# Press Release

**5 March 2012**

## PETROFAC LIMITED

## FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

### FINANCIAL HIGHLIGHTS

- Revenue up 33% to US$5.8 billion (2010: US$4.4 billion)
- Net profit[1] up 25% to US$539.4 million (2010: US$433.0[2] million)
- Earnings per share (diluted) up 25% to 157.13 cents (2010: 126.09[2] cents)
- Final dividend up 24% to 37.20 cents (23.39 pence[3]) per share (2010: 30.00 cents)
- Backlog[4] US$10.8 billion at 31 December 2011 (2010: US$11.7 billion)
- Net cash balances at 31 December 2011 of US$1.5 billion (31 December 2010: US$1.0 billion)

Ayman Asfari, Petrofac's Group Chief Executive commented on the final results:
"I am very pleased to present another excellent set of results. 2011 has been an important year for us, with good operational performance across our portfolio of projects, the rolling out of Integrated Energy Services (IES) and positive initial progress in delivering our IES strategy.

"During the year we also set out our medium-term target of more than doubling our recurring 2010 Group earnings by 2015. The extensive pipeline of new bidding opportunities, our strong financial position together with our differentiated and competitive offering and proven track record in project execution increase our confidence in achieving that goal. In 2012, we expect to make further progress towards this ambition, with net profit expected to grow by at least 15%."

**OPERATIONAL HIGHLIGHTS**

ENGINEERING, CONSTRUCTION, OPERATIONS & MAINTENANCE (ECOM)

*Onshore Engineering & Construction*

- Good progress on portfolio of projects, including the South Yoloten development in Turkmenistan where we have reached the progress threshold for profit recognition
- Completed the In Salah Gas compression facilities and power generation project in Algeria and the Jihar gas plant in Syria
- Secured new awards in 2011 in Algeria and Iraq, and the Badra project in Iraq in 2012 to date

*Offshore Projects & Operations*

- Secured a number of new contracts and extensions, including US$540 million of FPF1 upgrade and Duty Holder contracts for the Greater Stella Area development in the Central North Sea
- Record activity levels and good progress towards taking our EPC capability offshore, with high levels of activity on the SEPAT development in Malaysia, where we delivered first oil ahead of schedule, and upgrade of the FPSO Berantai in Malaysia

*Engineering & Consulting Services*

- Expanded our Asia Pacific engineering hub through a collaboration agreement with a Malaysian engineering company, taking total headcount in Asia Pacific to around 1,250
- Opened a third Indian office, in Delhi, to support growth in activity levels across the Group
- Entered a joint venture with CPECC to provide project management and engineering services on projects for Chinese oil & gas companies in China and internationally

INTEGRATED ENERGY SERVICES (IES)

- Secured first Risk Service Contract in Malaysia, for development of the Berantai field
- Awarded Magallanes and Santuario Production Enhancement Contracts by PEMEX: the first time in over 70 years that production has been managed by a foreign company
- Good progress on Ticleni field in Romania: reversed the decline for the first time in 6 years
- Field Development Programme approved by PETRONAS to develop the third phase of Block PM304, West Desaru, with first oil expected in late 2012
- Agreement to earn 20% interest in Greater Stella Area: first oil expected 2H 2013
- Invested a further US$50 million in Seven Energy in Nigeria taking our interest up to 22.0%[(5)]

## OUTLOOK

Our backlog gives us excellent revenue visibility for the ECOM division for 2012. Furthermore, we see a strong bidding pipeline for the ECOM division for both the current year and beyond. There are a large number of opportunities in our core markets in the Middle East, North Africa, the Commonwealth of Independent States, particularly the Caspian region, Europe and Asia Pacific. We believe that we can grow our backlog over the medium-term, notwithstanding that we still face significant competition in many of our established markets, to enable us to deliver double-digit average annual growth in revenues, while maintaining our net margins in Onshore Engineering & Construction at around 11% and incrementally growing our margins in Offshore Projects & Operations as we undertake more offshore capital projects.

In Integrated Energy Services, we are focused on ensuring that we continue to build our execution track record, with important delivery milestones throughout 2012 on our existing projects. Nonetheless, we expect to bid on new opportunities through structured bidding processes in Mexico, Romania and Malaysia, as well as through direct negotiation with a number of resource holders (both National Oil Companies and International Oil Companies). Following the signing of a co-operation agreement with Schlumberger in early 2012, which will allow us to pursue larger projects and develop at a faster pace, we have shortlisted a number of Production Enhancement opportunities to pursue jointly. We expect to deliver strong earnings growth in IES in 2012, driven by existing projects: commencement of the Mexican Production Enhancement Contracts; profit recognition on the Berantai Risk Service Contract; improving production on the Ticleni Production Enhancement Contract in Romania; and initial profit from the Ithaca transaction.

Overall, our existing portfolio of projects, the strong pipeline of new bidding opportunities for ECOM and IES, our strong financial position, our differentiated and competitive offering and our proven track record in project execution give us increasing confidence in achieving our medium-term target of more than doubling our recurring 2010 Group earnings by 2015. 2012 should see us make further progress towards that goal, with net profit expected to grow by at least 15%.

## Notes

(1) Net profit for the year attributable to Petrofac Limited shareholders.

(2) Excluding the gain on the EnQuest demerger in April 2010.

