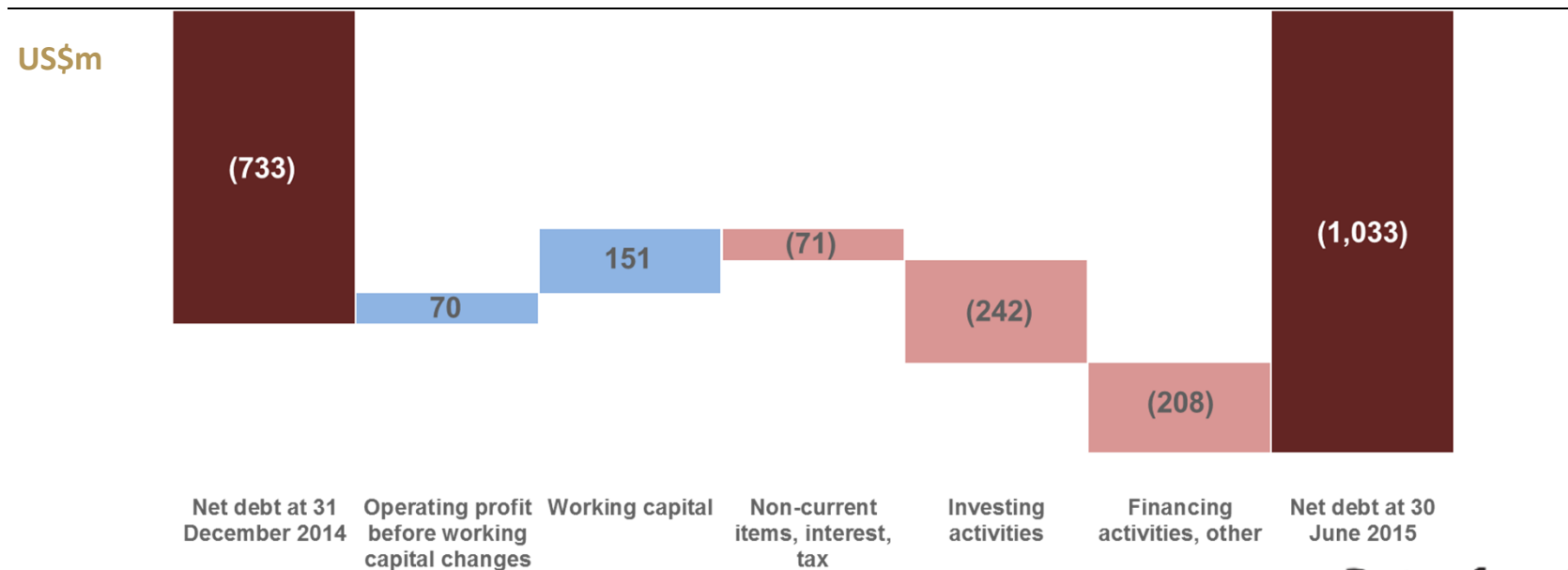
\*\* Before exceptional items and certain re-measurements

\*\*\* EBITA divided by average capital employed (being total assets less total current liabilities ) adjusted for gross up of finance lease creditors, for 12 months ended 30 June

## Movement in net debt

Net debt stood at US\$1.0bn at 30 June 2015 reflecting:

