Petrofac

# 2012 Interim Results

## 13 August 2012

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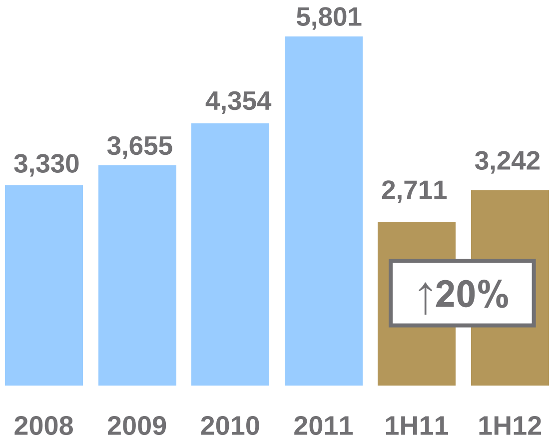
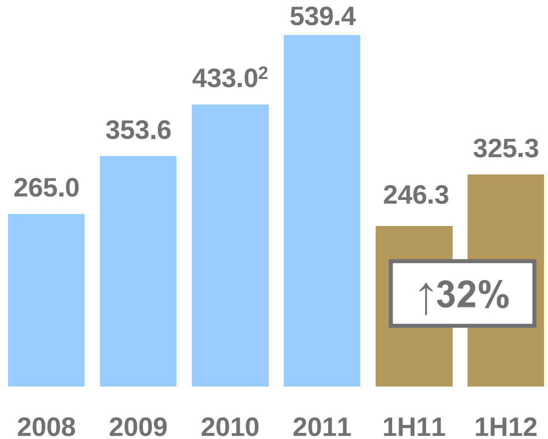
# Headlines

- Delivered good operational and financial performance in the first half of the year
- ECOM order intake of US$2.3 billion in the year to date; expect Onshore Engineering & Construction backlog to remain broadly flat over 2H 2012 but anticipate growth in 2013
- We remain on course to deliver net profit growth in 2012 of at least 15%; confident of achieving our target of more than doubling our recurring Group 2010 earnings by 2015

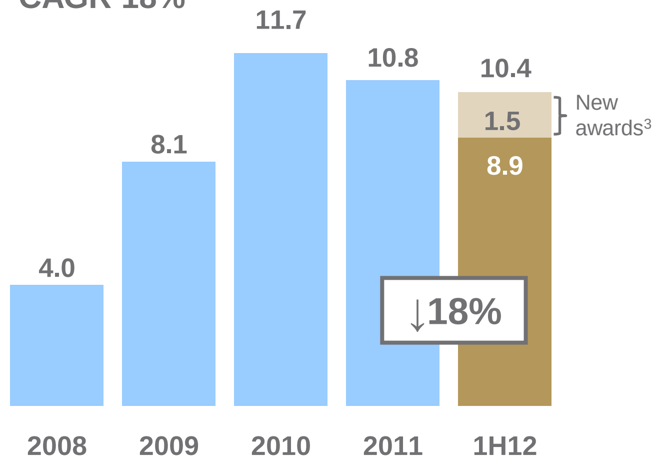
**Revenue (US$m)**
**5 yr CAGR 21%**




**Net profit[1] (US$m)**
**5 yr CAGR 28%**




**Backlog (US$bn)**
**CAGR 18%**




Note: all figures presented above are for the group's continuing operations and are for financial years ended 31 December and interim periods ended 30 June
1 Net profit attributable to Petrofac Limited shareholders
2 Net profit excluding the gain on the EnQuest demerger
3 US$1.5 billion of secured awards that were pending contract signature at 30 June 2012 and were not included in backlog

# Strategy – drivers of growth

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| | | UPDATE |
|---|---|---|
| **Geographical expansion** | • Expand existing business into new geographies | • Established operating hub in Villahermosa, Mexico<br>• Executing projects in Mozambique and the Côte d'Ivoire |
| **Offshore** | • Broaden our EPC business offshore | • Appointment of Yves Inbona as Managing Director of Offshore Capital Projects (OCP)<br>• Secured EPCIC contract for refurbishment of Bekok C platform |
| **Integrated Energy Services** | • Implement our integrated services strategy | • Jointly awarded the Pánuco PEC, alongside Schlumberger in Mexico<br>• Good progress on Berantai project, Malaysia |

# ECOM – Key contract awards

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**Onshore Engineering & Construction**

***2012 to date***

- Overall order intake year to date is approximately US$1.0 billion
- **Badra oilfield development, Iraq** US$330m EPC contract
- **PetroRabigh petrochemical project, Saudi Arabia** EPC contract

**Offshore Projects & Operations**

***2012 to date***

- Overall order intake year to date is approximately US$1.2 billion
- **FPF5, Malaysia** > US$100m EPC modification and upgrade contract
- **Bekok-C platform refurbishment, Malaysia** US$220m EPCIC contract
- **Apache North Sea assets, UK** £300m onshore engineering and onshore and offshore construction services contracts

# ECOM – Update on major projects

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**Onshore Engineering & Construction**

- **South Yoloten gas field development, Turkmenistan and Asab oil field development, Abu Dhabi** both on schedule for completion in 2013
- **El Merk project, Algeria** first oil expected during H2 2012

South Yoloten gas field development, Turkmenistan

**Offshore Projects & Operations**

- **FPSO Berantai, Malaysia** sailaway achieved early Q3 2012
- **FPF1, UK** majority of engineering completed
- **Laggan-Tormore, UK** reached percentage of completion threshold required to recognise profit

FPSO Berantai, Malaysia

# ECOM – New business prospects

- Significant number of bidding opportunities in our core markets in the Middle East, Africa, the Commonwealth of Independent States, Europe and Asia Pacific
- We have seen delays in the award of onshore engineering and construction projects from 2012 into 2013
- Expect Onshore Engineering & Construction backlog to remain broadly flat across the second half of 2012 and anticipate growth in 2013 as we capitalise on the greater level of market opportunities
- In Offshore Projects & Operations, we are continuing our high levels of bidding activity on both long-term operations support contracts and offshore capital projects
- Expect to maintain Onshore Engineering & Construction sector-leading net margins while incrementally growing net margins in Offshore Projects & Operations

# IES – Key contract awards

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Production Enhancement Contract

