

FINAL RESULTS 2016

22 February 2017



Petrofac 

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Focusing on our core strengths and delivery

- Good operational & financial performance
 - Underlying net profit of US\$421m
 - Reduced net debt by 10%
- Delivering our strategy
 - Focusing on core strengths
 - Reducing capital intensity
 - Strengthening balance sheet
- Maintained final dividend
- Well positioned for recovery

2016 FINAL RESULTS

Alastair Cochran

Chief Financial Officer



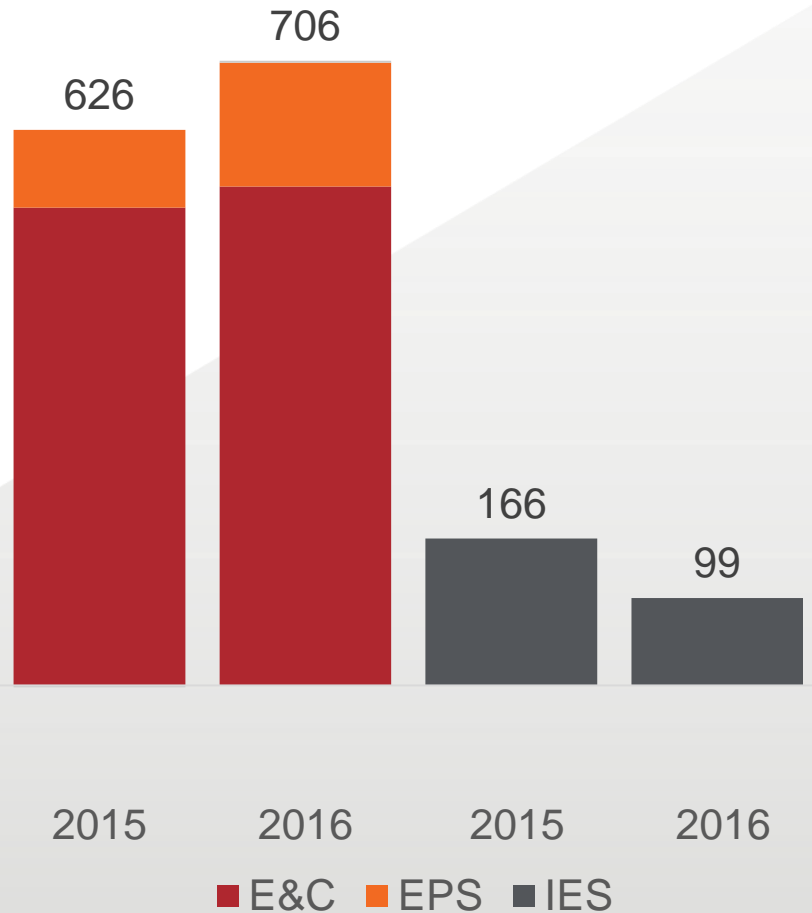
2016 Financial Summary

<u>Order Backlog</u>	<u>Net Profit¹</u>	<u>Cash Conversion</u>	<u>Net Debt</u>	<u>Total Dividend</u>
US\$14.3bn (31%)	US\$421m (4%)	114% (151)ppts	US\$617m (10%)	65.8 cents unchanged

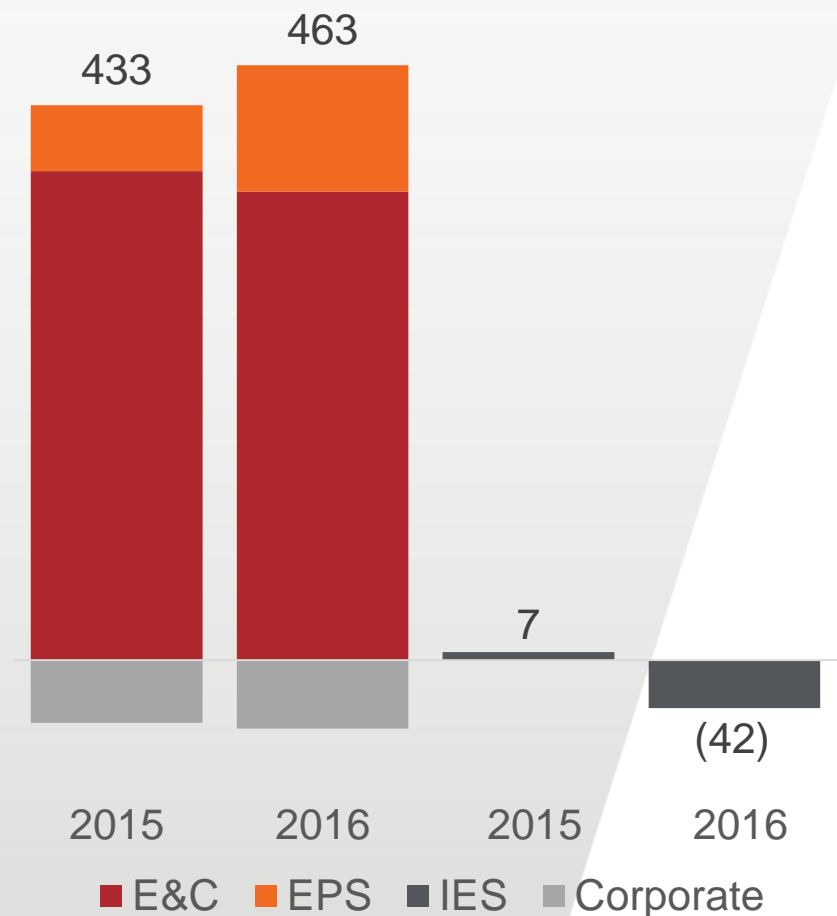
- Delivered positive results in challenging markets
 - Record revenues
 - Significant cost reduction
- Strong cash generation, with net debt down 10%
- Maintained final dividend

Underlying Business Performance

EBITDA¹ (US\$m)



Net Profit¹ (US\$m)



¹ Underlying Business Performance before exceptional items, certain re-measurements and Laggan-Tormore project losses

Business Performance Results¹

US\$m	2016	2015	Change
Revenue	7,873	6,844	+15%
EBITDA	704	312	
Net finance costs	(98)	(92)	+7%
Tax	(85)	(6)	
Net profit	320	9	
Earnings per share ²	93.29c	2.65c	
Dividend per share	65.8c	65.8c	unchanged
<i>Pre Laggan-Tormore losses:</i>			
EBITDA	805	792	+2%
Net profit	421	440	(4%)
Net margin	5.3%	6.4%	(1.1) ppts

1 Before exceptional items and certain re-measurements

2 Diluted earnings per share

Impairments and Exceptional Items

- Reported net profit impacted by impairments & exceptional items
- Impairments of US\$245m
 - Fully impaired Seven Energy
 - Berantai exit
- Other exceptional items of US\$74m
 - Mark-to-market FX movements
 - Restructuring & other costs
- Cash impact of US\$21m
- US\$1.2bn IES portfolio NBV