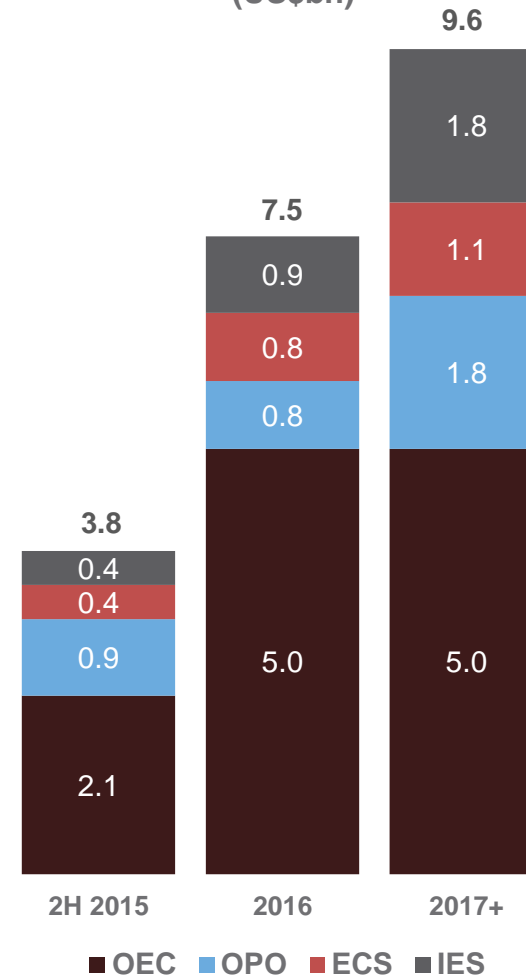
- cash generated from operations and net working capital in flows of US\$0.2 billion
- net investing activities of US\$0.2bn
- financing activities, including payment of the 2013 final dividend and 2014 interim dividend, of US\$0.2bn



# Backlog

- Group backlog increased 11% to stand at US\$20.9bn at 30 June 2015 (Dec 2014: US\$18.9bn), giving excellent revenue visibility for 2H 2015 and beyond
- OEC backlog increased 12% to US\$12.1bn (Dec 2014: US\$10.8bn), reflecting award of the Lower Fars heavy oil project in Kuwait
- OPO backlog increased to US\$3.5bn (Dec 2014: US\$3.4bn), reflecting a number of awards and contract extensions
- ECS backlog increased to US\$2.3bn (Dec 2014: US\$1.4bn) following award of the Yibal Khuff project in Oman
- IES backlog stood at US\$3.1bn\* at 30 June 2015 (Dec 2014: US\$3.3bn)

30 June 2015 backlog ageing (US\$bn)

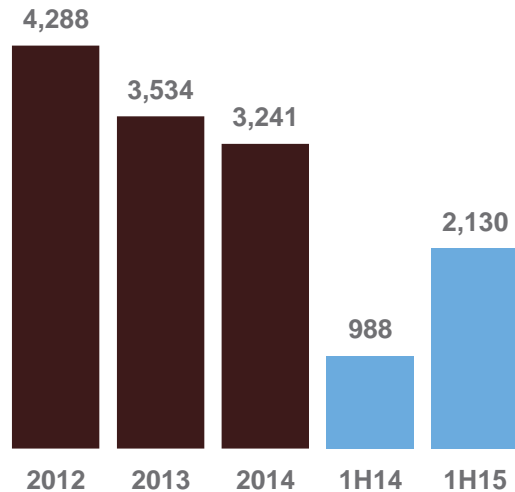


\*Of which approximately 85% relates to our Production Enhancement Contracts in Mexico

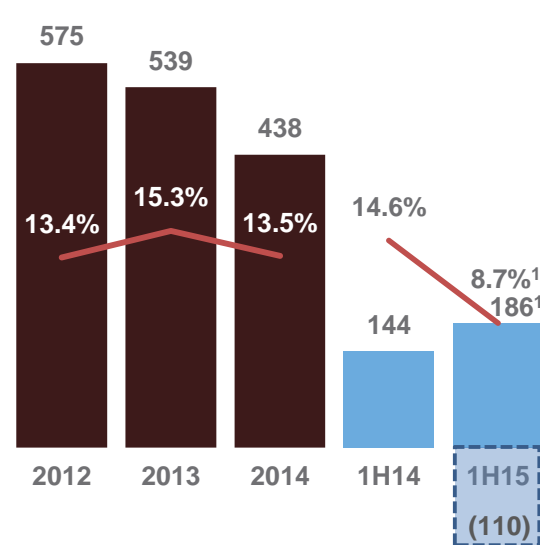
# Onshore Engineering & Construction

- Revenue ↑116% – reflecting an increase in activity levels as we moved into the execution phase on a number of projects
- Net loss of US\$123m after recognising US\$263m of losses on Laggan-Tormore
- Underlying net margin, before the Laggan-Tormore losses, was 6.6%, reflecting phasing of project delivery, as a number of projects are expected to reach their percentage of completion threshold for initial profit recognition in 2H 2015