## Pánuco, Mexico

- Awarded Pánuco block in 2$^{nd}$ round of bidding process in Mexico
- Petrofac and Schlumberger will provide production enhancement services to PEMEX (the concession holder) for the Pánuco Contract Area, Mexico
- The contract is expected to be signed in August 2012 and field operations are expected to start around the beginning of 2013 (30 year contract term)
- Remaining oil in place of c.6.3 billion barrels
- Contains four mature onshore fields over an area of 2,000km$^2$

Location of Pánuco Contract Area, Mexico

# IES – Update on major projects

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**Production Enhancement Contracts**

- **Ticleni, Romania –** we have commenced a two rig drilling programme and are progressing other key work items
- **Magallanes and Santuario, Mexico –** we have commenced drilling and well workover programme (three drilling rigs and one work over rig)

**Risk Service Contract**

- **Berantai, Malaysia –** the FPSO Berantai sailed-away early Q3 2012 – on location with commissioning in progress; drilling of the initial phase one wells is underway

**Production Sharing Contracts**

- **Block PM304 –** we are progressing the West Desaru early production system and are on track to achieving first oil later in the year; the installation of the Cendor phase two wellhead structures is underway

# IES – New business prospects

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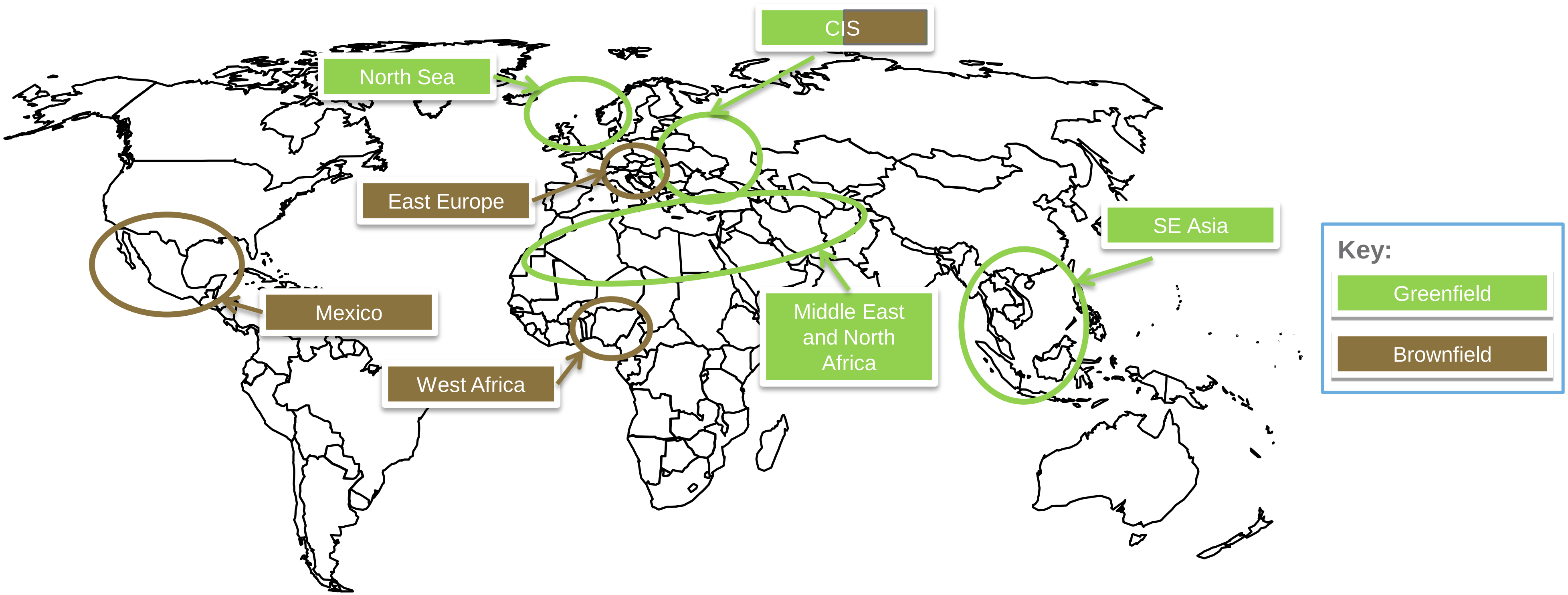
- Ongoing discussions with a number of resource holders with regard to Production Enhancement Contracts and Risk Service Contracts
- Shortlisted opportunities to pursue with Schlumberger under co-operation agreement



# Income Statement

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| US$m | 1H 2012 | 1H 2011 | Variance |
|---|---|---|---|
| Revenue | 3,241.8 | 2,711.1 | ↑ 20% |
| Operating profit | 411.4 | 297.8 | ↑ 38% |
| Profit before tax | 412.5 | 299.6 | ↑ 38% |
| Income tax expense | (88.9) | (53.1) | ↑ 67% |
| Profit for the period | 323.7 | 246.5 | ↑ 31% |
| Profit attributable to Petrofac Limited shareholders | 325.3 | 246.3 | ↑ 32% |
| EBITDA | 454.8 | 332.0 | ↑ 37% |
| ROCE | 60.8% | 60.1% | |
| EPS, diluted (cents per share) | 94.8 | 71.8 | ↑ 32% |
| Interim dividend (cents) | 21.0 | 17.4 | ↑ 21% |

Note: all figures presented above are for the half year period ended 30 June (US$ millions unless otherwise stated)

# Backlog

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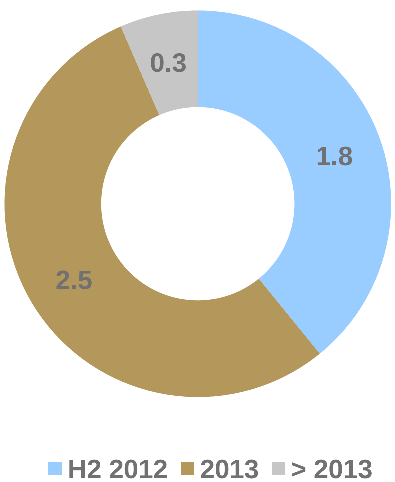
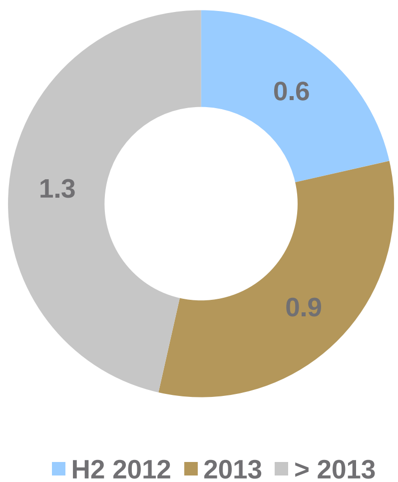
- Backlog of US$8.9 billion at 30 June 2012 (Dec 2011: US$10.8 billion)
- Onshore Engineering & Construction backlog US$4.6 billion (Dec 2011: US$6.4bn)
- Offshore Projects & Operations backlog US$2.8 billion (Dec 2011: US$2.7bn)
- Integrated Energy Services backlog US$1.5 billion (Dec 2011: US$1.6bn)
- In addition, we had secured US$1.5 billion of awards at 30 June 2012 that were pending contract signature (OEC US$0.5bn; OPO US$0.6bn; IES US$0.4bn)