(3) The Group reports its financial results in US dollars and, accordingly, will declare any dividends in US dollars together with a Sterling equivalent. Unless shareholders have made valid elections to the contrary, they will receive any dividends payable in Sterling. Conversion of the 2011 final dividend from US dollars into Sterling is based upon an exchange rate of US$1.5902:£1, being the Bank of England Sterling spot rate as at midday on 2 March 2012.

(4) Backlog consists of the estimated revenue attributable to the uncompleted portion of lump-sum engineering, procurement and construction contracts and variation orders plus, with regard to engineering, operations, maintenance and Integrated Energy Services contracts, the estimated revenue attributable to the lesser of the remaining term of the contract and five years. Backlog will not be booked on Integrated Energy Services contracts where the Group has entitlement to reserves. The Group uses this key performance indicator as a measure of the visibility of future revenue. Backlog is not an audited measure.

(5) On a fully diluted basis assuming the full conversion of all convertible securities and exercise of all outstanding warrants and options.

**Ends**

### Analyst presentation:

A presentation for analysts will be held at 9.30am today, which will be webcast live via http://www.investorcalendar.com/IC/CEPage.asp?ID=167517.

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## Notes to Editors

### Petrofac

Petrofac is a leading international service provider to the oil & gas production and processing industry, with a diverse customer portfolio including many of the world's leading integrated, independent and national oil & gas companies. Petrofac is quoted on the London Stock Exchange (symbol: PFC) and is a constituent of the FTSE 100 Index.

The Group delivers services through two divisions: Engineering, Construction, Operations & Maintenance (ECOM - comprising Onshore Engineering & Construction, Offshore Projects & Operations and Engineering & Consulting Services) and Integrated Energy Services (IES). Through these divisions Petrofac designs and builds oil & gas facilities; operates, maintains and manages facilities and trains personnel; enhances production; and, where it can leverage its service capability, develops and co-invests in upstream and infrastructure projects. Petrofac's range of services meets its customers' needs across the full life cycle of oil & gas assets.

With more than 15,000 employees, Petrofac operates out of seven strategically located operational centres, in Aberdeen, Sharjah, Woking, Chennai, Mumbai, Abu Dhabi and Kuala Lumpur and a further 24 offices worldwide. The predominant focus of Petrofac's business is on the UK Continental Shelf (UKCS), the Middle East and Africa, the Commonwealth of Independent States (CIS) and the Asia Pacific region.

For additional information, please refer to the Petrofac website at www.petrofac.com

**(The attached is an extract from the Group's Annual Report and Accounts for the year ended 31 December 2011. Page number references refer to the full Annual Report when available.)**

## Operating review

### Segmental analysis

We present below an update on each of the Group's reporting segments:

| US$millions | Revenue | | Operating profit[1,2,4] | | Net profit[1,3] | | EBITDA[1,4] | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| Onshore Engineering & Construction | **4,146.2** | 3,253.9 | **553.8** | 438.1 | **462.8** | 373.0 | **584.9** | 471.8 |
| Offshore Projects & Operations | **1,251.4** | 721.9 | **56.9** | 24.5 | **43.5** | 17.2 | **61.4** | 27.3 |
| Engineering & Consulting Services | **208.2** | 173.4 | **32.9** | 19.8 | **30.8** | 21.1 | **39.7** | 25.6 |
| Integrated Energy Services | **518.9** | 384.2 | **53.4** | 73.7 | **22.6** | 38.0 | **89.9** | 127.5 |
| Corporate, consolidation & elimination | **(324.0)** | (179.2) | **(17.7)** | (17.6) | **(20.3)** | (16.3) | **(16.5)** | (17.8) |
| Group | **5,800.7** | 4,354.2 | **679.3** | 538.5 | **539.4** | 433.0 | **759.4** | 634.4 |

| Growth/margin analysis % | Revenue growth | | Operating margin | | Net margin | | EBITDA margin | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| Onshore Engineering & Construction | **27.4** | 29.7 | **13.4** | 13.5 | **11.2** | 11.5 | **14.1** | 14.5 |
| Offshore Projects & Operations | **73.3** | 15.2 | **4.5** | 3.4 | **3.5** | 2.4 | **4.9** | 3.8 |
| Engineering & Consulting Services | **20.0** | 51.8 | **15.8** | 11.4 | **14.8** | 12.2 | **19.1** | 14.7 |
| Integrated Energy Services | **35.0** | (20.6) | **10.3** | 19.2 | **4.4** | 9.9 | **17.3** | 33.2 |
| Group | **33.2** | 19.1 | **11.7** | 12.4 | **9.3** | 9.9 | **13.1** | 14.6 |

(1) Excludes the gain on the EnQuest demerger in 2010

(2) Profit from operations before tax and finance costs.

(3) Profit for the year attributable to Petrofac Limited shareholders.

(4) Operating profit and EBITDA includes the Group's share of losses of associates.

## Engineering, Construction, Operations & Maintenance (ECOM)

Engineering, Construction, Operations & Maintenance designs and builds oil & gas facilities and operates, manages and maintains them on behalf of our customers. The division has three service lines, which report as separate financial segments.

### Onshore Engineering & Construction

Onshore Engineering & Construction undertakes engineering, procurement and construction (EPC) projects predominantly on a lump-sum basis, with a typical duration of two to four years. Onshore Engineering & Construction is predominantly focused on markets in the Middle East and Africa and the Commonwealth of Independent States, particularly the Caspian region.