Impairments and Exceptional Items

US\$m	Pre-tax impairment	Tax	Post-tax impairment
Seven Energy	197 ¹	-	197
Berantai RSC	33	(3)	30
Other IES	18	-	18
Impairments	248	(3)	245
Exceptional items	70	4	74
TOTAL	318	1	319

Integrated Energy Services' NBV

IES net book value (US\$bn)	
Mexico PECs	0.4
PM304	0.4
GSA	0.3
Other	0.1
Total	1.2

¹ Includes reclassification of cumulative unrealised losses of US\$16m previously recognised through the reserve for unrealised gains/(losses) on available-for-sale financial assets

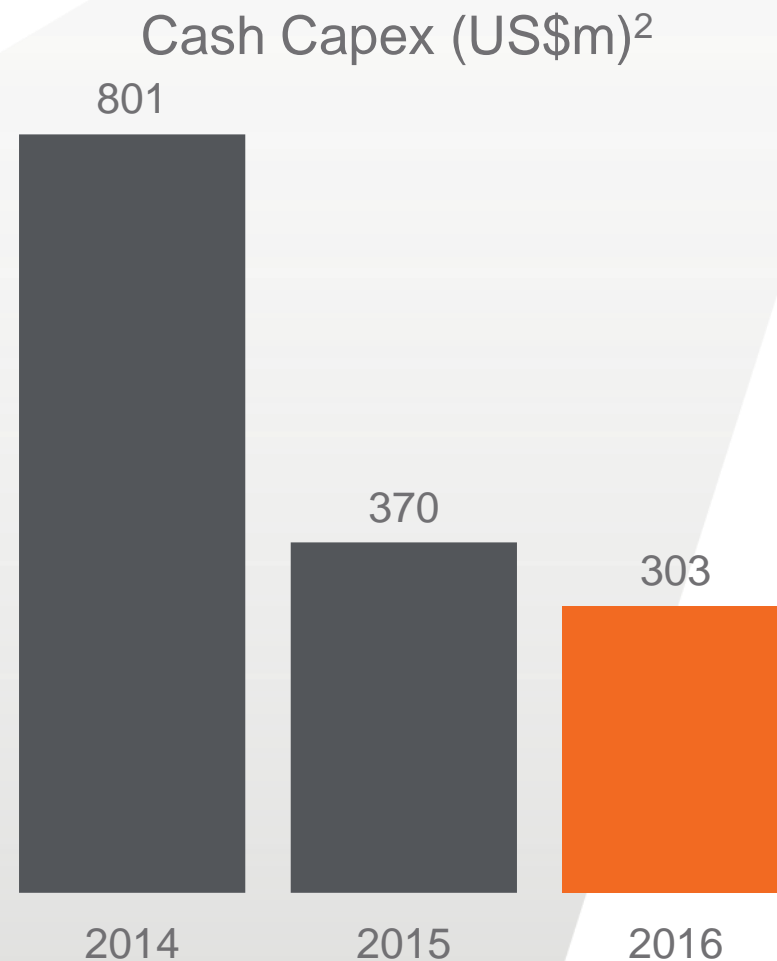
Movements In Working Capital

US\$m	2016	2015	Cash Flow
WIP & inventories	2,193	1,807	(386)
Trade & other receivables	2,162	2,124	(112)
Advances	(703)	(1,102)	(399)
Trade & other payables	(1,271)	(1,408)	(42)
Accrued contract expenses	(2,060)	(1,233)	+800
Billings > cost & estimated earnings	(44)	(201)	(157)
Working capital (balance sheet)	277	(13)	(296)
Berantai RSC receipts & other ¹			+381
Net working capital inflow (cash flow)			+85
<i>Of which:</i>			
E&C / EPS	(54)	(239)	
IES	331	226	

¹ Including financial derivatives, restricted cash, amounts due from / to related parties

Reducing Capital Intensity

- Capex down 18% to US\$303m
- Reducing capital intensity
 - Exited Berantai and Ticleni
 - Transitioning back to a capital light business
- ROCE¹ up 14 ppts to 17%

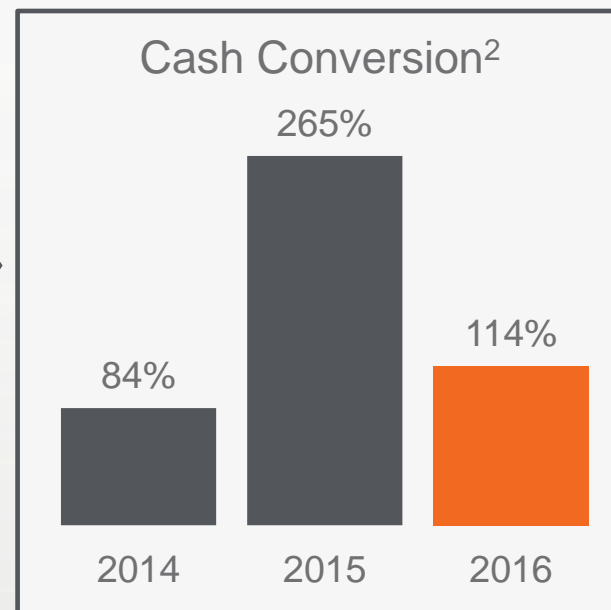


¹ EBITA divided by average capital employed (total equity and non-current liabilities) adjusted for gross-up of finance lease creditors

² Includes GSA loan

Cash Flow and Net Debt

US\$m	2016
Opening net debt	(686)
EBITDA¹	704
Movement in working capital	85
Tax & interest	(134)
Capex	(303)
Other	34
Free cash flow	386
Dividend	(224)
Financing / other	(93)
Cash inflow	69
Closing net debt	(617)



Gross debt	(1,784)
Gross cash	1,167
Liquidity	1,358

¹ Includes Share of Associates and JVs

² Cash Generated From Operations / EBITDA

Strengthening the Balance Sheet

- Committed to maintaining a strong balance sheet
 - Conservative financial policy
 - Substantial covenant headroom
- US\$1.4bn of liquidity
- Prudent debt maturity profile
- Deleveraging
 - Renewed focus on cash generation
 - Exiting non-core assets

Key ratios	2016	2015
Net Debt / EBITDA ¹	1.1x	3.4x
Gross Debt / EBITDA	2.5x	5.7x

¹ Ratio includes net finance leases and covenant requires <3.0x.