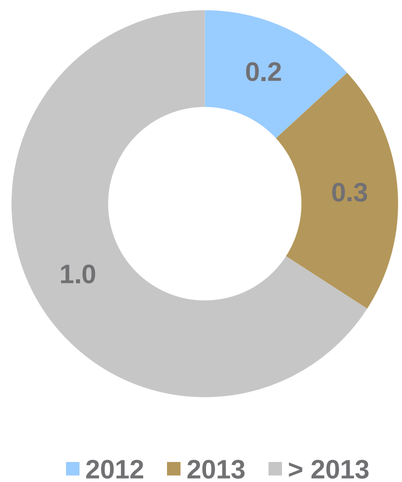
**OEC backlog by year (US$bn)**




**OPO backlog by year (US$bn)**




**IES backlog by year (US$bn)**



# Cash flow and gross cash balances

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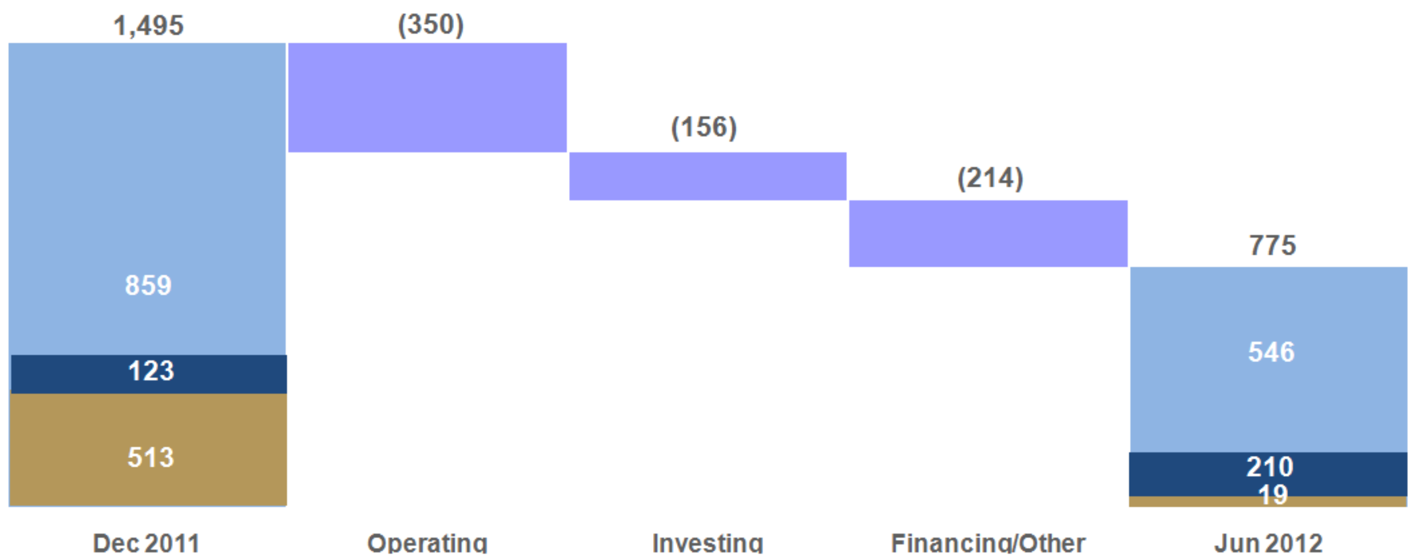
- Net cash balances lower at US$775 million:
  - Operating activities include significant unwinding of cash advances and increase in WIP on Onshore Engineering & Construction projects, particularly on South Yoloten
  - Investing activities include approximately US$150m of development expenditure on IES projects, with a further US$50m within Operating activities
  - Financing activities include payment of 2011 final dividend of US$128m

**Net cash position and cash flow movements (US$m)**

■ = *'Billings in excess of cost and estimated earnings' less amounts billed in advance but not received*

■ = *'cash advances', measured as 'Advances received from customers' net of any associated work in progress (on a project by project basis)*

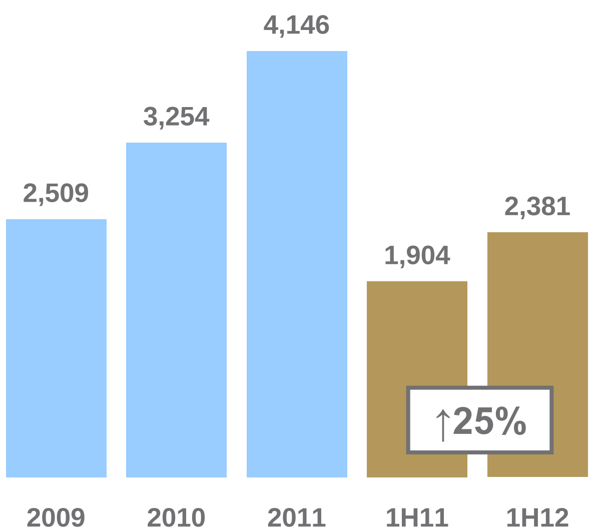


# Onshore Engineering & Construction

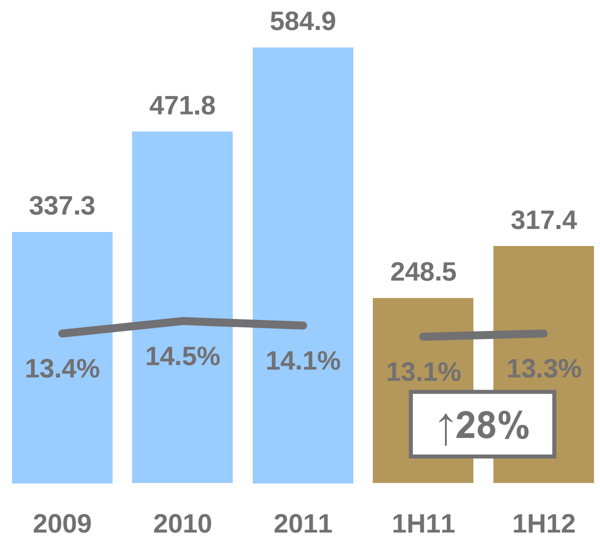
Continues to perform strongly:

- Revenue ↑25% – reflecting a substantial increase in activity levels
- Net profit ↑22% – representing a net margin of 10.5%

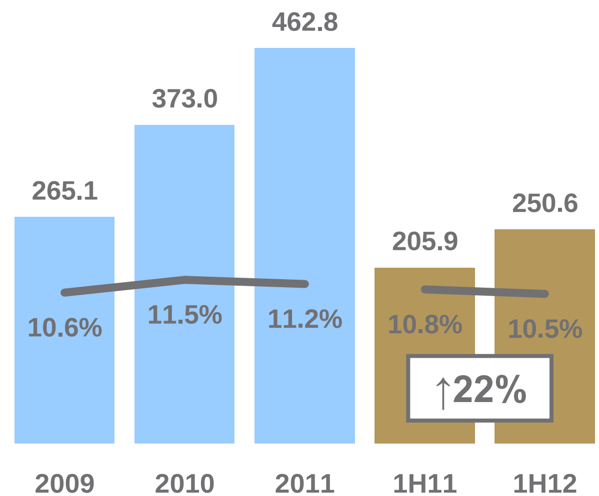
**Revenue (US$m)**




**EBITDA (US$m) and margin**




**Net profit (US$m) and margin**



# Offshore Projects & Operations

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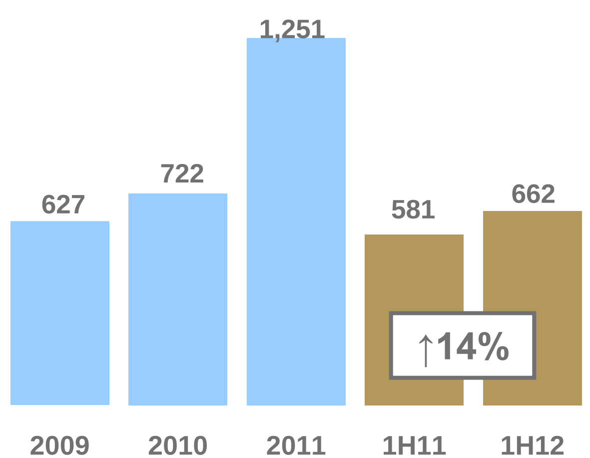
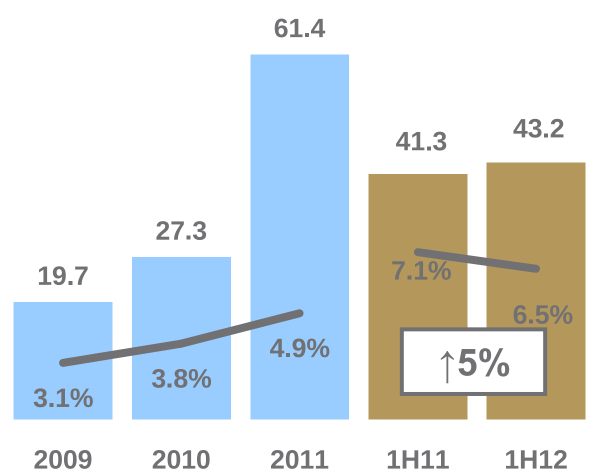
Building on 2011's strong growth:

- Revenue ↑14% – continue to see record activity levels
- Net profit ↓3% – underlying net profit ↑26% (excluding provision release in 1H 2011 following completion of a long-term maintenance services contract)