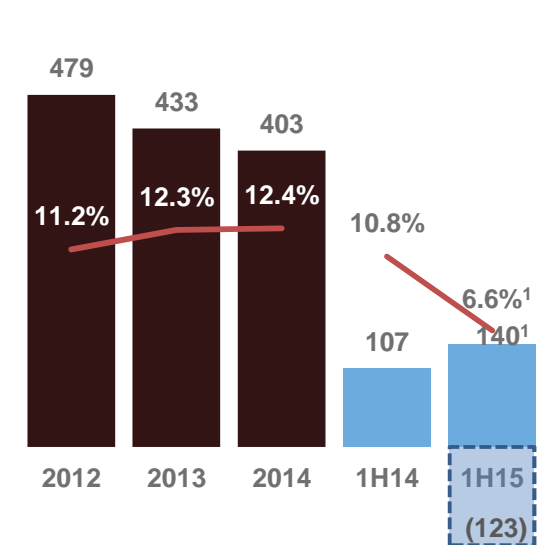
Revenue (US\$m)



EBITDA (US\$m)



Net profit (US\$m)

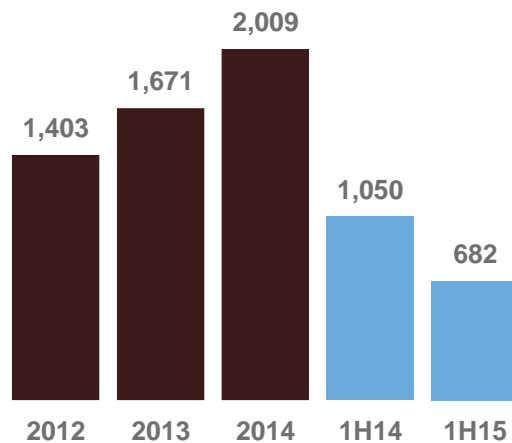


<sup>1</sup> Before recognition of the year to date loss on Laggan-Tormore

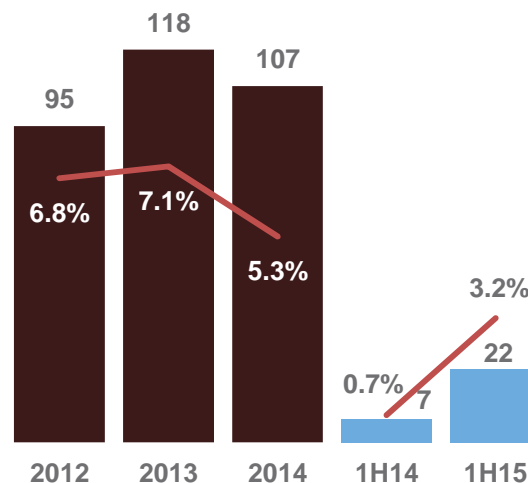
# Offshore Projects & Operations

- Revenue ↓35% – predominantly reflecting lower revenues on capital projects, such as the Laggan-Tormore gas plant and the upgrade and modification of the FPF1 floating production facility
- Net margin for the first half of the year increased to 1.3% as much of the activity on capital projects during 1H 2014 was at low margins and has now been substantially completed

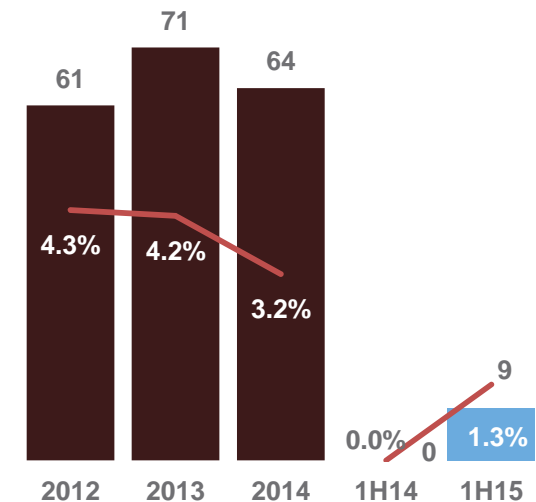
Revenue (US\$m)



EBITDA (US\$m)



Net profit (US\$m)