OPERATIONAL UPDATE

Marwan Chedid

Group Chief Operating Officer



Good operational performance

- Good operational performance across all businesses
- Successful start-up of production on GSA

Focused on core strengths

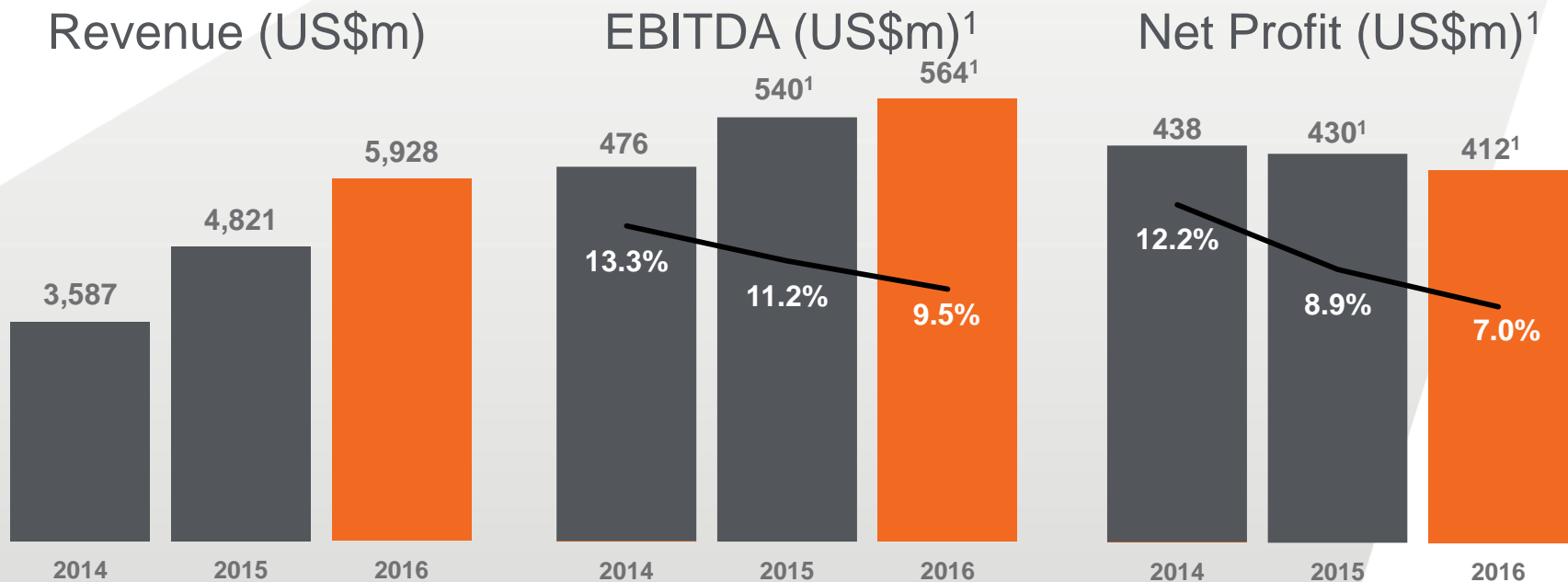
- High levels of activity in E&C
- Continued growth in EPS

Delivering operational excellence

- Relentless focus on costs: delivered targeted savings
- Protecting margins & reinforcing competitive position

Engineering & Construction

- Revenue up 23%
- Underlying net profit down 4%¹
- Underlying net margin of 7.0%¹
 - Project phasing / mix, commercial settlements & cost efficiencies

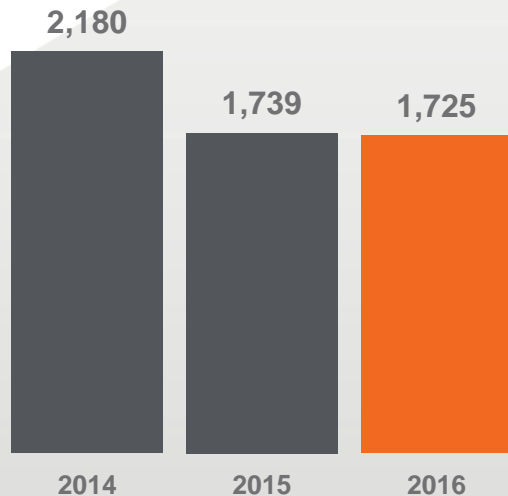


¹ Underlying Business Performance before exceptional items, certain re-measurements and Laggan-Tormore project losses

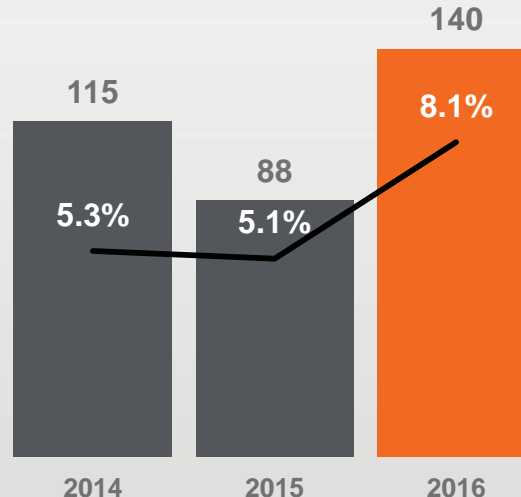
Engineering & Production Services

- Revenue down 1%
- Net profit up 91%
- Net margin of 6.4%
 - Business mix, EPCm project phasing, cost deflation & reductions in overheads

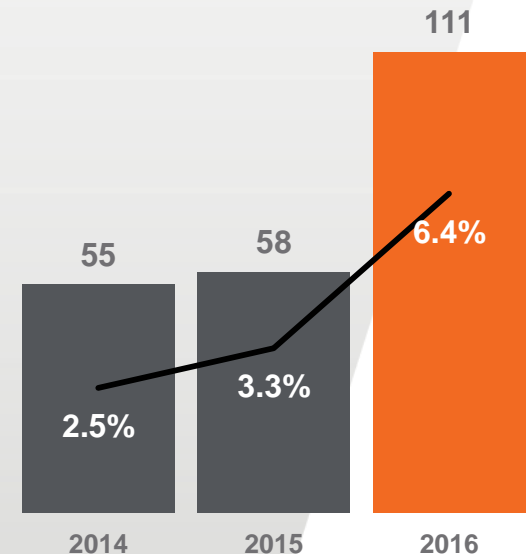
Revenue (US\$m)



EBITDA (US\$m)¹



Net Profit (US\$m)¹

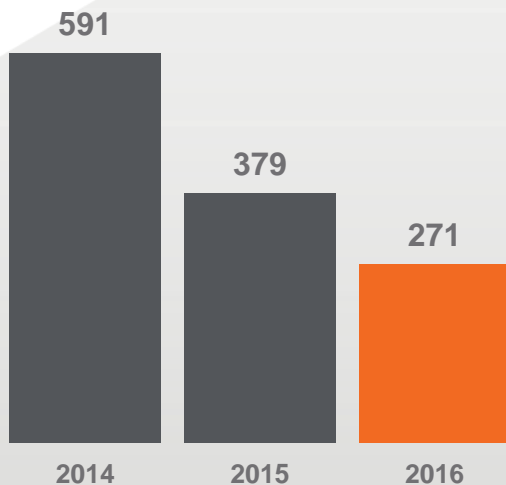


¹ Business Performance before exceptional items and certain re-measurements

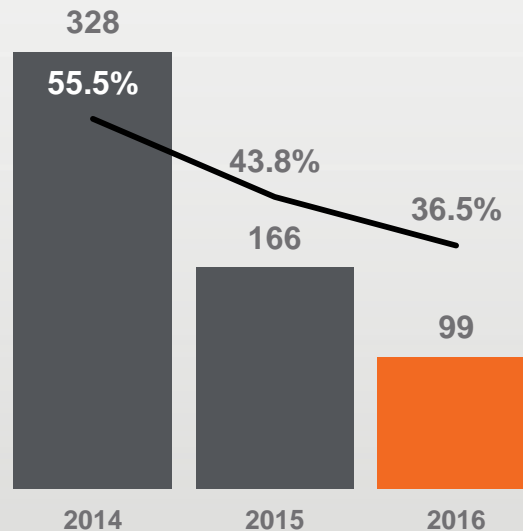
Integrated Energy Services

- Revenue down 28%
 - Lower production, lower investment in Mexico and lower realised prices
- Net loss of US\$42m
 - Change in depreciation policy mitigated by reductions in opex and taxation

