Petrofac

Full Year Results 2023

31 May 2024

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Agenda

- 2023 overview
- 2023 financial performance
- Update on strategic and financial review
- Outlook
- Q & A

2023 overview

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Financials

- Challenges in securing guarantees
- Additional losses and one-off write downs in both E&C and Asset Solutions
- Ongoing discussions for reimbursements
- Progress in unwinding historic working capital
- Neutral H2 cash flows

Operations

- Good progress in completing legacy contracts
- Cost increases on legacy projects
- Negotiations pending on Thai Oil
- IES ahead of expectations
- Initial phases of new contracts progressing well

Backlog growth

- US$8 billion (+138%)
- Returned to UAE
- ~US$14 billion offshore wind framework agreement
- Expansion into petrochemicals
- Growth in Asset Solutions
- Selective bidding

Strategic Initiatives

- Strategic and financial review is ongoing to:
  - Strengthen the balance sheet
  - Improve liquidity
  - Secure guarantees
- Adjusted operating model to focus on:
  - Consistent delivery
  - Core strengths
- Focus on talent acquisition to support backlog growth

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2023 Financial Performance

Afonso Reis e Sousa
CFO

2023 results summary

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Revenue

US$2,496m

2022[2]: **US$2,567m**

- Lower levels of activity in E&C
- Strong revenue growth in Asset Solutions
- Lower realised oil prices in IES

EBIT[1]

US$(393)m

2022[2]: **US$(229)m**

- Additional losses and one-off write downs in E&C and Asset Solutions
- Adverse operating leverage in E&C
- Completion of historic high margin contracts in Asset Solutions
- Profitability in IES

Net debt[3]

US$583m

2022: **US$349m**

- Free cash outflow of US$223 million in 2023
- Neutral cash flows in H2, despite >US$100m cash collateral placed in period
- Liquidity maintained above financial covenant

Backlog

US$8.1bn

2022: **US$3.4bn**

- >2x increase in Group backlog
- Strong order intake in both E&C and Asset Solutions (>US$7bn)
- 75% E&C, 25% Asset Solutions
- Legacy contracts approximately 10% of the E&C portfolio

Pipeline[4]

US$60bn

2022: **US$64bn**

- Majority in core regions of MENA, UK & Europe
- Strategic selective bidding to capitalise on growth markets
- Energy transition opportunities underpinned by TenneT offshore wind framework agreement

1. Business performance Earnings Before Interest and Tax (EBIT) and before separately disclosed items
2. The prior period numbers are restated; see note 2.9 to the consolidated financial statements
3. Net debt comprises interest-bearing loans and borrowings less cash and short-term deposits (i.e. excludes IFRS 16 lease liabilities and cash collateral)
4. The Group bidding pipeline includes opportunities scheduled for award in the next 18-months (FY 2022 pipeline restated to 18-months for comparison) and excludes opportunities in Saudi Arabia and in Iraq

Strategic & Financial update

Afonso Reis e Sousa
CFO

Update on the strategic and financial review

Discussions continue in support of a comprehensive financial restructure

Challenges in securing bank guarantees and liquidity constraints have resulted in the need for a comprehensive financial restructure

Objectives

Materially strengthen the balance sheet | Improve liquidity | Secure bank guarantees

Indicative Proposal

» Proposal from ad hoc group of noteholders (41%):
- US$200m of new funding
- US$100m of new credit support for guarantees

Progress

» Ongoing discussions with other creditors and prospective creditors and other stakeholders

» Agreements will be inter-conditional

Target

» >US$400m improvement in liquidity

» Reduced indebtedness (debt converted to equity)

» Access to guarantees on normal commercial terms

The Financial Restructure is critical to the continued operations of the business

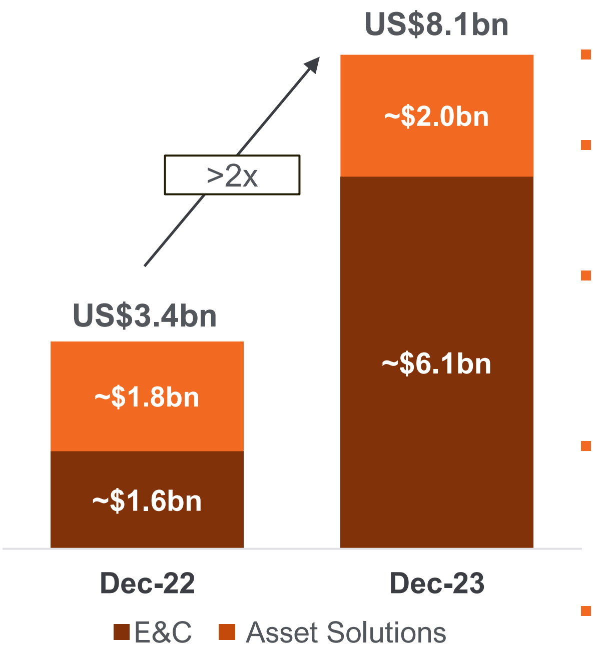
The success and timing depends on agreements with, and obtaining approvals from, third parties