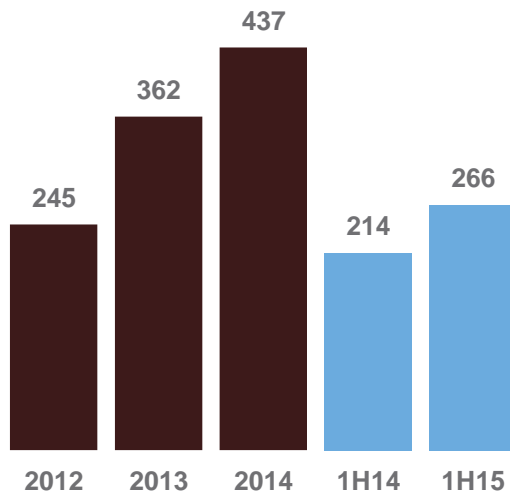




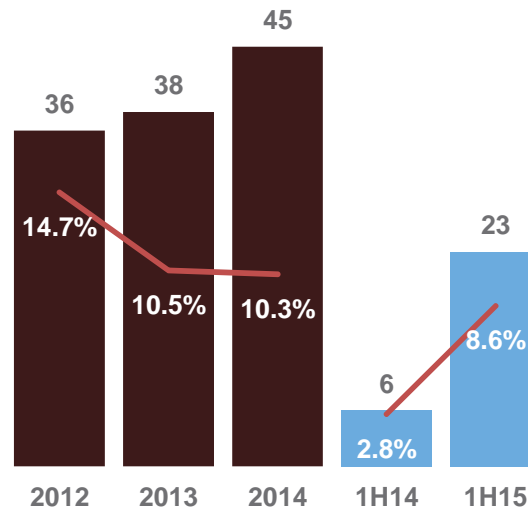
# Engineering & Consulting Services

- Revenues ↑24% – reflecting ramp up of activity on Rabab Harweel project in Oman
- Net profit ↑250% – due to higher margins earned by our Indian engineering offices and progress on the Rabab Harweel project in Oman

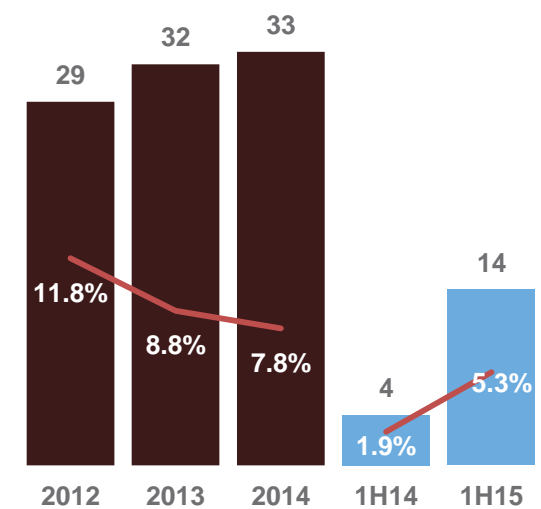
Revenue (US\$m)



EBITDA (US\$m)



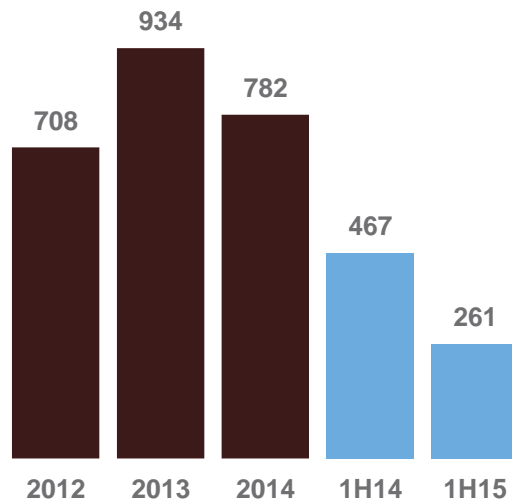
Net profit (US\$m)