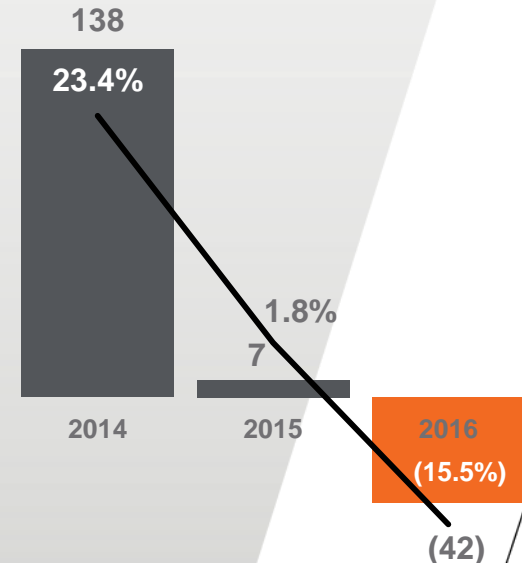
Revenue (US\$m)



EBITDA (US\$m)¹



Net Profit (US\$m)¹

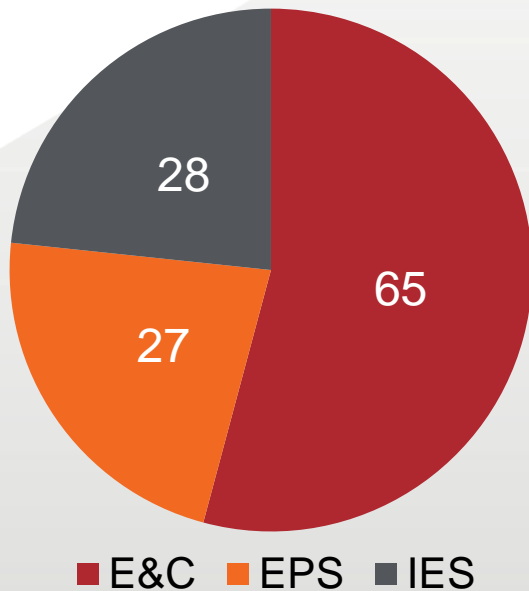


¹ Business Performance before exceptional items and certain re-measurements

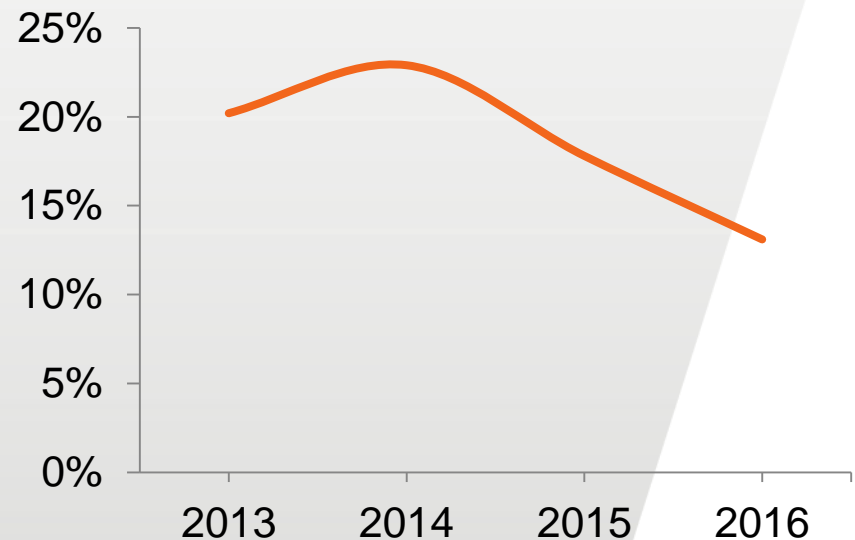
Delivered our cost savings target

- Delivered c.US\$120m of savings, ahead of target
- Right-sized business through 29% headcount reduction

2016 Cost Savings¹ (US\$m)



E&C Project Support Cost²



1 Estimated annualised savings

2 Project support costs as % of revenue (includes engineering, construction management and project management services)

Relentless focus on operational excellence

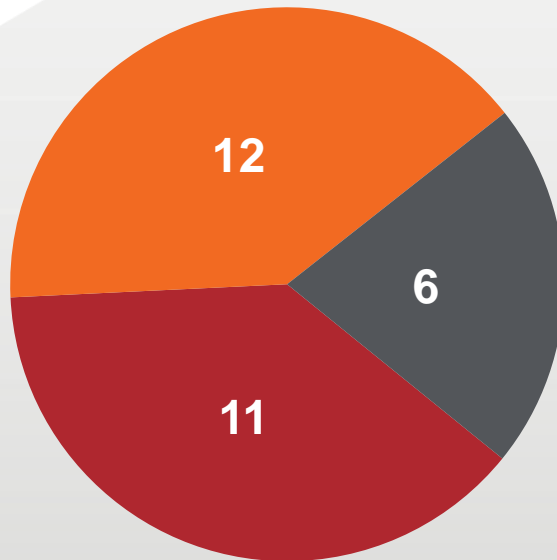
- Initiatives focused on 3 areas:

ONGOING OPERATIONAL EXCELLENCE INITIATIVES	
Project Support	Optimisation of resources
	Leveraging technology
	Outsourcing low-end, non-differentiating work
Materials / Logistics	Reduction in bulk quantities and procurement cost
	New materials and technologies
Fabrication & construction	Enhancing use of technology and automation
	Modularisation and ready made solutions

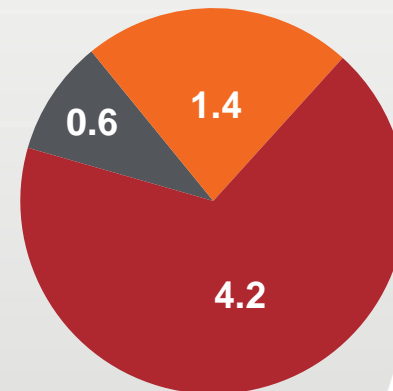
2016 order intake lower than expected

- Order intake of US\$1.9bn
 - US\$1.3bn in Engineering & Production Services
 - US\$0.6bn in Engineering & Construction