Outlook & Summary

Tareq Kawash
CEO

Strong backlog and an attractive pipeline

Backlog has more than doubled in the last year



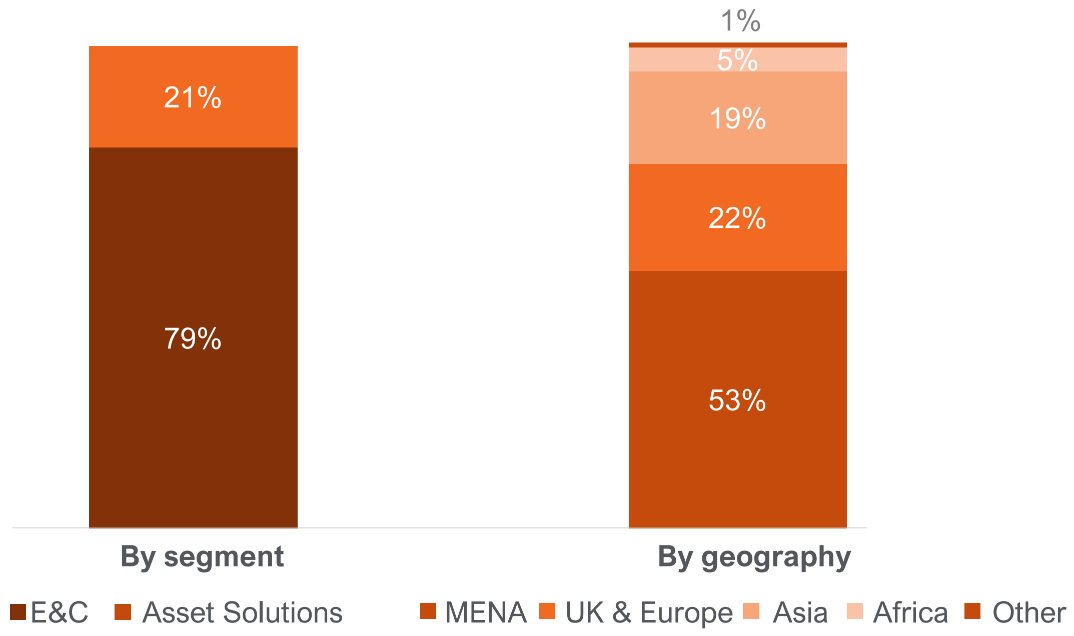
Backlog contains:

- 2x ADNOC contracts >US$1.3bn
- Petrochemical project in Algeria >US$1bn
- Two of the six offshore wind contracts under the US$14bn TenneT framework >US$2.5bn
- Geographic expansion, renewals & extensions in Asset Solutions ~US$2bn
- >50% of the E&C backlog is related to energy transition

US$7.1bn order intake in 2023

18-month Group Pipeline[1] of US$60 billion

Pipeline breakdown



~75% in core markets

1. The Group bidding pipeline includes opportunities scheduled for award in the next 18-months and excludes opportunities in Saudi Arabia and in Iraq

Strategic priorities

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1. Financial restructure: strengthen balance sheet, improve liquidity, secure guarantees

2. Consistent delivery

- Extend and embed Group assurance procedures
- Strong execution across the backlog of contracts
- Strengthen the integration of services within Asset Solutions

3. Maintain strength in our core

- Build on strengths in our core MENA markets for E&C; our proven ability to deliver consistently and profitably
- Further geographical expansion in Asset Solutions
- In energy transition, continue to deliver on the TenneT Framework Agreement
- Expand energy transition capabilities and readiness

4. Improved returns

- Access to guarantees for EPC contracts on normal commercial terms
- Selective approach to bidding
- Cost and cash flow discipline
- Conclude commercial settlements

Summary – key messages

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- Financial Restructure is critical for financial strength
- Major backlog growth in 2023 provides a platform for the business
- Legacy projects completion a continued focus
- Operational changes for consistency and predictability
- Pipeline in core markets remains strong

Appendices

Appendix 1

Operational performance

2023 ESG highlights

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Carbon footprint reduction

12%

Reduced our Scope 1 and 2 footprint by 12%

Leadership

30.5%

Women in senior management roles in 2023

Training

98%

Employees with line management responsibility completed mandatory Code of Conduct e-learning