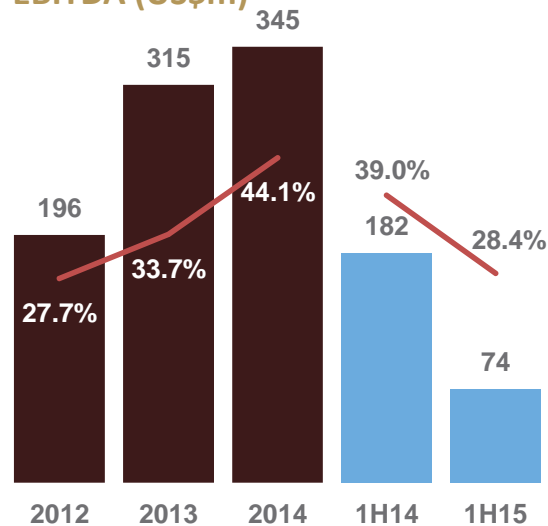
# Integrated Energy Services

- Revenue ↓44% - predominantly reflecting the lower oil price environment and lower investment in our PECs in Mexico
- Net loss before exceptional items and certain re-measurements of US\$7 million, reflecting the lower oil price environment, but including receipt of US\$9m break fee from Bowleven in respect of our exit from the Etinde project in Cameroon

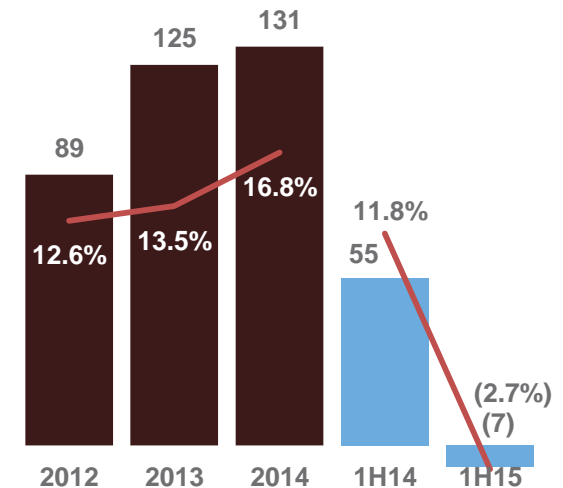
Revenue (US\$m)



EBITDA (US\$m)



Net profit (US\$m)



## Our priorities for the immediate future...

...are focused on returning Petrofac to its traditional areas of strength through:

- Execution of our existing backlog, which is primarily in our core markets, to a high standard with a relentless focus on risk management across the portfolio
- Closing-out the Laggan-Tormore gas plant project in line with our expectations and to the client's satisfaction
- Delivering the FPF1 floating production facility to enable first production from the Greater Stella Area development mid-2016
- Reducing the capital-intensity of the business and delivering value from our IES portfolio
- Continuing to drive operational efficiencies to maintain our cost-competitiveness and retain a healthy backlog