We have continued our good operational performance across our portfolio of projects in 2011, including the completion of the Jihar gas plant in Syria and the In Salah Gas compression facilities and power generation project in Algeria earlier in the year.

We are making good progress on our largest project, the South Yoloten development in Turkmenistan, having placed the majority of orders for procurement items and undertaken early construction activities. We have reached the progress threshold such that we are now recognising profit.

We have made substantial progress on the Asab oil field development and the GASCO natural gas liquids train in Abu Dhabi, the El Merk central processing facility in Algeria, the gas sweetening facilities for Qatar Petroleum and the fuel gas and gas oil pipelines project in Kuwait.

*New awards*

We were successful in securing the following awards during the year:

*In Salah Gas southern fields, Algeria*

In January 2011, we were awarded a 50-month US$1.2 billion lump-sum EPC contract by In Salah Gas, an association between Sonatrach, BP and Statoil, to develop southern fields in the In Salah development. As noted above, we successfully completed the compression facilities and power generation project for the same customer in early 2011 and we believe this new award reflects our dedication to this strategically important market where we maintain excellent relationships with both our customers and local construction partners.

*Majnoon early production facility, Iraq*

In March 2011, we announced the award of our first contract in Iraq, a US$240 million EPC management project with Shell. The Majnoon field in southern Iraq is one of Iraq's largest developments and we are delighted to be working with Shell to assist them with unlocking the field's potential. We are providing engineering, procurement, fabrication and construction management services for the development of a new early production system comprising two trains each with capacity for 50,000 barrels of oil per day, along with the upgrade of existing brownfield facilities.

We were also successful in securing the following project in early 2012:

*Badra oilfield development project, Iraq*
In February 2012, we were awarded a US$330 million lump-sum EPC contract by Gazprom for the first phase of the Badra oilfield development project. We will provide detailed design, engineering, procurement, construction, pre-commissioning, commissioning and start-up work on the Badra development's central processing facility, which comprises three crude oil processing trains. The first phase of the project is expected to come on stream in the second half of 2013, with final completion scheduled during the second half of 2015.

**Results**
Revenue for the year increased by 27.4% to US$4,146.2 million (2010: US$3,253.9 million), reflecting a substantial increase in activity levels, particularly on the Asab oil field development in Abu Dhabi and the second phase of the South Yoloten project in Turkmenistan.

Net profit for the year increased by 24.1% to US$462.8 million (2010: US$373.0 million), representing a net margin of 11.2% (2010: 11.5%). The net margin is consistent with our medium-term guidance of 'around 11%'. The higher net margin in 2010 was due to the completion of a number of projects during 2010 and the first-time recognition of profit on a number of contracts awarded in 2009.

Onshore Engineering & Construction headcount increased from 5,400 to 6,600 over the year, reflecting the increase in activity levels.

Onshore Engineering & Construction backlog stood at US$6.4 billion at 31 December 2011 (2010: US$9.0 billion).

**Offshore Projects & Operations**

Offshore Projects & Operations provides engineering and construction services at all stages of greenfield and brownfield offshore projects. In addition, through the provision of operations management services, we deliver production and maintenance support and extend field life. The majority of Offshore Projects & Operations' activities are in the UK Continental Shelf (UKCS), but a growing proportion of activities are outside of the UK, including in the United Arab Emirates, Iraq, Malaysia and Thailand. Services are predominantly provided on a reimbursable basis, but often with incentive income linked to the successful delivery of performance targets. Many of our production and maintenance contracts are long-term (typically three to five years) and in the case of the provision of Duty Holder services[5] are generally open-ended. Increasingly, we are delivering our engineering and construction services on a lump-sum basis on offshore capital projects, as we progress our strategy of taking our onshore EPC capability offshore.

2011 saw record activity levels across the business from both long-term operations management contracts and offshore capital projects, such as the SEPAT development and the upgrade and life extension works on the FPSO Berantai, both in Malaysia (both projects are being undertaken jointly with Onshore Engineering & Construction). As at the end of 2011, we had substantially completed the SEPAT development for PETRONAS, delivering first oil ahead of schedule. We have also made good progress on the awards secured in the second half of 2010, including the Duty Holder contract for the Sajaa gas plant in the UAE and the Laggan-Tormore gas plant on Shetland Island in the UK.

*New awards*

We secured a number of contract extensions and new awards in 2011, including:

- modification and upgrade works to the FPF1 floating production facility ahead of its deployment on the Greater Stella Area development in the Central North Sea and subsequently the provision of Duty Holder services to the FPF1 on a life of field contract(see the Integrated Energy Services section); in accordance with our standard accounting policy, we have booked the initial five years' of estimated contract revenues into backlog in relation to the upgrade and Duty Holder contracts, which equates to US$540 million
- a US$63 million one-year contract to provide maintenance services on the Rumaila oilfield in Iraq for BP
- two North Sea operations, maintenance, engineering and general support services contracts for GDF SUEZ worth £30 million over three years, with an additional two-year option
- an operations contract for the FPF3 floating, production, storage and offloading (FPSO) vessel (formerly the Jasmine Venture) in Thailand (see the Integrated Energy Services section)
- a four-year extension on our engineering, construction, operations and maintenance services contract with Marathon on its North Sea Brae assets; the base scope is valued at £36 million, although this does not include the value of any future projects which may be sanctioned
- a two year extension to our Duty Holder contract with Centrica

[5] Contracts where the Group takes full responsibility for managing a customer's asset and is responsible for the safety case of the asset, reporting to the Department of Energy and Climate Change.