Targets

Net Zero

Committed to reaching Net Zero in Scope 1 and 2 emissions by 2030

Committed to driving best-in-class compliance through ethical business practice

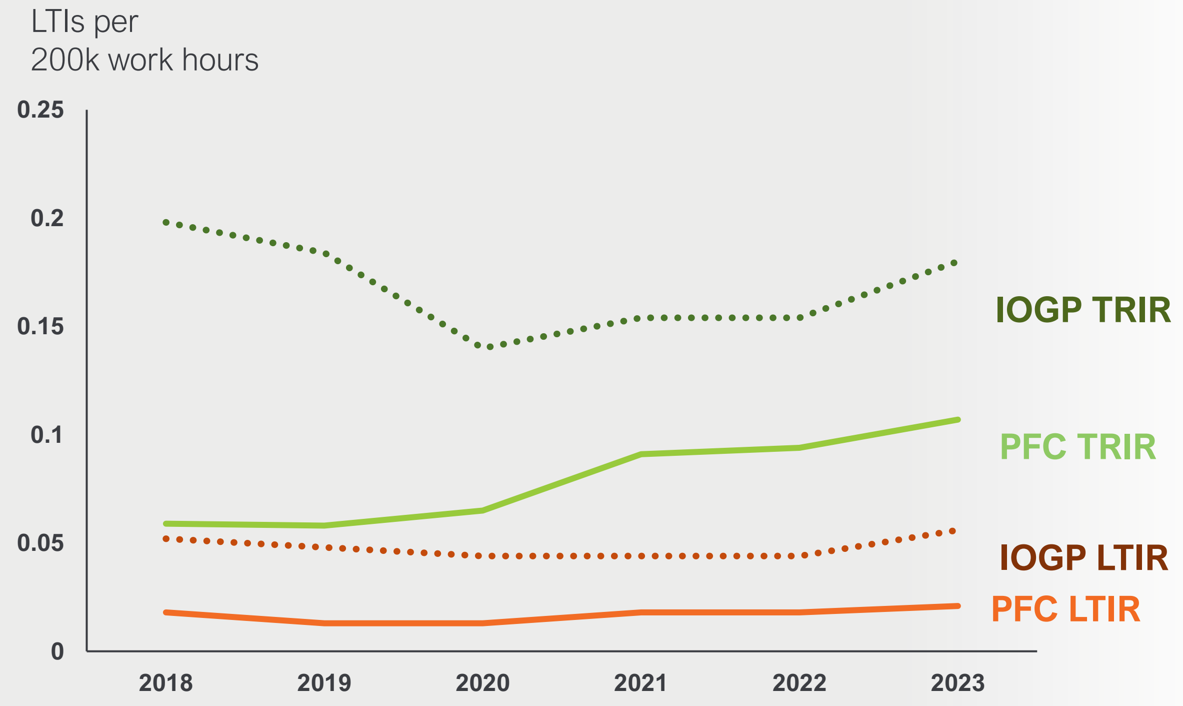
2023 health & safety performance

Focus on instilling a strong delivery and safety culture

Safety record and incident review

- Petrofac has a strong safety record
- However, a sub-contractor fatality occurred at our Thailand project site
- The incident was reviewed by the Board for understanding and improvement
- Emphasis on learning from the incident and enhancing our safety culture
- Petrofac leadership underscores safety as crucial for consistent delivery

Petrofac LTIR[1] and TRIR[2] below industry average[3]



1. Lost Time Injury Frequency Rate
2. Total Recordable Incident Rate
3. International Association of Oil & Gas Producers

E&C: 2023 operational performance

Significant progress on the key priorities, strongest period for new awards

Backlog Growth

More than tripled backlog in 2023

- **Energy transition:** six-contract offshore-wind Framework Agreement with TenneT; two contracts awarded
- **UAE**: return to UAE with two ADNOC contracts
- **Algeria**: broadened the portfolio into the petrochemicals sector
- **Pipeline**[1]: US$48 billion
  - 58% in core MENA markets
  - 18% in energy transition

Assuring delivery

Ramping up for execution

- **Guarantees:** secured guarantees for the first TenneT and ADNOC contracts. The process is ongoing for the remaining contracts

Operating model

- **Enhancements:** driving consistent project governance and oversight, assuring future delivery

Legacy contracts

Continued progress

- **Close out**: addressing challenges on close out activities and historic settlements
- **Thai Oil**: continue to work with customer and partners to progress delivery
- **Progress on legacy contracts:** expect only two contracts (Thai Oil Clean Fuels and Orlen Refinery Upgrade) to be completed[2] beyond 2024

1. The Group bidding pipeline includes opportunities scheduled for award in the next 18-months and excludes opportunities in Saudi Arabia and in Iraq
2. Completed and substantially completed contracts: contracts where (i) a Provisional Acceptance Certificate (PAC) has been issued by the client, or (ii) transfer of care and custody (TCC) to the client has taken place, or (iii) PAC or TCC are imminent, and no substantive work remains to be performed by Petrofac.