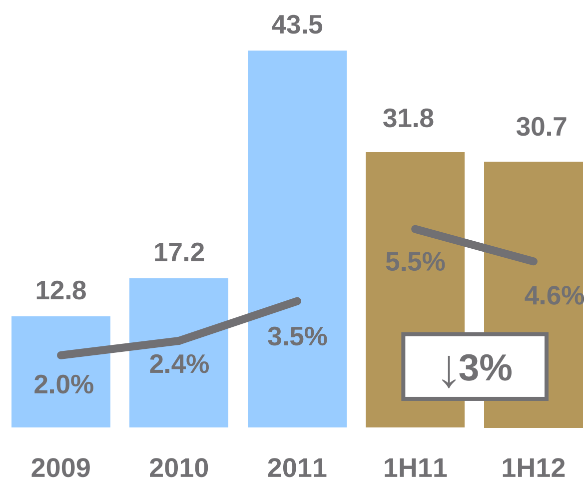
**Revenue (US$m)**




**EBITDA (US$m) and margin**




**Net profit (US$m) and margin**



# Engineering & Consulting Services

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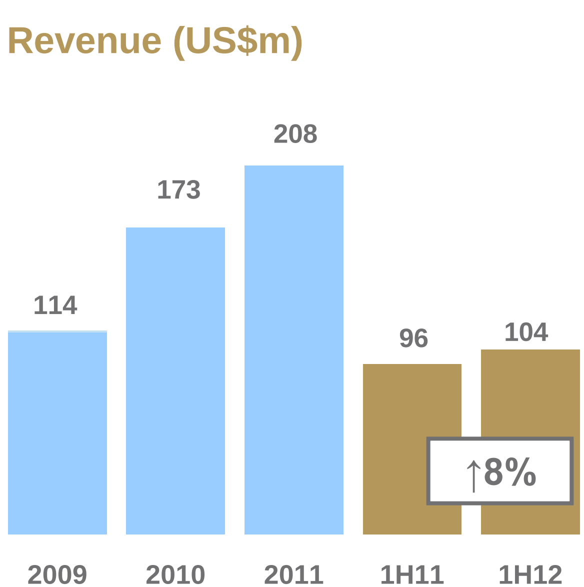
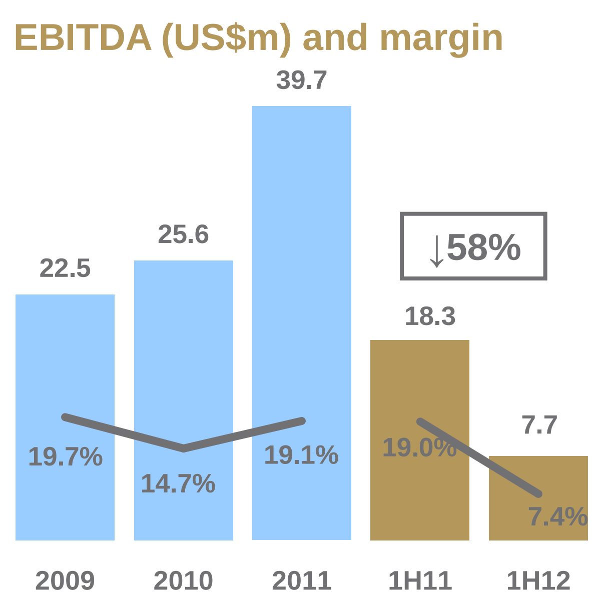
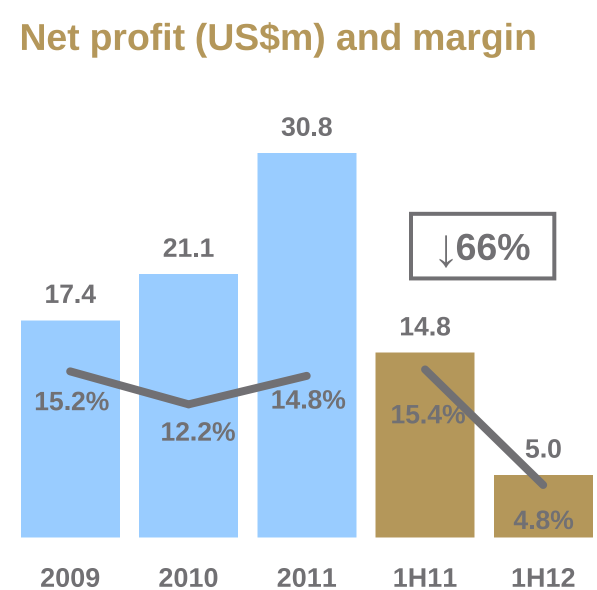
Growth in activity levels but lower utilisation rates:

- Revenues ↑8% – increase in activity levels
- Net profit ↓66% – despite an increase in overall activity levels, there was a decline in utilisation rates; the first half of 2011 also benefitted from the recognition of profit in relation to the vesting of Seven Energy warrants



# Integrated Energy Services

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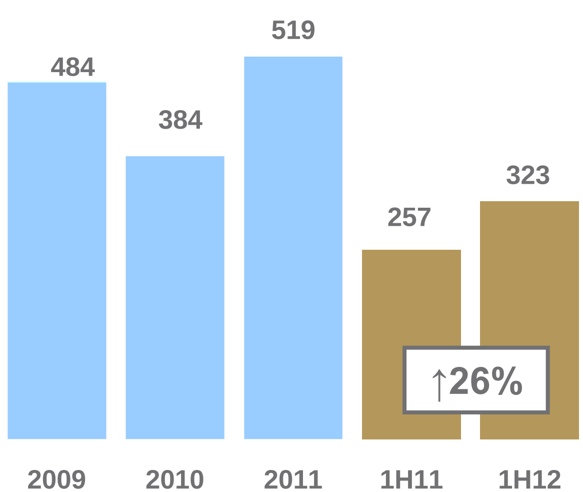
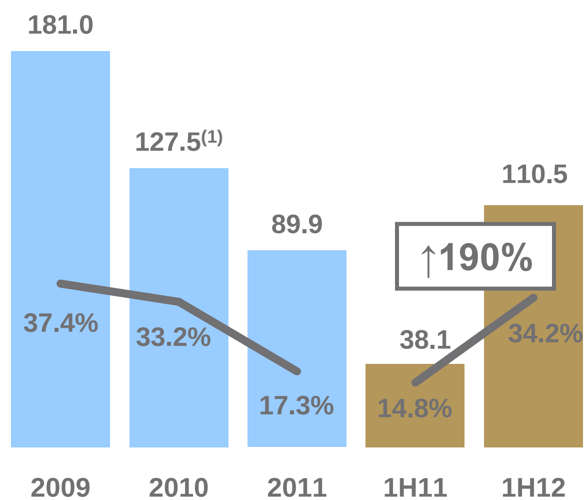
Strong growth in revenue and net profit:

- Revenue ↑26% – substantial progress on the Berantai RSC and commencement of the Magallanes and Santuario PECs
- Net profit ↑977% – first time profit recognition on the Berantai RSC and a profit from the sale of 75% of the share capital in the company holding the FPF1 of US$36 million

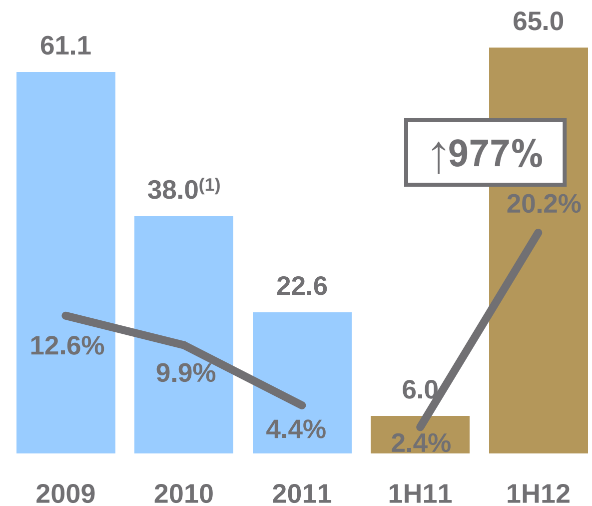
**Revenue (US$m)**




**EBITDA (US$m) and margin**




**Net profit (US$m) and margin**




(1) Excluding the gain on the EnQuest demerger

# Summary and outlook

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- We remain on course to deliver net profit growth in 2012 of at least 15%
- Significant number of bidding opportunities in our core markets for our ECOM division:
  - Anticipate growth in Onshore Engineering & Construction backlog in 2013 as we capitalise on the greater level of market opportunities
  - Good revenue visibility in Offshore Projects & Operations following recent awards and extensions, and we continue our high levels of bidding activity on both long-term operations support contracts and offshore capital projects
- Strong industry demand for commercially innovative, integrated oilfield service developments in Integrated Energy Services
- We continue to expect our strategy to deliver earnings growth in 2013 and beyond and we remain confident of achieving our target of more than doubling our recurring Group 2010 earnings by 2015