2016 E&C bidding pipeline
(US\$bn)



Actual 2016 E&C Awards
(US\$bn)



■ Cancelled (to be rebid) ■ Delayed ■ Tendered

■ Awarded ■ L1 (not awarded) ■ Lost

OUTLOOK

Ayman Asfari

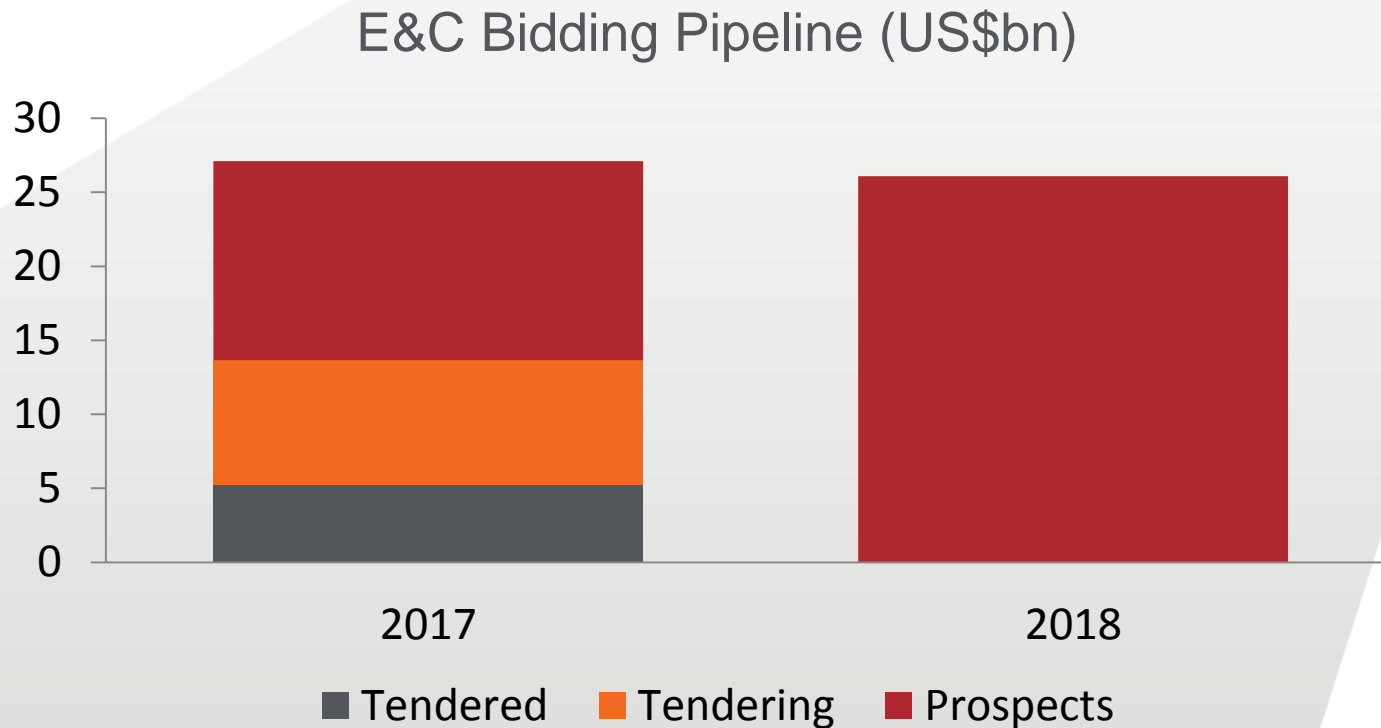
Chief Executive Officer



Progress in 2016	Near-term priorities
Focusing on our core strengths and delivery	
<ul style="list-style-type: none"> • Streamlined organisational structure • Delivered significant cost reductions • Protected and extended core capabilities • Continued progress on operational excellence 	<ul style="list-style-type: none"> • Develop incremental organic growth initiatives in E&C and EPS • Finalise deep-water strategy (JSD6000) • Continue operational excellence initiatives to protect margins and reinforce competitive position
Focused on cash generation, reducing capital intensity and maintaining a strong balance sheet	
<ul style="list-style-type: none"> • Exited Ticleni PEC and early monetisation of Berantai RSC • Strengthened balance sheet 	<ul style="list-style-type: none"> • Migrate Mexican PECs to PSCs • Reduce net debt

Good bidding pipeline

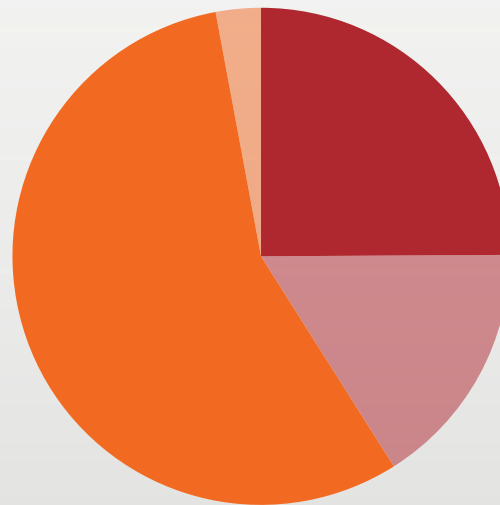
- Bidding activity has increased
- Good pipeline of bidding opportunities



Focused on our core markets

- Active bids (i.e. tendered or tendering) in core markets
- Active bids focused on downstream projects and upstream gas