Asset Solutions: 2023 operational performance

Strong performance, book-to-bill of 1.1x, growing revenue

Protecting the core

- Maintain 40% market share in UK
- 80% renewal rate on O&M contracts

2023 new order intake

- Contract extensions in O&M
- Well operations contracts
- Early-stage work in energy transition
  - Carbon storage FEED, Neptune Energy
  - Green methanol programme, OCI Global

Geographic expansion

- Leveraging UK centre of excellence
- Supporting UK clients internationally

Awards in global markets

- Expanded into higher margin markets
  - Ivory Coast
- Increased decommissioning scopes
  - Gulf of Thailand
  - Gulf of Mexico
- Late life asset management
  - Gulf of Thailand

Integrated services

- Increase differentiation
- Maximise pull through services

Awards in new offerings

- Integrated services contract:
  - CNR International, Ivory Coast
- Integrated services renewal to 2026:
  - NEO Energy, UK

Appendix 2

Financial performance – supplementary details

Business performance results[1]

US$m	2023	2022 (restated)[4]	Change
Revenue	**2,496**	2,567	**(3)%**
EBITDA[2]	**(310)**	(150)	**(107)%**
EBITDA margin	**(12.4)%**	(5.8)%	**(6.6)ppts**
EBIT[3]	**(393)**	(229)	**(72)%**
EBIT margin	**(15.7)%**	(8.9)%	**(6.8)ppts**
Net finance expense	**(113)**	(93)	**(22)%**
Income tax (credit)/expense	**(3)**	1	**>(100)%**

1. Business performance before separately disclosed items
2. Earnings before interest, tax, depreciation and amortisation (EBITDA) is calculated as operating profit, including the share of net profit of associates and joint ventures, adjusted to add back charges for depreciation and amortisation
3. Earnings before interest and tax (EBIT) is calculated as operating profit, including the share of net profit of associates and joint ventures
4. The prior period numbers are restated; see note 2.9 to the consolidated financial statements

Segmental performance

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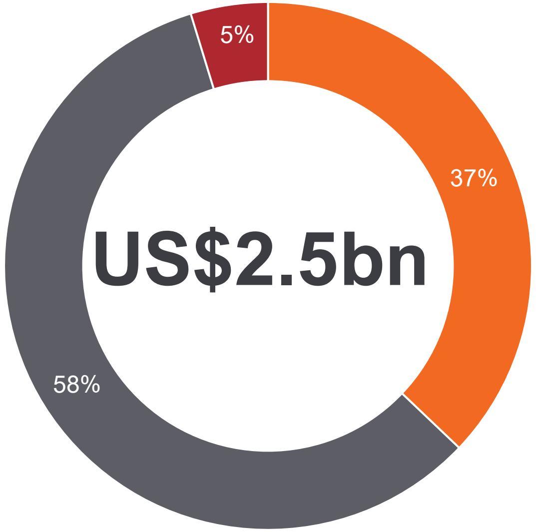
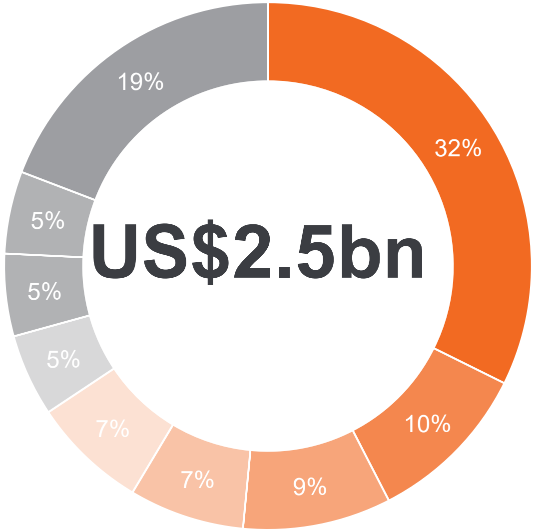
2023 revenue by business unit



- **37%** Engineering & Construction
- **58%** Asset Solutions
- **5%** Integrated Energy Services

2023 revenue by geography



- **32%** United Kingdom
- **10%** Algeria
- **9%** Lithuania
- **7%** Malaysia
- **7%** United States of America
- **5%** Oman
- **5%** Thailand
- **5%** Australia
- **19%** Other