# Appendices

# Appendix 1: Group organisation structure

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- Following the creation of the Offshore Capital Projects service line, the Group is structured in the following way:

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| New | **Divisions** | **Engineering, Construction, Operations & Maintenance (ECOM)** *Chief Executive, Marwan Chedid* | | | | **Integrated Energy Services (IES)** *Chief Executive, Andy Inglis* | | |
| | **Reporting segments** | Onshore Engineering & Construction (OEC) | Offshore Projects & Operations (OPO) | | Engineering & Consulting Services (ECS) | Integrated Energy Services | | |
| | **Service lines** | Onshore Engineering & Construction | Offshore Projects & Operations | Offshore Capital Projects | Engineering & Consulting Services | Training | Production Solutions | Developments |
| Previous | **Service lines** | Onshore Engineering & Construction | Offshore Projects & Operations | | Engineering & Consulting Services | Training | Production Solutions | Developments |

# Appendix 2: Key ECOM projects

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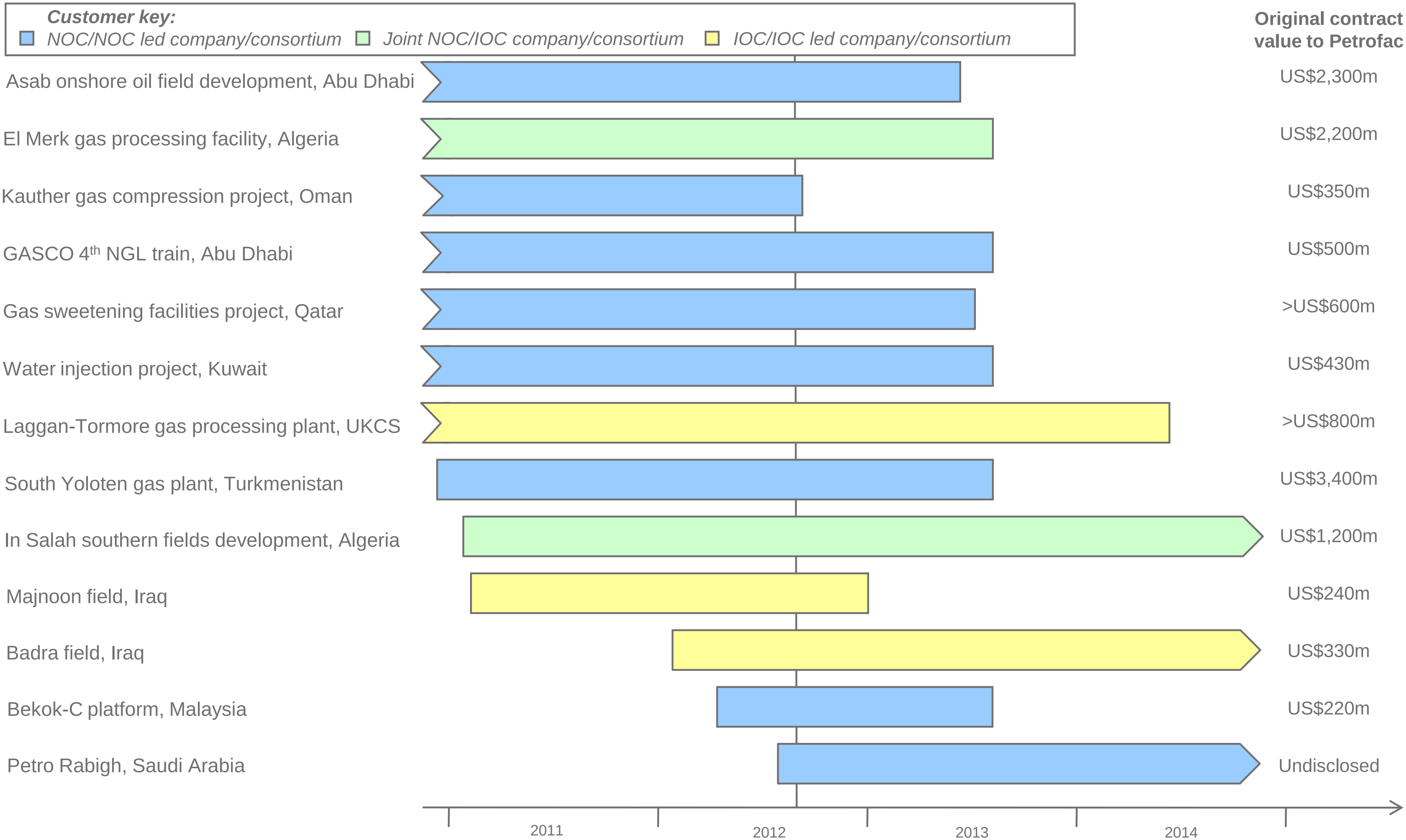
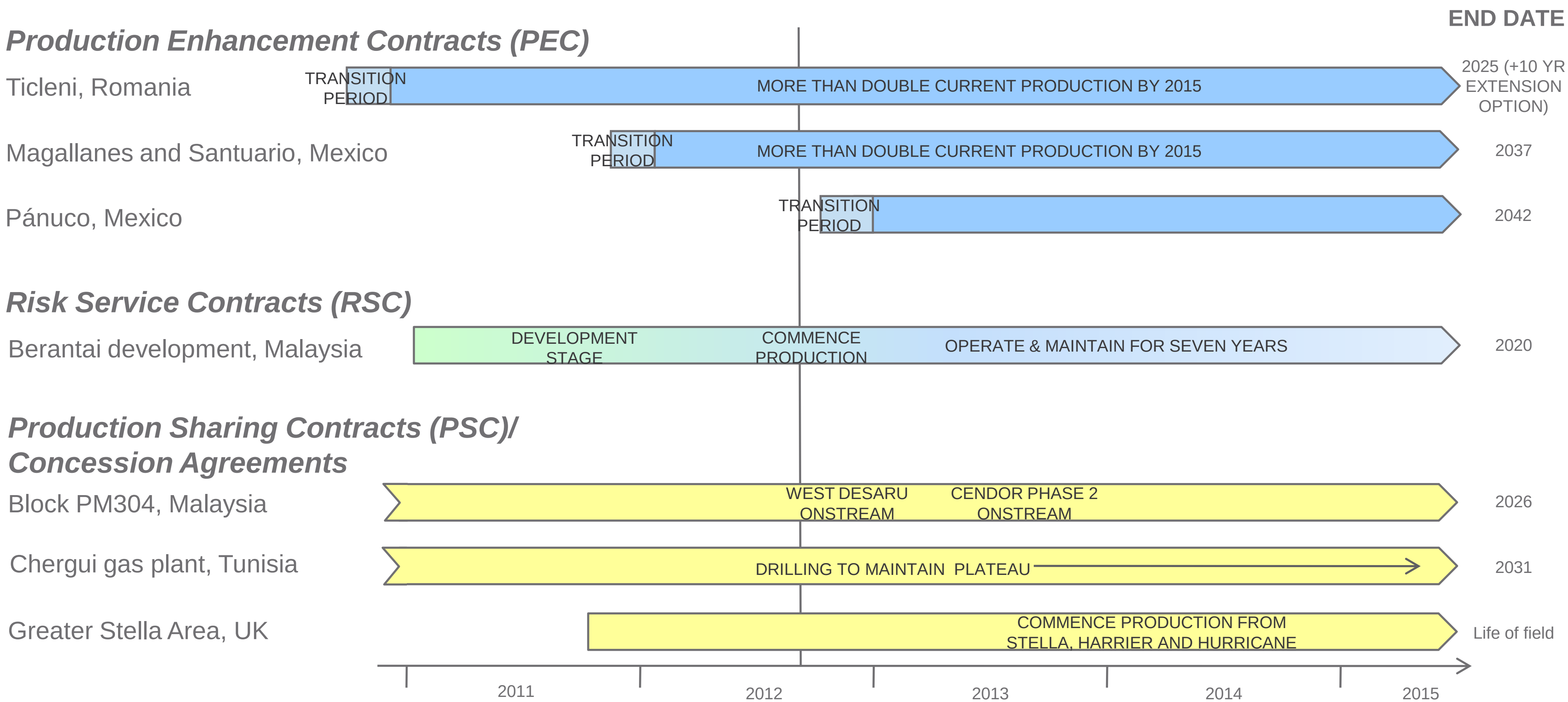