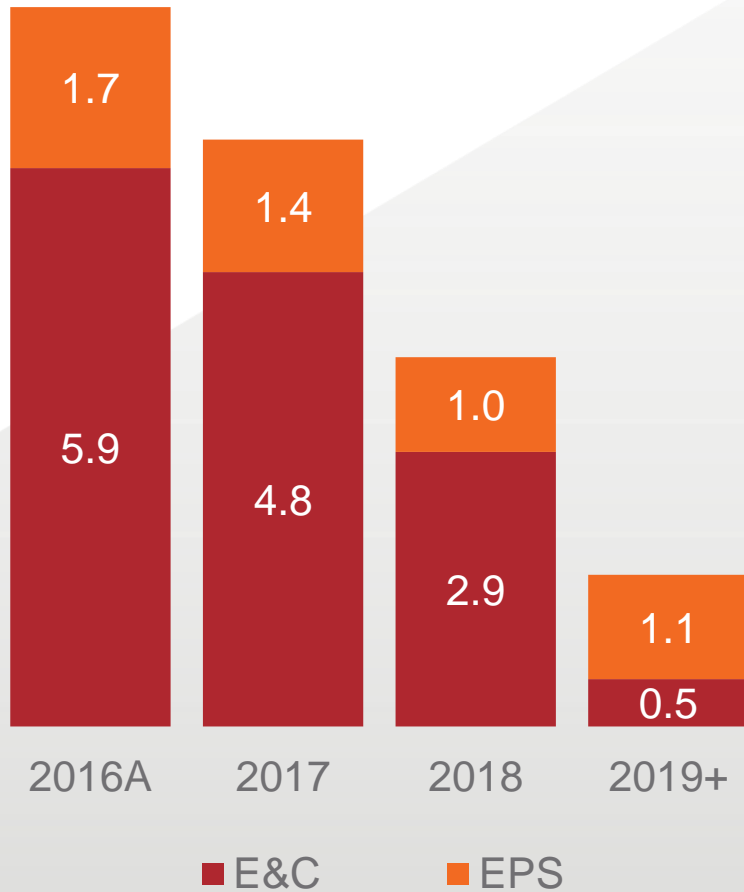
Active Bids By Type



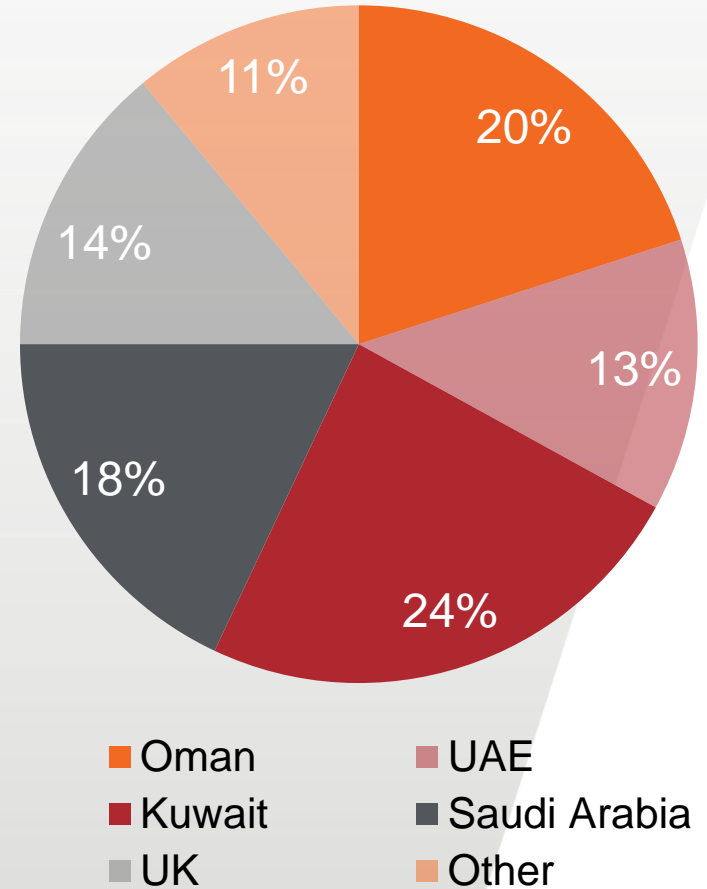
- Upstream gas
- Upstream oil
- Downstream
- Other

Excellent revenue visibility for 2017

Backlog Ageing (US\$bn)



Backlog by Geography



Summary

- Delivered positive results in challenging markets
- Delivering our strategy
- Strengthening our balance sheet
- Well positioned for recovery

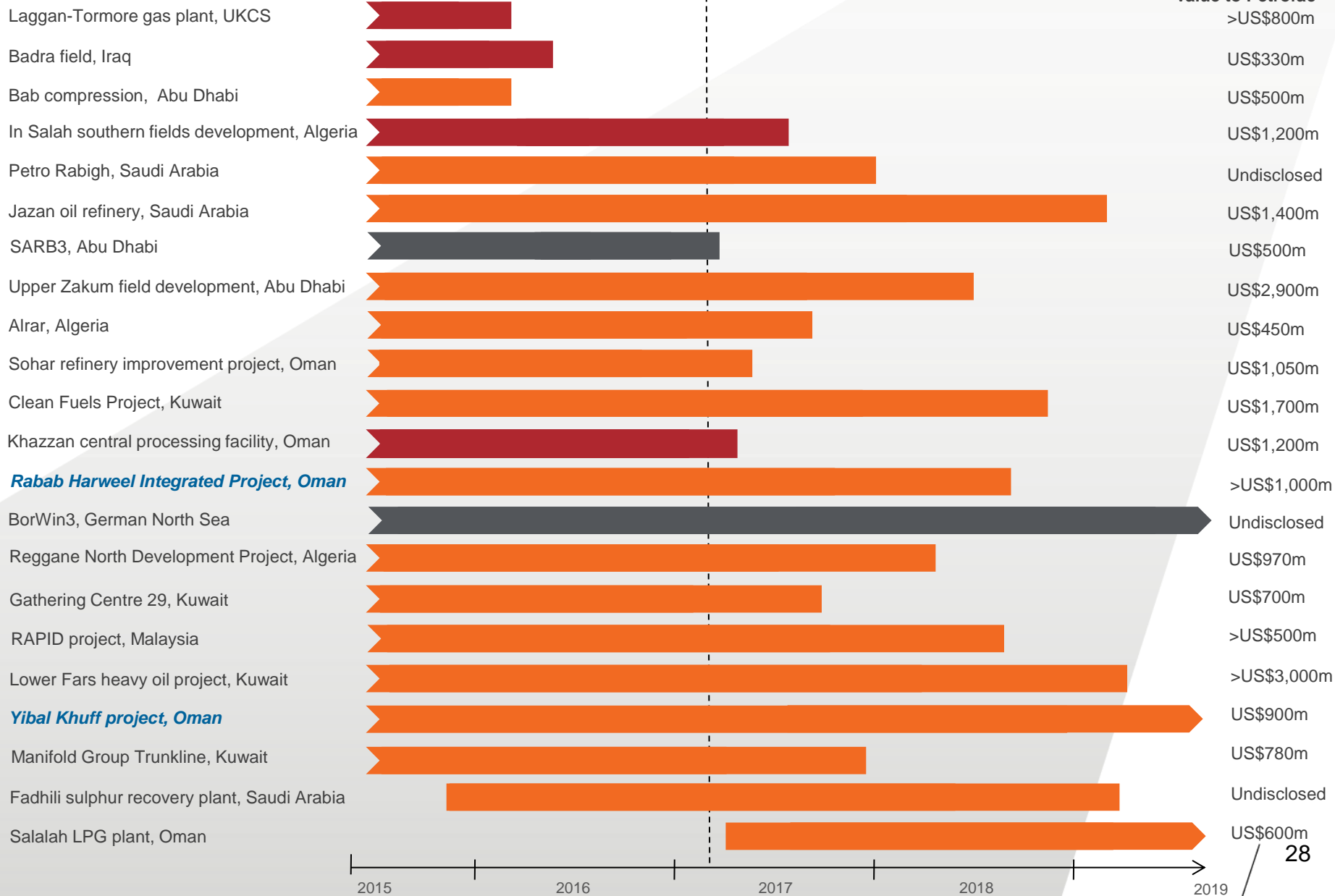
APPENDICES

Appendix 1: Key E&C/*EPS* projects

- NOC/NOC led company/consortium
- Joint NOC/IOC company/consortium
- IOC/IOC led company/consortium