**Results**

Reported revenue for the year increased by 73.3% to US$1,251.4 million (2010: US$721.9 million), reflecting record activity levels across the business, particularly on the SEPAT development and the FPSO Berantai upgrade, the Sajaa gas plant Duty Holder contract, the Laggan-Tormore gas plant and the Apache UKCS engineering and construction contract. Around two-thirds of Offshore Projects & Operations' revenue was generated in the UKCS and those revenues are generally denominated in Sterling. The average US dollar to Sterling exchange rate for 2011 was around 4% higher than in 2010, which made a marginal contribution to the reported revenue growth.

| **Financial reporting exchange rates US$/Sterling** | **Year ended 31 December 2011** | **Year ended 31 December 2010** |
|---|---|---|
| Average rate for year | 1.60 | 1.54 |
| Year-end rate | 1.55 | 1.56 |

Net profit increased by 152.7% to US$43.5 million (2010: US$17.2 million), reflecting the significant increase in activity levels, particularly from the SEPAT development and the FPSO Berantai, and a provision release in the first half of the year following completion of a long-term maintenance services contract.

Net margin increased to 3.5% (2010: 2.4%), reflecting the provision release on the long-term maintenance services contract, and a significant contribution from capital projects, in particular the SEPAT development and the FPSO Berantai projects.

At 31 December 2011, headcount stood at 4,100 (December 2010: 4,400) as the increase in headcount due to new projects was more than offset by the completion of the long-term maintenance services contract.

Offshore Projects & Operations backlog increased to US$2.7 billion at 31 December 2011 (2010: US$2.4 billion).

## Engineering & Consulting Services

Engineering & Consulting Services operates as our centre of technical engineering excellence providing high-calibre engineering resources and technical assurance services across onshore and offshore oil & gas projects. Engineering & Consulting Services provides early stage engineering studies, including conceptual studies and FEED studies, to external customers and in support of ECOM and IES projects, primarily on a reimbursable basis.

Building on the success of our offices in Mumbai and Chennai, we opened our third Indian engineering office, in Delhi, earlier in 2011, taking our total headcount for our Indian engineering offices to around 1,700. We have also continued to grow our presence in Asia Pacific, establishing a new engineering hub in Malaysia with the recent signing of a collaboration agreement with a Malaysian engineering company, which takes our total headcount in Malaysia to around 1,000. We have a further 250 employees in Asia Pacific, through our joint venture with IKPT, in Indonesia.

In September 2011, we entered into a strategic joint venture with China Petroleum Engineering & Construction Corporation (CPECC). Operationally based in Sharjah, the joint venture will provide project management and engineering services on projects for Chinese oil & gas companies in China and internationally.

Activity levels at our Indian offices were higher in 2011, reflecting an increase in work for Onshore Engineering & Construction, which the offices predominantly support. At our Woking office in the UK, activity levels were also higher, with support given to a number of ECOM and IES projects, as well as work for external customers.

### Results

Reported revenue for the year increased 20.0% to US$208.2 million (2010: US$173.4 million), predominantly reflecting strong growth in revenues from our Indian offices as a result of higher activity levels to support Onshore Engineering & Construction. Net profit increased by 45.7% to US$30.8 million (2010: US$21.1 million), reflecting higher activity levels in our Indian offices and improved profitability from our Woking office.

Headcount increased to 2,300 at 31 December 2011 (2010: 2,000), partly due to the opening of our third Indian office in Delhi. From early 2012, we will also include around a further 500 personnel in our headcount reporting through our collaboration agreement with a Malaysian engineering company.

### Integrated Energy Services

Integrated Energy Services comprises three discrete but integrated service lines, Developments, Production Solutions and Training Services. Where we can leverage our service capabilities to enhance value, mitigate risks and reduce costs, Integrated Energy Services provides a fully integrated service offering for resource holders under flexible commercial models that are aligned to their requirements. Projects cover upstream developments, both greenfield and brownfield, and related energy infrastructure projects, and can include the provision of financial capital in addition to our intellectual capital. Our service offering is underpinned by the ability to develop resource holders' local capability through the provision of technical skills training programmes and competency development and assurance frameworks

Integrated Energy Services was formally launched as a new division at a Capital Markets Day held in June 2011.We believe that the scale of the opportunity for Integrated Energy Services is significant and that our service offering responds directly to the needs of resource holders. Petrofac has been on a journey for more than ten years to add competence beyond our core engineering & construction capability, and it is the resulting scope and depth of our service capability that now positions us to offer a differentiated and integrated solution to the marketplace.

Integrated Energy Services deploys its services to meet the individual needs of customers using different commercial frameworks: Risk Service Contracts (RSC), Production Enhancement Contracts (PEC), and traditional upstream equity investment models including both Production Sharing Contracts (PSC) and royalty concessions. During 2011 we were awarded examples of each, on which initial progress is discussed below: the Berantai field in Malaysia (RSC), the Magallanes and Santuario blocks in Mexico (PECs), and the Greater Stella Area development in the United Kingdom (equity investment). In addition, we announced a Co-operation Agreement with Schlumberger Production Management in January 2012, under which the two divisions will work together to deliver integrated and high-value production projects in the emerging and growing production services and production enhancement market.