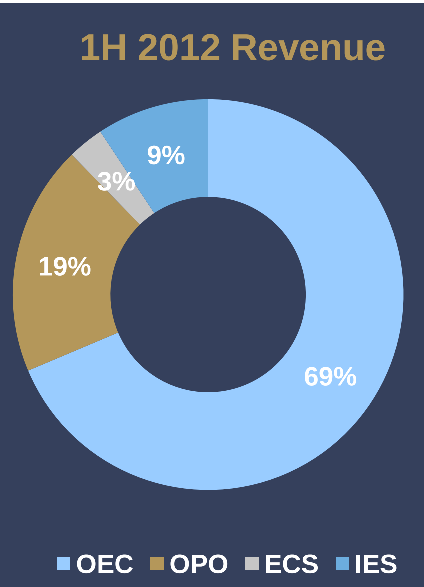
# Appendix 3: Key IES projects and operational activities

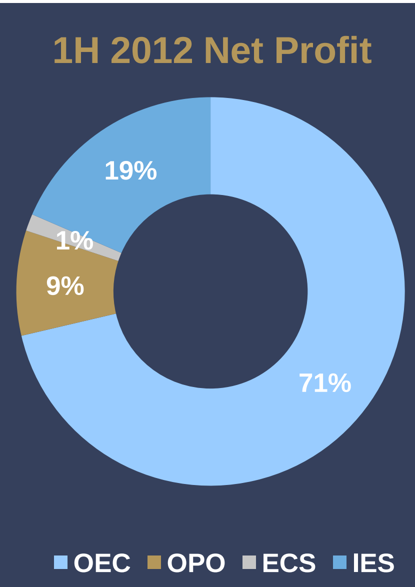
- Within IES, our projects are classified into three commercial models
- The below diagram shows the current key IES projects in the portfolio, organised by commercial model, and a summary of the operational activities we expect to undertake over the period to 2015

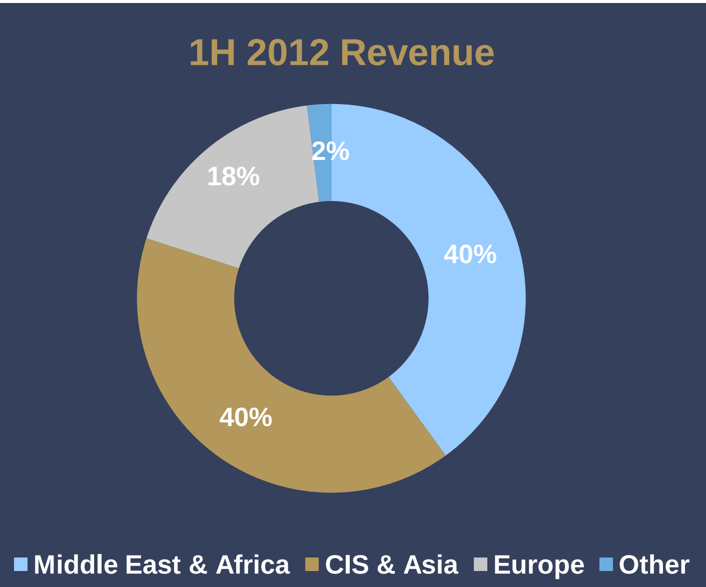


# Appendix 4: Segmental performance

- Onshore Engineering & Construction earned 69% of revenue and 71% of net profit
- Middle East & Africa and CIS & Asia: key geographic markets for Onshore Engineering & Construction
- CIS & Asia: primarily relates to Onshore Engineering & Construction activity on South Yoloten in Turkmenistan as well as activity across the business on Berantai in Malaysia
- Europe: activity principally in UK North Sea, where significant proportion of Offshore Projects & Operations revenues are generated