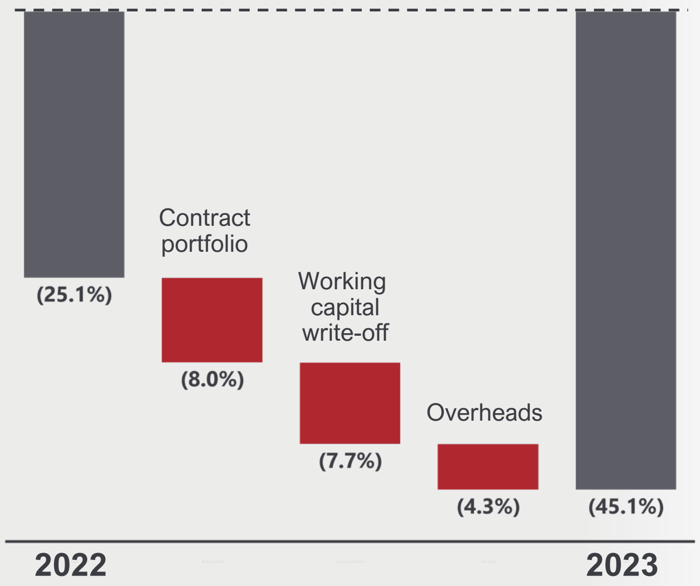
Engineering & Construction

Strong order intake and backlog; Reduced activity levels and operating losses

- Significant awards in core markets
  - Backlog more than tripled
- Revenue down 27%
  - Lower activity from opening backlog
- EBIT margin loss of 45.1%
  - Thai Oil additional costs, pending outcome of negotiations
  - One-off write downs of US$90 million[3] in contract settlements to protect cashflows
  - Adverse operating leverage due to lower activity levels

US$m (except as otherwise stated)	2023	2022 (restated)[2]
Revenue	**936**	1,287
EBITDA[1]	**(412)**	(311)
EBIT[1]	**(422)**	(323)
Backlog (US$bn)	**6.1**	1.6
Order intake (US$bn)	**5.5**	0.5

EBIT margin[1,2]



1. Business performance before separately disclosed items
2. The prior period numbers are restated; see note 2.9 to the consolidated financial statements
3. The Trading Update on 20 December 2023 referenced US$110 million – the difference is largely due to a prior year adjustment and therefore a proportion does not impact 2023

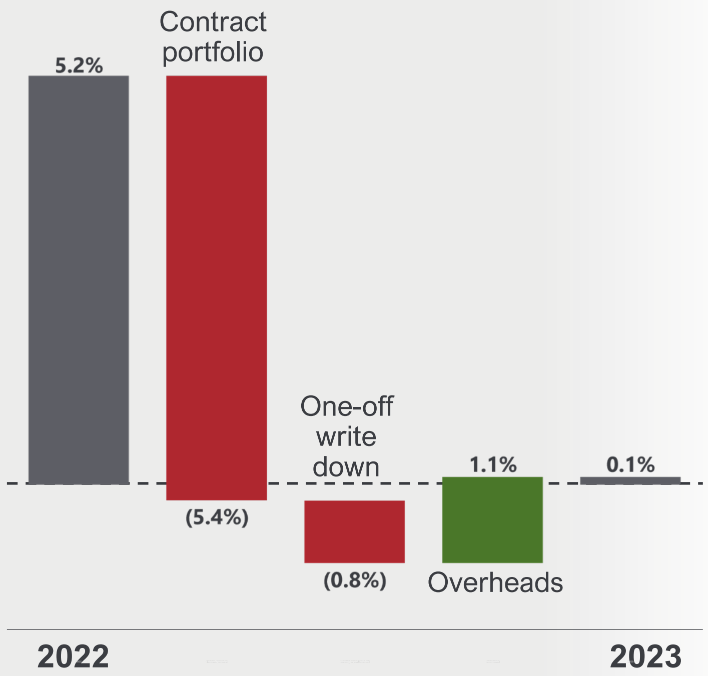
Asset Solutions

Strong order intake with a book-to-bill of 1.1x and revenue growth

- Revenue up by 25%
  - Strong order intake, current & prior year
- EBIT margin of 0.1%
  - EPCC contract loss US$18 million
  - Bad debt provision of US$11 million for a client going into administration
  - Roll-off of high margin work in 2022
- Geographic expansion into higher margin geographies

US$m (except as otherwise stated)	2023	2022
Revenue	**1,446**	1,158
EBITDA[1]	**13**	70
EBIT[1]	**2**	60
Backlog (US$bn)	**2.0**	1.8
Order intake (US$bn)	**1.6**	1.4

EBIT Margin[1]



1. Business performance before separately disclosed items

Integrated Energy Services

Continued strong performance, above guidance

- Revenue down 12% year-on-year
  - Lower realised oil price
- EBITDA decreased by 17%
  - EBITDA higher than guidance
  - Lower revenue offset by cost savings
- Net production in line with prior year
  - Emissions reduction of 15%
  - Emissions intensity reduction of 14%

US$m (except as otherwise stated)	2023	2022
Revenue	**121**	137
EBITDA[1]	**90**	109
EBIT[1]	**34**	58
Production (net)	**1,260 kboe**	1,261 kboe
Oil price (per bbl)[2]	**$95**	$106