Within our Training Services business, delegate numbers were higher than in 2010, and we saw the strongest growth in our UK facilities, including the Altens and Marine Training Centres in Aberdeen, and in the Americas. In November 2011, we entered into a strategic partnership with Raytheon Company to deliver water survival training to the oil & gas industry at NASA's Johnson Space Center underwater facility in Houston.

Training Services is a key component of our integrated offer. Through a well constructed training and competence development programme, our customers can attain global standards with local capability. This was the driving force behind the memorandum of understanding (MOU) we signed with PETRONAS in July 2011, to collaborate in the areas of competency development, capability building and education activities. Already in 2012 we have signed a five year deal with Saudi Petroleum Services Polytechnic to deliver a construction and drilling training curriculum into Saudi Aramco and its supply chain.

In Nigeria, our personnel continue to assist Seven Energy with its asset development both at the operational level and through representation on Seven Energy's Board and management committees. As at 31 December 2011, 80% of our warrants had vested after reaching agreed milestones. Earlier in the year, we invested a further US$50 million in the company, taking our interest up to 22.0%[(6)]. Since entering into the strategic alliance with Seven Energy in November 2010 we have gained significant knowledge which will be crucial in addressing the growing opportunity set in Nigeria and establishing an independent local presence in-country.

[(6)] On a fully diluted basis assuming the full conversion of all convertible securities and exercise of all outstanding warrants and options.

During the year, we made good progress on Integrated Energy Services' portfolio of assets, both operational and in development. An update on our key projects is provided below:

**Ticleni fields, Romania**

We are continuing to make good progress on the Ticleni oilfield and its eight satellite fields, in Romania. Ticleni represents our first PEC, and 2011 was the first full year of Petrofac operation after we secured the award in July 2010, and took over full operatorship in November of that year. The fields' production decline was halted and reversed during 2011, with year-on-year 2011 oil production exceeding 2010 oil production from the fields. Overall production averaged approximately 3,500 bpd of oil equivalent in 2011 (of which 93% was oil production and 7% gas production).

The pilot water flood programme is now underway and the initial results are expected during 2012. This programme involves the drilling of one new well and the injection of water into three existing wells. In addition to this pilot programme, key work items for the boosting of production have commenced and will be progressed in 2012. These include a multi-well drilling programme, the working over and/or maintenance of currently producing wells, the reactivation of shut-in wells, and a project to achieve automated measurement on high production wells.

**Magallanes and Santuario blocks, Mexico**

In October 2011, we were awarded two Production Enhancement Contracts by Petroleos Mexicanos ('PEMEX') to develop the Magallanes and Santuario blocks in central Mexico. Under the terms of the 25-year contracts, we will provide a fully integrated solution to increase production through the reactivation and development of both blocks as well as managing their ongoing operation and maintenance.

We have committed to an investment of approximately US$500 million for a 90% interest in the contract to develop the blocks, while a subsidiary of PEMEX will retain a 10% economic interest in the contract. Petrofac will be reimbursed for 75% of its operational and development expenditure through a cost recovery mechanism and will receive tariffs for each barrel of baseline and incremental production. Petrofac successfully completed the transition and assumed operational responsibility for these blocks on 1 February 2012.

**Berantai field, Malaysia**

In January 2011, we secured our first RSC in Malaysia, to lead the development of the Berantai field, offshore Peninsular Malaysia, for PETRONAS. We have a 50% interest in the RSC, alongside local partners Kencana and Sapura, both of whom hold a 25% interest (together known as the 'Berantai partners').

Under the terms of the RSC, the Berantai partners will receive a rate of return linked to their performance against an agreed incentive structure, including project costs, timing to first gas and sustained gas delivery measured six months after project completion, with an ongoing incentive structure based on operational uptime.

The Berantai partners are in the process of developing the field and will subsequently operate the field for a period of seven years after first gas production. As part of the fast-track development, a wellhead platform has been installed to support the drilling of 18 wells, with the drilling programme progressing well. The conversion and upgrade of the FPSO Berantai is being undertaken by Onshore Engineering & Construction and Offshore Projects & Operations and is in its final stages of upgrade in Singapore. The FPSO Berantai is expected to mobilise to the Berantai field during the second quarter of 2012, and we expect to achieve first gas from the field shortly thereafter. A second wellhead platform is expected to be installed in a subsequent phase, with both platforms being connected to the FPSO Berantai by subsea flowlines. Gas will be exported by subsea pipeline via a nearby host platform, and critical tie-in works were completed in late 2011.

**Ohanet project, Algeria**

Overall production was lower than in 2010, averaging approximately 90,000 bpd of oil equivalent for the first ten months of the year (2010: 113,000 bpd of oil equivalent). On average, we earned our share of the monthly liquids production by the 11th day of the month (2010: 11th), with the lower production rates offsetting the higher average oil & gas prices.The RSC expired at the end of October 2011, as expected, eight years from first gas, over which time we earned our defined return.