Original contract value to Petrofac
>US\$800m



Appendix 2: Key IES projects

Production Enhancement Contracts (PEC)

END DATE

Magallanes and Santuario, Mexico

2037

Pánuco, Mexico*

2043

Arenque, Mexico

2043

Risk Service Contracts (RSC)

Berantai development, Malaysia**

2020

Equity Upstream Investments

Block PM304, Malaysia

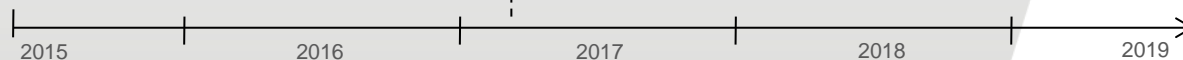
2026

Chergui gas concession, Tunisia

2031

Greater Stella Area development, UK

Life of field



* In joint venture with Schlumberger

** Exited with effect from 30 September 2016

Appendix 3: IES net book value

	Oil and gas assets (Block PM304, Chergui and PECs; note 10) US\$m	Intangible oil and gas assets (Block PM304, and other pre- development costs; note 14) US\$m	Greater Stella Area development (note 17) US\$m	Total US\$m
Cost				
At 1 January 2016	1,426	86	160	1,672
Additions	15	3	119	137
Decrease in provision for decommissioning	(101)	–	–	(101)
Disposals	(103)	–	–	(103)
Write off/accrual adjustment	–	(14)	–	(14)
Transfers	(91)	5	–	(86)
At 31 December 2016	1,146	80	279	1,505
Depreciation				
At 1 January 2016	(525)	–	–	(525)
Charge for the period	(82)	–	–	(82)
Charge for impairment	–	–	(3)	(3)
Disposals	103	–	–	103
Transfers	38	–	–	38
At 31 December 2016	(467)	–	(3)	(469)
Net carrying amount: At 31 December 2016	679	80	276	1,036
At 31 December 2015	901	86	160	1,514
Add Other (FPSO Opportunity US\$18m, net assets held for sale US\$94, interest in associates US\$60m)				172
TOTAL excluding working capital				1,208

Appendix 4: Effective tax rate

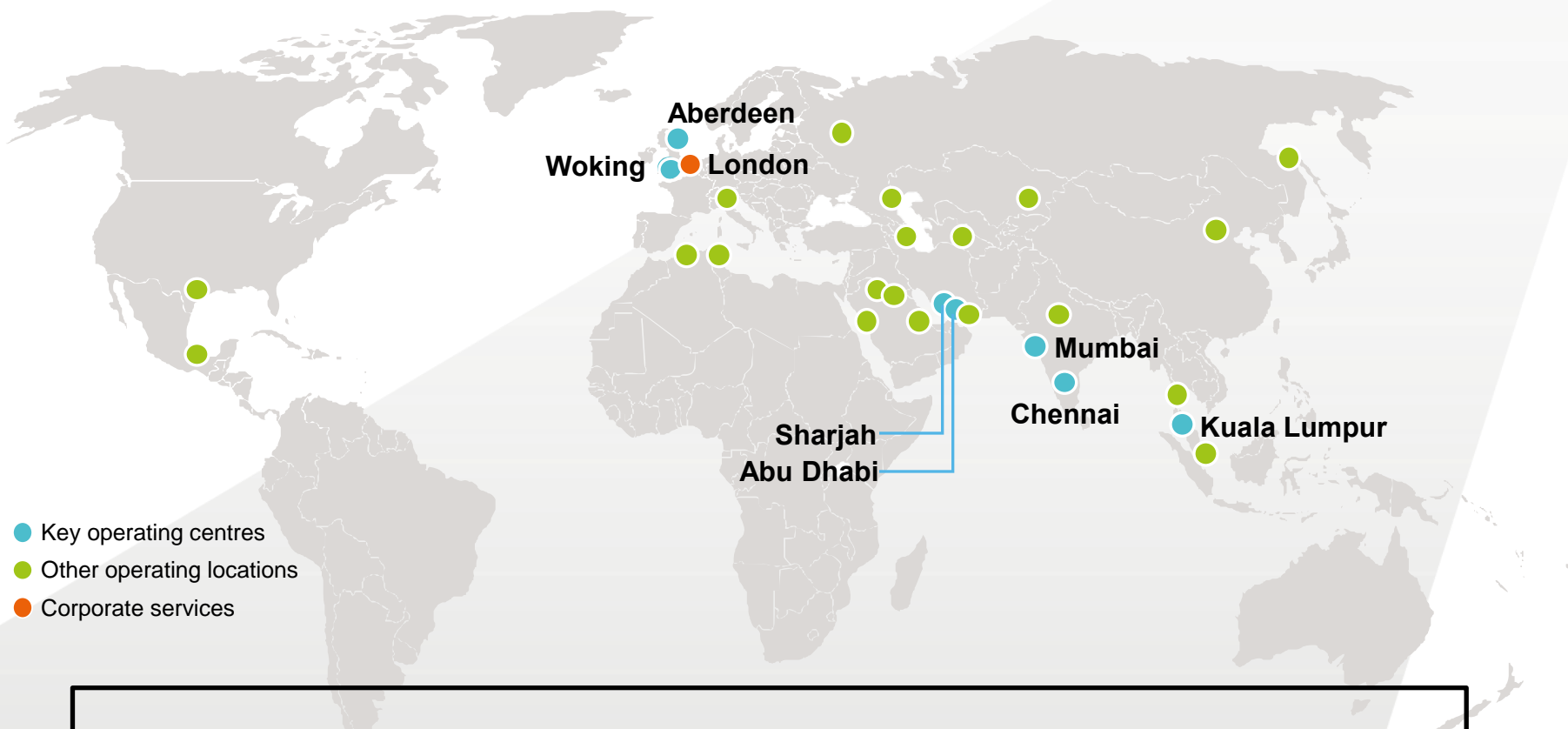
Effective tax rate (ETR) by segment¹

	2016	2015
Engineering & Construction	23%	67%
Engineering & Production Services	17%	15%
Integrated Energy Services	42%	800%
Group	20%	30%

¹ Before exceptional items and certain re-measurements

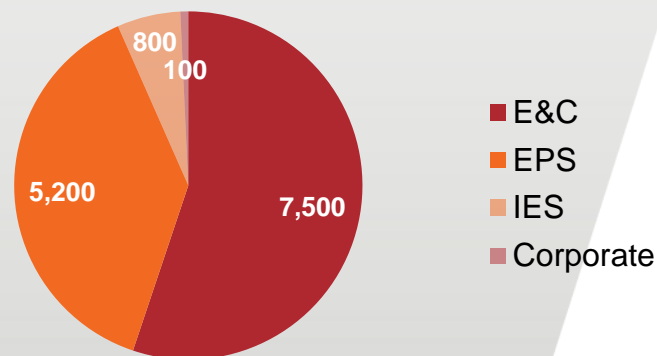
- The effective tax rates are principally impacted by the mix of profits in the jurisdictions in which the profits are earned, as well as the disallowance of expenditure which is not deductible for tax purposes
- 2017 ETR expected to be broadly in line with the historical underlying rate of 18%-20%, excluding the impact of exceptional items and certain re-measurements and the impact of proposed changes to UK loss-relief on deferred tax assets (see note 7 to the financial statements)