EBITDA
US$m

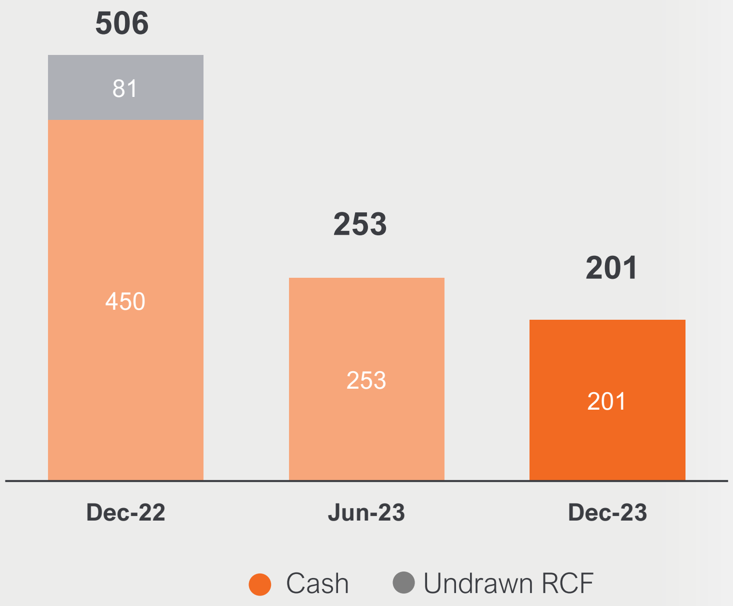
1. Business performance before separately disclosed items
2. Average realised oil price is shown including the impact of hedging

Liquidity update

The Company continues to manage its payment obligations to preserve liquidity

- Full year free cash outflow:
  - Positive free cash flow in the second half of 2023, excluding placing of collateral
  - US$180 million collection settlements
  - >US$100 million increase in collateral placed
- Post year-end liquidity:
  - Maintained above minimum liquidity covenant of US$75 million

Gross liquidity [1]
US$ million



1. Gross liquidity of US$201 million on 31 December 2023 consisted of gross cash with no undrawn committed facilities. Gross cash included US$12 million held in certain countries whose exchange controls significantly restrict or delay the remittance of these amounts to foreign jurisdictions. It also included US$71 million in joint operation bank accounts which are generally available to meet the working capital requirements of those joint operations, but which can only be made available to the Group for its general corporate use with the agreement of the joint operation partners.

Working capital

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Working capital balances (US$m)	Dec 2023	Dec 2022[1]	Cash flow
Contract assets and inventories	**843**	1,341	501
Trade and other receivables	**977**	739	(252)
Restricted cash	**223**	111	(112)
Trade and other payables	**(930)**	(865)	59
Accrued contract expenses	**(691)**	(759)	(67)
Contract liabilities	**(292)**	(155)	135
Working capital (balance sheet)	**130**	412	**264**
Other adjustments			(7)
Net working capital inflow			**257**

Working capital by operating segment (US$m)	Dec 2023	Dec 2022[1]
Engineering & Construction	**36**	297
Asset Solutions	**113**	119
Integrated Energy Services	**(1)**	(8)
Corporate/other	**(18)**	4
	130	412

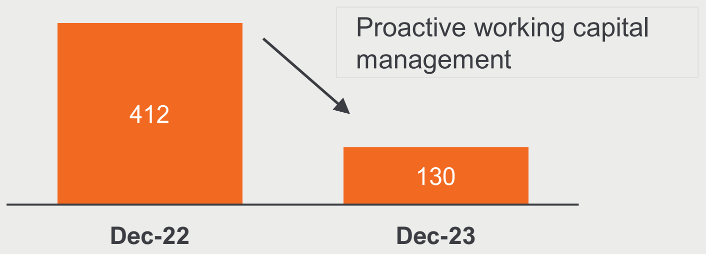
1. The prior period numbers are restated; see note 2.9 to the consolidated financial statements

Working capital

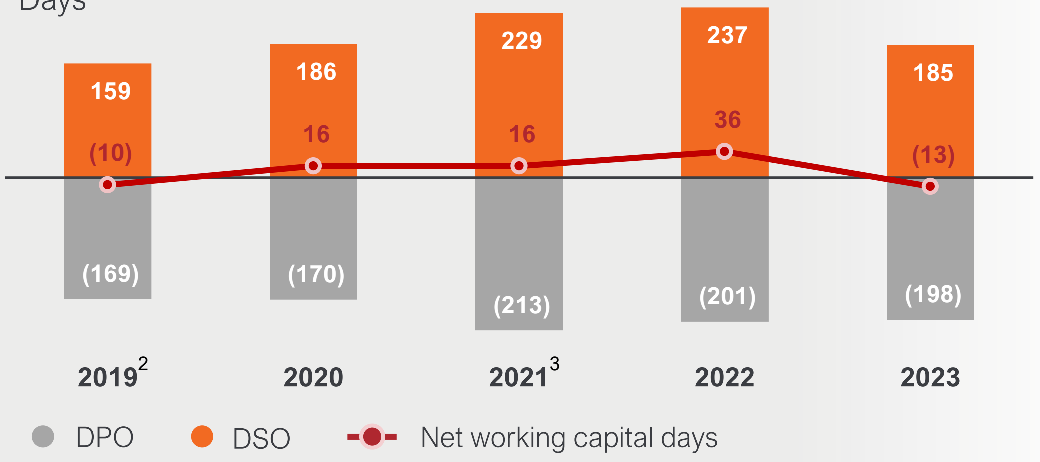
Progress in resolving open contractual discussions