**Block PM304, Malaysia**

As anticipated, and reported in the first half, oil production from the first phase of Cendor was lower in 2011 at 10,000 bpd (2010: 13,300 bpd), despite achieving production uptime of over 98%. Production is now in decline as a result of the natural decrease in field pressure. Gas lift facilities were installed in the fourth quarter of 2011, which are now operational, in order to stabilise production in 2012.

The Field Development Programme (FDP) for the third phase of development of Block PM304 (West Desaru) was approved by PETRONAS in February 2012. We intend to accelerate the development of this fault block by introducing an Early Production System which will deploy the upgraded FPF5 Mobile Offshore Production Unit (MOPU) (formerly the Ocean Legend which we purchased in September 2011), initially exporting stabilised crude oil through existing facilities, and ultimately through the phase two FPSO after its arrival in the Cendor field. First oil is currently planned for the fourth quarter of 2012.

Work is progressing on the second phase of development of Block PM304 which will involve a larger permanent facility to develop fully the Cendor fault block. The facilities comprise two fixed wellhead structures tied back to a Floating Production, Storage and Offloading (FPSO) vessel. We are on schedule to meet the 2012 installation work programme for the wellhead structures and pipelines. First oil is currently planned for the second quarter of 2013, and will bring the overall production capacity of Block PM304 to around 60,000 barrels per day.

Total proven and probable reserves on Block PM304 (Petrofac net entitlement) increased to 17.5 million barrels of oil equivalent as at 31 December 2011, following the inclusion of 5.9 million barrels relating to West Desaru (2010: 12.3 million barrels).

**Chergui field, Tunisia**

The Chergui gas plant performed strongly, with an average of 28.2 million standard cubic feet per day (mmscfd) of gas sold during the year (2010: 27.8mmscfd). This was despite the impact of several short shut-ins that occurred during the periods of political unrest early in 2011.The increase in production was underpinned by better reservoir performance and pressure support, and operating efficiency gains, as well as the performance of the third well which was tied back to the plant in mid 2010.

The development programme for 2012 includes drilling two to three wells to access additional reserves and to further appraise the concession area.

Total proven and probable reserves on the Chergui field (Petrofac net entitlement) was 4.6 million barrels of oil equivalent as at 31 December 2011 (2010: 5.4 million barrels of oil equivalent).

**Greater Stella Area development, UK**

In October 2011, we signed an agreement that will see the deployment of the floating production facility FPF1 ('the FPF1') on the Greater Stella Area development in the North Sea. Following the FDP submission in early 2012, we will finalise the sale of 80% of the share capital in the company holding the FPF1 to Ithaca Energy Inc ('Ithaca'), and Dyas BV, which will result in the recognition of a sale profit in 2012.

Offshore Projects & Operations will carry out modification and upgrade works to the FPF1 ahead of its deployment on the Greater Stella Area development, and will subsequently provide Duty Holder services to the FPF1 on a life of field contract.

We will acquire a 20% interest from the other co-venturers in the development, consisting of three UKCS licences. The capital budget for the full field development, including delivery of the FPF1, is approximately US$1 billion, of which our share is 20%.

**FPF3 – Jasmine field, Thailand**

In June 2011, we acquired the FPF3 (formerly the Jasmine Venture) from field operator Pearl Energy. This vessel is currently deployed on the Jasmine field in the Gulf of Thailand, and will be leased to Pearl Energy, a subsidiary of Mubadala Energy, for a minimum term of three years, with options to extend for a further three years. The transaction reflects our strong ongoing relationship with Mubadala, our partner in the Petrofac Emirates joint venture.

We are also providing operations and maintenance services for the FPF3 through Offshore Projects & Operations. As both owner of the FPSO and its service provider, we can support Pearl Energy's current requirements, while working with them to identify potential areas for further support on this and future projects in the Gulf of Thailand.

**Results**

Integrated Energy Services' revenue increased by 35.0% to US$518.9 million (2010: US$384.2 million), primarily reflecting the significant progress made on the Berantai RSC as well as the contribution from the Ticleni PEC.

Net profit for the year was lower at US$22.6 million in 2011 (2010: US$38.0 million), principally reflecting the loss of contribution from Dubai Petroleum as a result of the transition of our role in 2010 from service operator to a technical services agreement (now accounted for in Offshore Projects & Operations), lower production on Cendor and the demerger of the Don assets in April 2010. These factors were partially offset by the higher average oil price in 2011[(7)] alongside profit contribution in relation to the vesting of Seven Energy warrants and the lease of the FPF3 FPSO in Thailand.

At 31 December 2011, headcount had grown to 2,300 (2010: 2,000), reflecting the increase in activity levels.

Integrated Energy Services' backlog stood at US$1.6 billion at 31 December 2011 (2010: US$0.3 billion).

(7) For example, Brent, a benchmark crude oil, averaged US$111 per barrel for 2011 (2010: US$80 per barrel).

## Financial review[8]

### Revenue

Group revenue increased by 33.2% to US$5,800.7 million (2010: US$4,354.2 million) due to strong growth in all four reporting segments. The strong growth in the Onshore Engineering & Construction reporting segment (up 27.4%), which accounted over two-thirds of the Group's revenue, was a result of high levels of activity on lump-sum EPC contracts, particularly on the Asab oil field development in Abu Dhabi and the South Yoloten project in Turkmenistan. The increase in revenues in Offshore Projects & Operations (up 73.3%) was a result of record activity levels across the business, particularly from offshore capital projects. The growth in Engineering & Consulting Services (up 20.0%) reflects strong growth in revenue from our Indian offices as a result of higher activity levels to support Onshore Engineering & Construction. Integrated Energy Services revenues grew by 35.0%, predominantly due to the commencement of the Berantai Risk Service Contract in Malaysia.