# Appendix 5: Effective tax rate

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| Tax charge by segment | 1H 2012 reported | 1H 2011 reported |
|---|---|---|
| Onshore Engineering & Construction | 17% | 14% |
| Offshore Projects & Operations | 26% | 19% |
| Engineering & Consulting Services | 30% | 10% |
| Integrated Energy Services | 27% | 68% |
| Group | 21% | 18% |

- Onshore Engineering & Construction and Offshore Projects & Operations higher due to increasing proportion of earnings in higher tax rate jurisdictions
- Engineering & Consulting Services higher due to higher taxable profits earned in Indonesia and India
- Integrated Energy Services lower due to the specific projects contributing profit

# Appendix 6: Employee numbers

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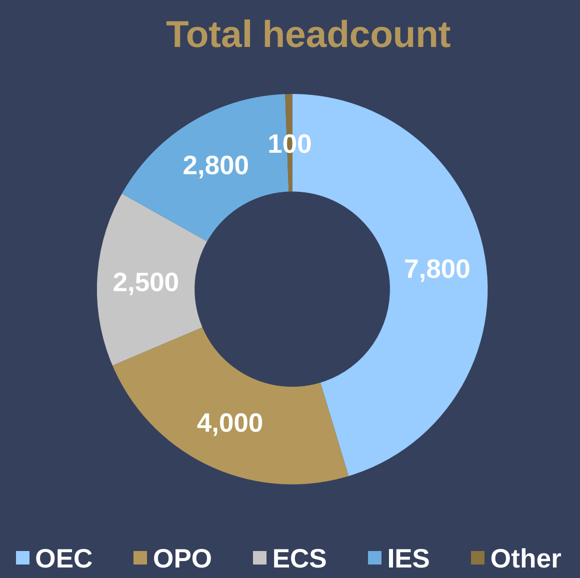
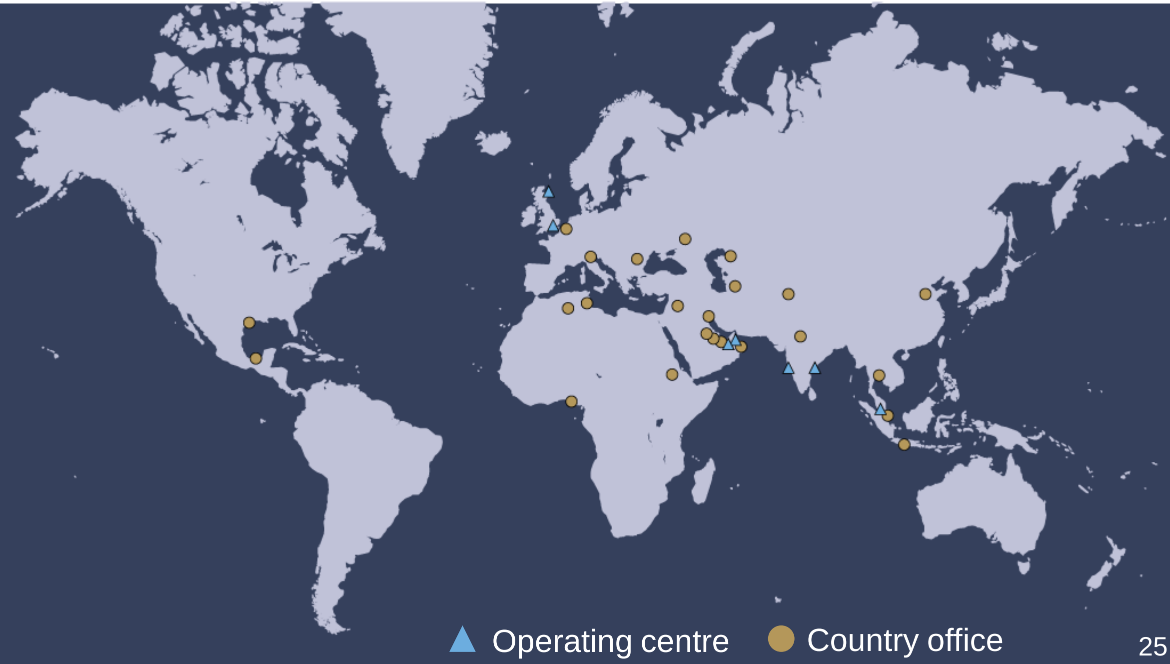
- Around 17,200 people in 7 key operating centres and 24 offices
- Approximately 5,000 employee shareholders or participants in employee share schemes



# Appendix 7: Integrated Energy Services earnings guidance

- At the IES Capital Markets Day held in June 2011, we gave the following guidance:
  **In 2015, IES will generate net income of around US$200m from projects in operation/under development with the potential to grow this by at least 50% from new opportunities**

- As a result of performance from existing contracts as well as new projects won subsequent to the Capital Markets Day (Magallanes and Santuario), we are on track to achieve this guidance


1 Net income from FPSO Berantai, FPF3 (Jasmine Venture), FPF5 (Ocean Legend), Training and IES consultancy businesses is approximately matched by overheads
2 Does not include the Pánuco field

# Notes

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- EBITDA means earnings before interest, tax, depreciation and amortisation and is calculated as profit from operations before tax and finance costs adjusted to add back charges for depreciation, amortisation and impairment.
- Net profit (for the group) means profit for the period from operations attributable to Petrofac Limited shareholders
- 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 services and facilities management contracts, the estimated revenue attributable to the lesser of the remaining term of the contract and, in the case of life of field facilities management contracts, five years. To the extent work advances on these contracts, revenue is recognised and removed from the backlog. Where contracts extend beyond five years, the backlog relating thereto is added to the backlog on a rolling monthly basis. Backlog includes only the revenue attributable to signed contracts for which all pre-conditions to entry have been met and only the proportionate share of joint venture contracts that is attributable to Petrofac. Backlog does not include any revenue expected to arise from contracts where the customer has no commitment to draw upon services from Petrofac. Backlog is not an audited measure. Other companies in the oil and gas industry may calculate these measures differently. Order intake comprises new contracts awarded, growth in scope of existing contracts and the rolling increment attributable to contracts which extend beyond five years.
- 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 2012 interimdividend from US dollars into Sterling is based upon an exchange rate of US$1.5609:£1, being the Bank of England Sterling spot rate as at midday, 10 August 2012.
- Operating profit means profit from operations including share of associate losses, before tax and finance costs.