- Progress in completing legacy contracts and resolving open contractual discussions
- Unwinding of US$180 million of historical working capital
- Increase in restricted cash due to the provision of collateral for guarantees

Working capital
US$ million



Cash conversion cycle[1]
Days



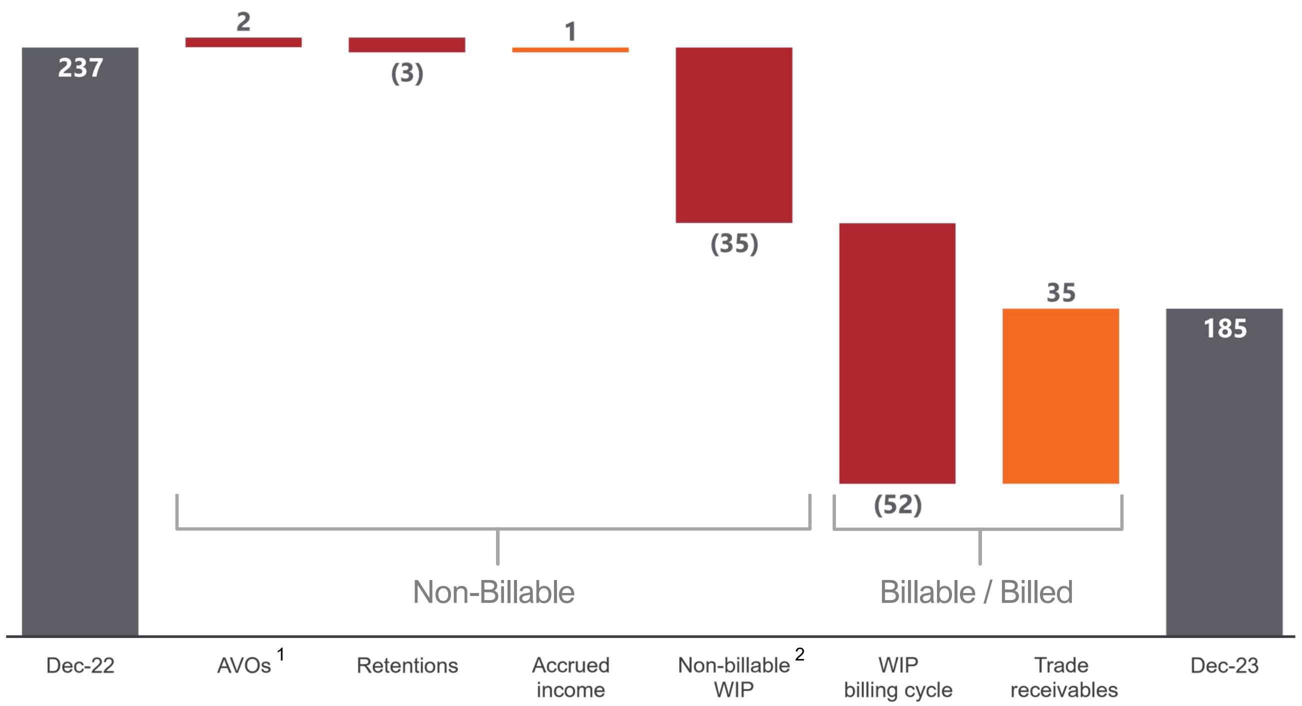
1. Cash Conversion Cycle = DSO – DPO
2. Adjusted to exclude assets held for sale. FY19 had included the DPO related to the Mexico operations, which were sold in Q4 2020
3. DPO excludes the US$104 million SFO related court penalty recognised in the balance sheet within Trade and Other Payable

Working capital – DSO analysis

Progress in collecting payments from clients

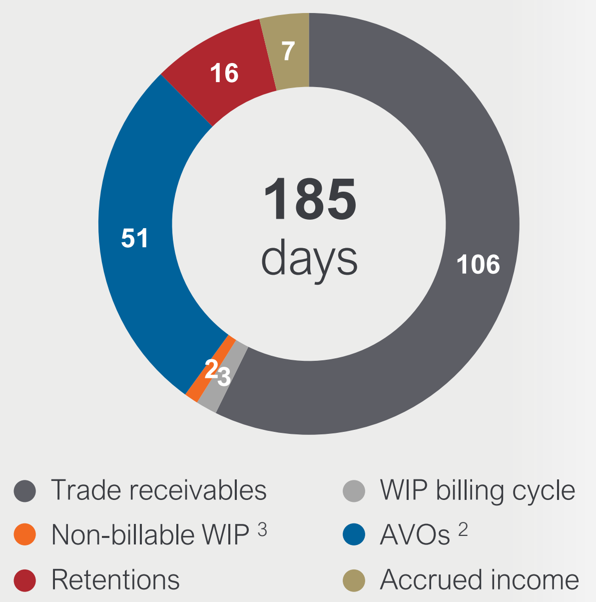
DSO analysis

Days



2023 DSO Analysis

days



1. Assessed variation orders
2. Non-billable WIP is expenses incurred on a project for which the contractual milestones have not yet been reached in order to invoice the client