### Operating profit[9]

Group operating profit for the year increased 26.2% to US$679.3 million (2010: US$538.5 million), representing an operating margin of 11.7% (2010: 12.4%). The decrease in operating margin was due to disproportionately strong growth in the lower margin Offshore Projects & Operations reporting segment.

### Net profit

Reported profit for the year attributable to Petrofac Limited shareholders increased 24.6% to US$539.4 million (2010: US$433.0 million). The increase was driven predominantly by Onshore Engineering & Construction and Offshore Projects & Operations due to strong growth in revenue and profits in these reporting segments as a result of record levels of activity. The net margin for the Group was lower at 9.3% (2010: 9.9%), due to slightly lower net margins in Onshore Engineering & Construction and disproportionately strong growth in the lower margin Offshore Projects & Operations reporting segment (albeit that reporting segment achieved a significant improvement in net margin from 2.4% to 3.5%). Onshore Engineering & Construction net margins were unusually high in 2010 due to the completion of a number of projects in 2010 and first-time profit recognition on a number of projects awarded in 2009. The Offshore Projects & Operations reporting segment earns lower net margins as services are predominantly provided on a reimbursable basis.

### Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)[9]

EBITDA increased 19.7% to US$759.4 million (2010: US$634.4 million), representing an EBITDA margin of 13.1% (2010: 14.6%). EBITDA margins were lower in Onshore Engineering & Construction at 14.1% (2010: 14.5%) for the same reasons that net margins were lower (see above). The EBITDA margin for Offshore Projects& Operations increased from 3.8% to 4.9%, however, the strong growth in this relatively lower margin reporting segment resulted in lowering the average EBITDA margin for the Group. EBITDA margin was lower in the relatively higher margin Integrated Energy Services reporting segment at 17.3% (2010: 33.2%), primarily due to revenues from the Berantai RSC, where we have not yet recognised profit. Integrated Energy Services results also decreased as a proportion of the Group's EBITDA (from 20.1% in 2010 to 11.8% in 2011). The EBITDA contribution from Engineering & Consulting Services increased by more than 50% (from US$25.6 million to US$39.7 million), due to an increase in EBITDA margin from 14.7% to 19.1% and strong growth in activity levels.

(8) For the purposes of the Financial Review, references to prior year comparative figures, and growth rates and margins calculated thereon, exclude the gain from the EnQuest demerger in April 2010.
(9) Including our share of losses from associates.

### Backlog

The Group's backlog stood at US$10.8 billion at 31 December 2011 (2010: US$11.7 billion). An increase in backlog from new Integrated Energy Services projects was more than offset by a net reduction in Onshore Engineering & Construction due to high levels of progress across its portfolio of projects.

### Exchange rates

The Group's reporting currency is US dollars. A significant proportion of Offshore Projects & Operations' revenue is generated in the UKCS (approximately two-thirds) and those revenues and associated costs are generally denominated in sterling; however, there was little change in the average exchange rate for the US dollar against sterling for the years ended 31 December 2011 and 2010 and therefore little exchange rate impact on our US dollar reported results. The table below sets out the average and year-end exchange rates for the US dollar and sterling as used by the Group for financial reporting purposes.

| **Financial reporting exchange rates** | **2011** | **2010** |
|---|---|---|
| **US$/Sterling** | | |
| Average rate for the year | 1.60 | 1.54 |
| Year-end rate | 1.55 | 1.56 |

**Interest**
Net finance income for the year was lower at US$1.3 million (2010: US$5.1 million), due to lower finance income. While net cash balances were higher on average in 2011 compared with the prior year, finance income was lower as a larger proportion of deposits were held in US dollars, which attracted lower interest rates.

**Taxation**
Our policy in respect of tax is to:

- operate in accordance with the terms of the Petrofac Code of Business Conduct
- act with integrity in all tax matters
- work together with the tax authorities in jurisdictions that we operate in to build positive long-term relationships
- where disputes occur, to address them promptly
- manage tax in a pro-active manner to maximise value for our customers and shareholders

Responsibility for the tax policy and management of tax risk rests with the Chief Financial Officer and Group Head of Tax who report the Group's tax position regularly to the Group Audit Committee. The Group's tax affairs and the management of tax risk are delegated to a global team of tax professionals.

An analysis of the income tax charge is set out in note 6 to the financial statements. The income tax charge for the year as a percentage of profit before tax was marginally higher at 20.7% (2010: 20.3%). The effective tax rate for the Group's largest reporting segment, Onshore Engineering & Construction, was marginally higher at 17.4% (2010: 16.7%). The effective tax rate for Offshore Projects & Operations was lower at 22.1% (2010: 27.5%) due to a larger proportion of profits coming from outside the UK; however, the strong growth in Offshore Projects & Operations resulted in it contributing a greater proportion of the Group's income tax expense (8.7% compared to 5.9% in 2010). The Integrated Energy Services effective tax rate increased from 46.2% to 55.3%; however, the relative contribution from Integrated Energy Services fell (from 29.6% to 19.8%) due to lower profitability. The effective tax rate for Engineering & Consulting Services was 6.6% after reporting an effective a tax credit in 2010 (2010: 6.1% credit).