# Appendices

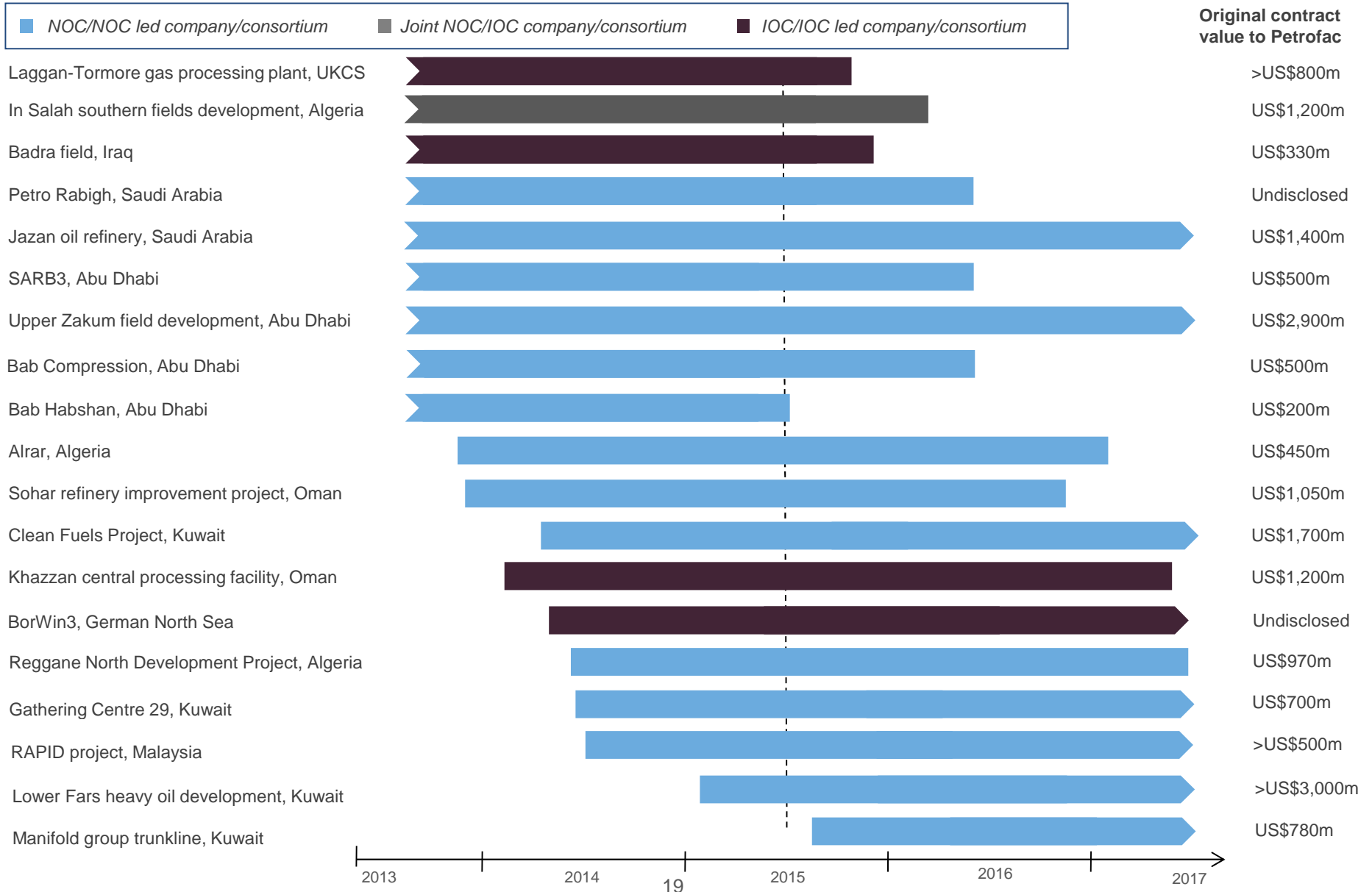


# Appendix 1: Group organisation structure

<b>Divisions</b>	<b>Engineering, Construction, Operations &amp; Maintenance (ECOM)</b> <i>Chief Executive, Marwan Chedid</i>				<b>Integrated Energy Services (IES)</b> <i>Chief Operating Officer, Rob Jewkes</i>		
<b>Reporting segments</b>	<b>Onshore Engineering &amp; Construction (OEC)</b>	<b>Offshore Projects &amp; Operations (OPO)</b>		<b>Engineering &amp; Consulting Services (ECS)</b>	<b>Integrated Energy Services</b>		
<b>Service lines</b>	<b>Onshore Engineering &amp; Construction</b>	<b>Offshore Projects &amp; Operations</b>	<b>Offshore Capital Projects</b>	<b>Engineering &amp; Consulting Services</b>	<b>Training Services</b>	<b>Production Solutions</b>	<b>Developments</b>



# Appendix 2: Key ECOM projects



# Appendix 3: Key IES projects

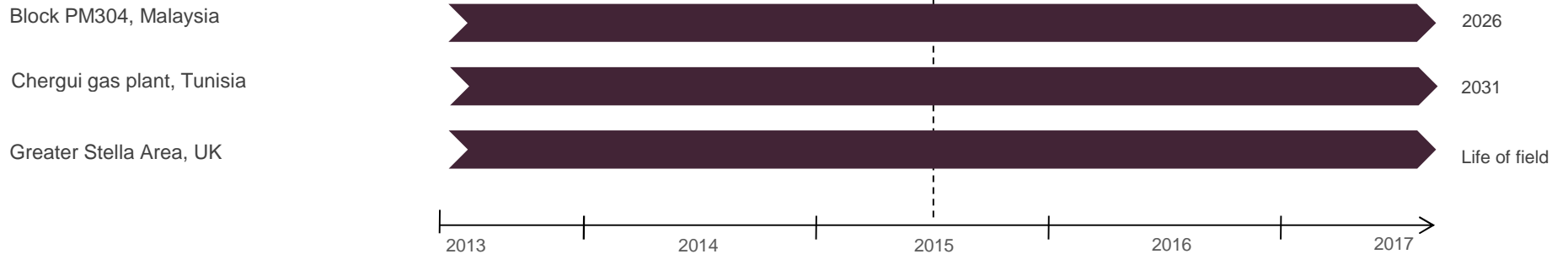
## Production Enhancement Contracts (PEC)\*