Appendix 5: Employee numbers



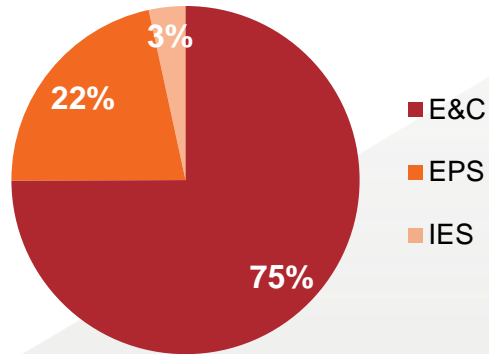
- Key operating centres
- Other operating locations
- Corporate services

- Approximately 13,600 people in 7 key operating centres and 24 offices
- 37% of our employees are shareholders/participants in employee share schemes

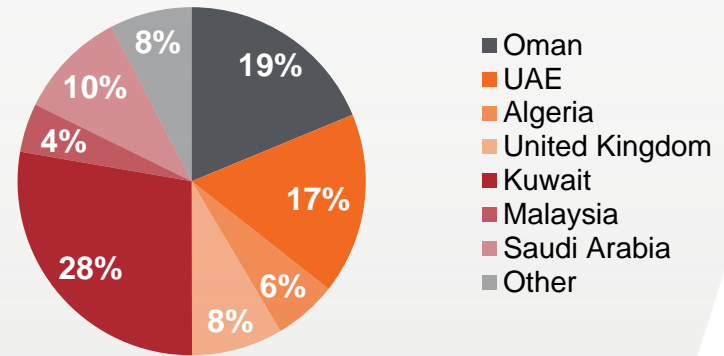


Appendix 6: Segmental performance

2016 revenue by reporting segment

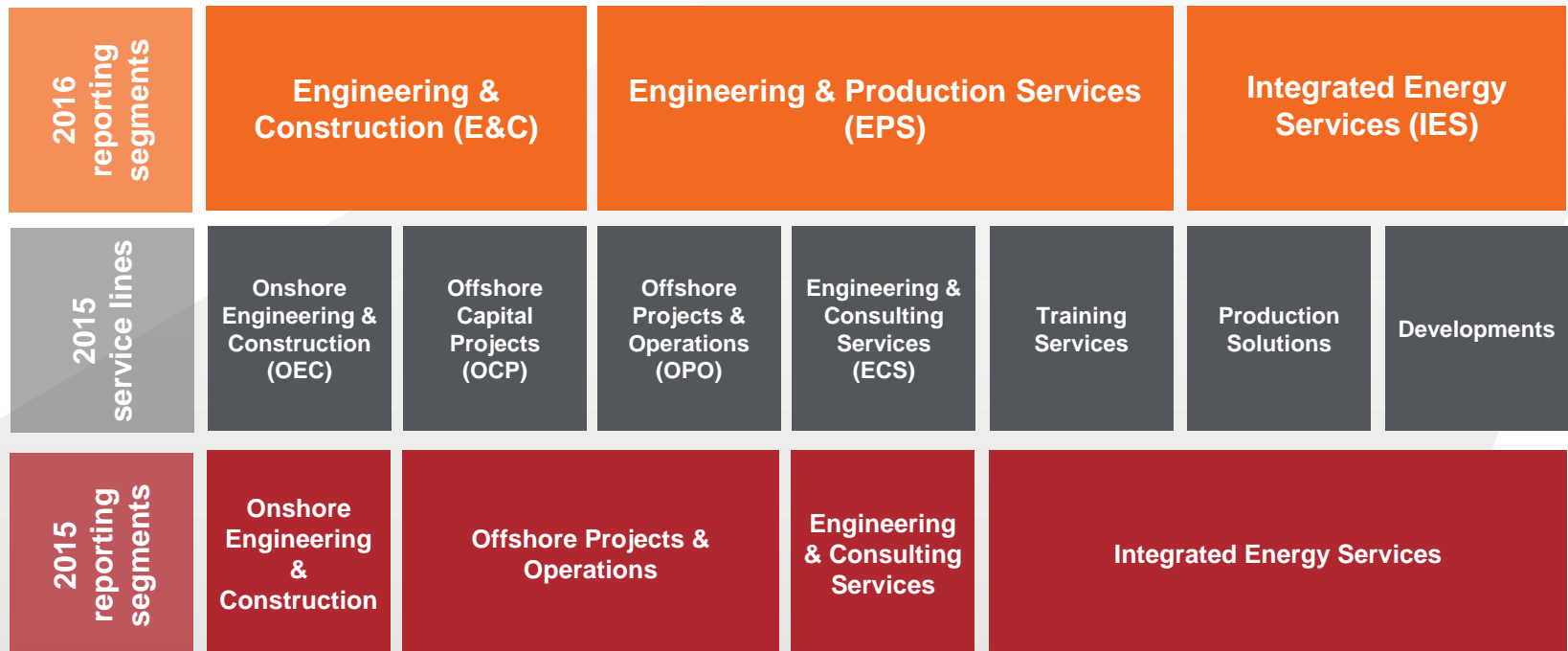


2016 revenue by geography



- Engineering & Construction earned 75% of Group revenues in 2016
- Middle East and North Africa region accounted for c.80% of Group revenues, reflecting geographic mix of recent project awards

Appendix 7: Group reorganisation



Appendix 8: Working capital summary

US\$m	Balance Sheet			W/cap change analysis				Per Cash Flow
	2016	2015	Change	FX	Disposals	Transfers	Other	
Inventories	11	13	2					2
WIP	2,182	1,794	(388)					(388)
Contract receivables	1,377	1,224	(153)	32	(3)	(78)		(202)
Retentions	305	349	44					44
Advances to suppliers	293	262	(31)					(31)
Other	187	289	102		2		(27)	77
Trade and other receivables	2,162	2,124	(38)					(112)
Advances from customers	(703)	(1,102)	(399)					(399)
Trade and other payables	(725)	(636)	89	30		31	34	184
Accrued expenses	(546)	(772)	(226)					(226)
Trade and other payables	(1,974)	(2,510)	(536)					(441)
Accrued contract expenses	(2,060)	(1,233)	827				(27)	800
Billings in excess of cost and estimated earnings	(44)	(201)	(157)					(157)
WORKING CAPITAL TOTAL	277	(13)	(290)	62	(1)	(47)	(20)	(296)
Due to/from related parties and current financial assets	550	456	(94)			469	6	381
								85

Per cash flow
=US\$824m - \$739m

Group working capital¹



¹ Inventories, work in progress and trade and other receivables, less trade and other payables, accrued contract expenses and billings in excess of costs and estimated earnings.

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