**Earnings per share**
Fully diluted earnings per share increased to 157.13 cents per share (2010: 126.09 cents), an increase of 24.6%, in line with the Group's increase in profit for the year attributable to Petrofac Limited shareholders.

**Operating cash flow and liquidity**
The net cash generated from operations was US$1,423.0 million (2010: US$207.3 million), representing 187.4% of EBITDA (2010: 32.7% of EBITDA excluding the gain on the EnQuest demerger).

The increase in net cash generated from operations was due to the cash generated from operating profits before working capital and other non-current changes of US$796 million (2010: US$667 million) and net working capital inflows of US$758 million (2010: US$451 million outflow), partially offset by a long-term receivable of US$130 million from the Berantai RSC which commenced in January 2011.

The main net working capital inflows included an increase in trade and other payables of US$735 million (2010: US$168 million) due to an increase in advances received from customers of US$358 million, an increase in billings in excess of cost of US$211 million (2010: US$283 million decrease), a reduction in work in progress of US$192 million (2010: US$470 million increase), partially offset by an increase in trade receivables and other receivables of US$301 million (2010: US$267 million).

The other key movements in cash included:

- investing activities totalled US$522 million (2010: US$254 million), including:
  - capital expenditure on Integrated Energy Services projects of US$352 million, predominantly in relation to the acquisition and upgrade of supporting infrastructure
  - other capital expenditure of US$108 million, including temporary project camp facilities, office equipment and furniture and site-based vehicles
  - investment of a further US$50 million (of an agreed US$75 million) in Seven Energy (see note 14 to the financial statements for details)
  - US$16 million for deferred consideration in relation to acquisitions

- financing activities of US$228 million (2010: US$201 million), including:
  - payment of the 2010 final dividend and 2011 interim dividend totalling US$159 million
  - repayment of interest-bearing loans and borrowings of US$19 million
  - financing the purchase of treasury shares for the purpose of making awards under the Group's share schemes of US$49 million

- net income taxes paid of US$157 million (2010: US$99 million)

The net result of the above was the Group's net cash increased to US$1,495.2 million at 31 December 2011 (2010: US$975.3 million).

The Group reduced its levels of interest-bearing loans and borrowings to US$77.2 million (2010: US$87.7 million) following scheduled loan repayments in 2011, contributing to the decrease in the Group's gross gearing ratio to 6.9% (2010: 11.3%).

| **Gearing ratio** | **2011** | **2010** |
|---|---|---|
| | **US$ millions (unless otherwise stated)** | |
| Interest-bearing loans and borrowings (A) | 77.2 | 87.7 |
| Cash and short term deposits (B) | 1,572.3 | 1,063.0 |
| Net cash/(debt) (C = B - A) | 1,495.2 | 975.3 |
| Total equity (D) | 1,113.8 | 779.1 |
| Gross gearing ratio (A/D) | 6.9% | 11.3% |
| Net gearing ratio (C/D) | Net cash position | Net cash position |

The Group's total gross borrowings before associated debt acquisition costs at the end of 2011 were US$80.3 million (2010: US$91.8 million), of which 39.0% was denominated in US dollars (2010: 39.5%) and 60.7% was denominated in sterling (2010: 60.5%).

None of the Company's subsidiaries are subject to any material restrictions on their ability to transfer funds in the form of cash dividends, loans or advances to the Company.

**Capital expenditure**

Capital expenditure on property, plant and equipment totalled US$435.4 million in the year ended 31 December 2011(2010: US$116.2 million). The principal elements of capital expenditure during the year were:

- capital expenditure on Integrated Energy Services projects of US$312 million, predominantly in relation to the acquisition and upgrade of supporting infrastructure
- other capital expenditure of US$123 million, including temporary project camp facilities, office equipment and furniture and site-based vehicles

Capital expenditure on intangible oil & gas assets during the year was US$39.7 million (2010: US$15.6 million) in respect of capitalised expenditure, including near field appraisal wells, in relation to Integrated Energy Services' interest in Block PM304, offshore Malaysia.

**Total equity**

Total equity at 31 December 2011 was US$1,113.8 million (2010: US$779.1 million). The main elements of the net movement were: net profit for the year of US$539.6 million, less dividends paid in the year of US$161.0 million and the purchase of treasury shares of US$49.1 million, which are held in the Petrofac Employees Benefit Trust for the purpose of making awards under the Group's share schemes (see note 25 to the financial statements).

**Return on capital employed**
The Group's return on capital employed for the year ended 31 December 2011 was 62.1% (2010: 53.0%).

**Dividends**
The Company proposes a final dividend of 37.20 cents per share for the year ended 31 December 2011 (2010: 30.00 cents), which, if approved, will be paid to shareholders on 18 May 2012 provided they were on the register on 20 April 2012. Shareholders who have not elected (before 2 March 2012) to receive dividends in US dollars will receive a sterling equivalent of 23.39 pence per share.

Together with the interim dividend of 17.40 cents per share (2010: 13.80 cents), equivalent to 10.54 pence, this gives a total dividend for the year of 54.60 cents per share (2010: 43.80 cents), an increase of 24.7%, in line with the increase in net profit.