Working capital – DPO analysis

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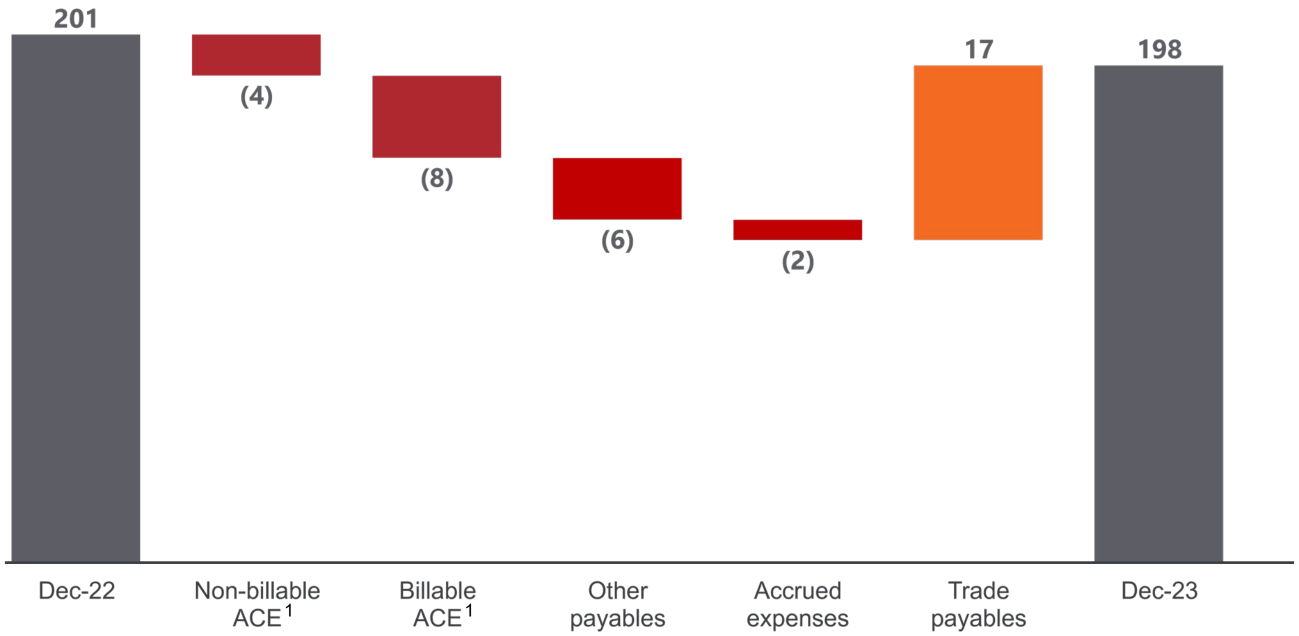
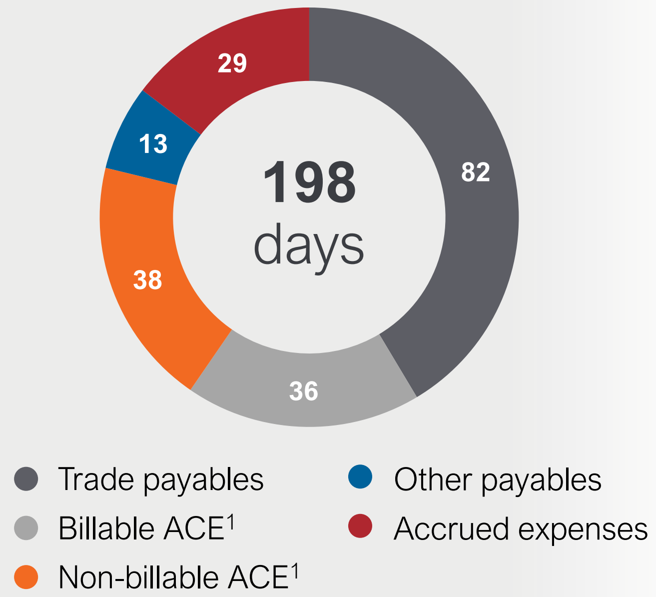
DPO analysis
Days



2023 DPO analysis
Days



1. ACE is accrued contract expenses