## Risk Service Contracts (RSC)\*\*\*



## Equity Upstream Investments



\* Tliceni PEC in Romania excluded following decision to exit

\*\* In joint venture with Schlumberger

\*\*\* OML119 not included, as Field Development Plan not yet defined

## Appendix 4: Effective tax rate

### Effective tax rate (ETR) by segment\*

	1H 2015	1H 2014
Onshore Engineering & Construction	8% credit	13%
Offshore Projects & Operations	50%	100%
Engineering & Consulting Services	24%	0%
Integrated Energy Services	13%	39%
Group	0%	28%

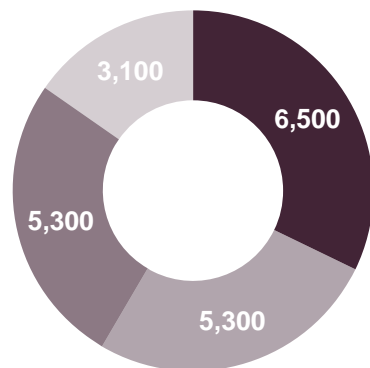
- The Group's ETR is dependent upon a number of factors including the timing of profit recognition between the first and second halves of the year on contracts held as well as mix of jurisdictions in which contracts' income is generated within the Onshore Engineering & Construction and the Integrated Energy Services segments
- The lower ETR results from the impact of current period losses not recognised for tax purposes and a reduced proportion of total income being generated in higher tax jurisdictions compared with prior periods

\* Before exceptional items and certain re-measurements

## Appendix 5: Employees

- Approximately 20,200 people in 7 key operating centres and 24 offices
- Around 30% of our employees are shareholders/participants in employee share schemes

Total headcount



■ OEC ■ OPO ■ ECS ■ IES

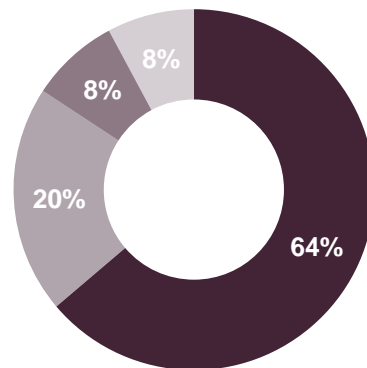


▲ Operating centre ● Country office

## Appendix 6: Segmental performance

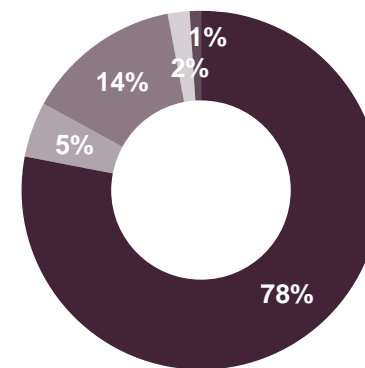
- Onshore Engineering & Construction earned 64% of Group revenues in 1H 2015
- Middle East and Africa accounted for 78% of Group revenues, reflecting geographic mix of recent project awards
- Europe: activity principally in UK North Sea, where significant proportion of Offshore Projects & Operations revenues are generated
- CIS and Asia: primarily relates to activity on Berantai and PM304 in Malaysia
- Americas predominantly relates to our Production Enhancement Contracts in Mexico

1H 2015 revenue by reporting segment



■ OEC ■ OPO ■ ECS ■ IES

1H 2015 revenue by geography



■ Middle East & Africa ■ CIS & Asia  
 ■ Europe ■ Americas  
 ■ Other