Petrofac

Full Year Results 2022

27 April 2023


Tinrhert gas development, Algeria

Important notice

Petrofac

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Agenda

- 2022 overview
- Full year 2022 financial results
- Operational performance
- Initial observations & Outlook
- Summary - key messages
- Q & A

Introduction – Tareq Kawash

Group Chief Executive

Career history:

- Worked in the engineering and construction industry for over 30 years
- International EPC leadership experience
- Strategic, high-performing leader
- Wealth of operational and commercial experience
- Extensive experience in core MENA regions

2022 overview

Petrofac

CHALLENGES

- Continued impact of Covid-19 delays in E&C
  - Further unrecovered cost overruns
  - Cost increases on the Thai Oil contract
- Delay of awards in E&C
- High working capital balances in E&C

ACCOMPLISHMENTS

- Substantially completed 7 legacy E&C projects
- Strong performance in Asset Solutions and IES
- Returned to bidding in core markets: UAE
- Entered a strategic partnership with Hitachi Energy
- Delivering on our ESG commitments

DESIGN BUILD OPERATE TRAIN DECOM

Petrofac

Financial Performance

Afonso Reis e Sousa
CFO

2022 full year results summary

Petrofac

Revenue	EBIT [1]	Backlog	Pipeline [3]	Net debt [4]
US$2,591m	**US$(205)m**	**US$3.4bn**	**US$51bn**	**US$349m**
2021 [2] : **US$3,038m**	2021 [2] : **US$(12)m**	2021 : **US$4.0bn**	2021: **US$61bn**	2021: **US$144m**
• Lower levels of activity in E&C • Sustained revenue in Asset Solutions and growth in IES due to higher oil price	• Lingering impact of Covid on E&C portfolio • Asset Solutions and IES delivering healthy margins	• E&C: delays to industry awards • Asset Solutions: strong order intake book-to-bill >1.2x	• Majority in core regions of MENA, UK and Europe • US$1.5bn at preferred bidder • Industry structurally underinvested • Energy security • Energy transition	• Delayed commercial settlements • Delayed new awards • Payment of SFO penalty [5]

1. Business performance before separately disclosed items
2. The prior year numbers are restated as detailed in note 2.9 to the consolidated financial statements
3. The Group bidding pipeline includes opportunities scheduled for award by June 2024 (June 2023 for FY2021) and excludes opportunities in Saudi Aramco, Iraq and Russia
4. Net debt comprises interest-bearing loans and borrowings less cash and short-term deposits (i.e. excludes IFRS 16 lease liabilities)
5. US$104 million paid in H1 2022. No further amounts are payable and the investigation is concluded

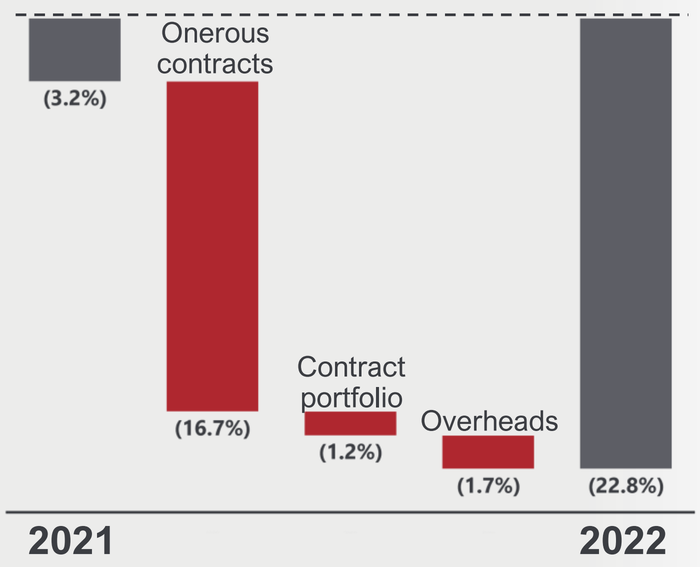
Engineering & Construction

Performance continued to be affected by knock-on impacts of Covid-19

- Revenue down 33%
  - Lower activity across the portfolio
  - Delayed new contract awards
- EBIT margin down to (22.8)%
  - Unrecovered cost overruns on legacy contracts
  - Cost increases on the Thai Oil Clean Fuels contract
  - Adverse commercial settlements
  - Adverse operating leverage

US$m (except as otherwise stated)	2022	2021 (restated)[3]
Revenue	**1,311**	1,952
EBITDA[1]	**(287)**	(38)
EBIT[1]	**(299)**	(62)
Net loss[1,2]	**(274)**	(24)
Backlog (US$bn)	**1.6**	2.4
Order intake (US$bn)	**0.5**	1.2

EBIT margin[1,3]



1. Business performance before separately disclosed items
2. Attributable to Petrofac Limited shareholders
3. The prior year numbers are restated as detailed in note 2.9 to the consolidated financial statements

Asset Solutions

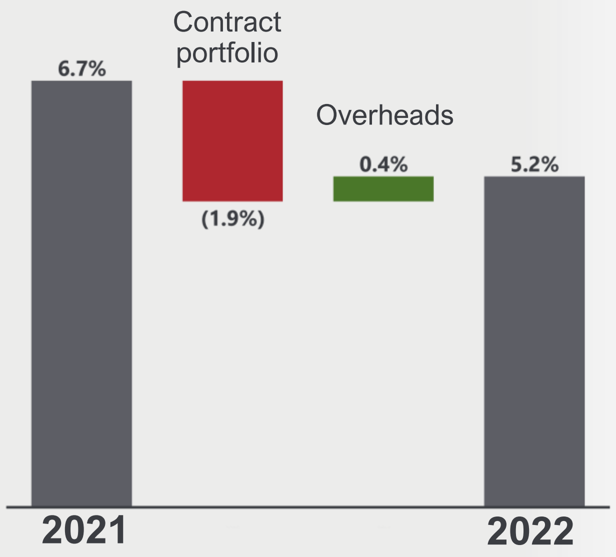
Petrofac

Robust performance driven by strong order intake, positioning for growth

- Revenue up by 4%
  - Strong order intake in the year
- EBIT margin of 5.2%
  - In line with guidance
  - Completion of historic high-margin contracts from Operations
  - High contribution of pass-through revenue
- 1.2x book-to-bill, including significant awards in Wells and Decommissioning
- Increase in new energies activity

US$m (except as otherwise stated)	2022	2021
Revenue	**1,158**	1,111
EBITDA[1]	**70**	84
EBIT[1]	**60**	74
Net profit[1,2]	**50**	86
Backlog (US$bn)	**1.8**	1.6
Order intake (US$bn)	**1.4**	1.0

EBIT Margin[1]



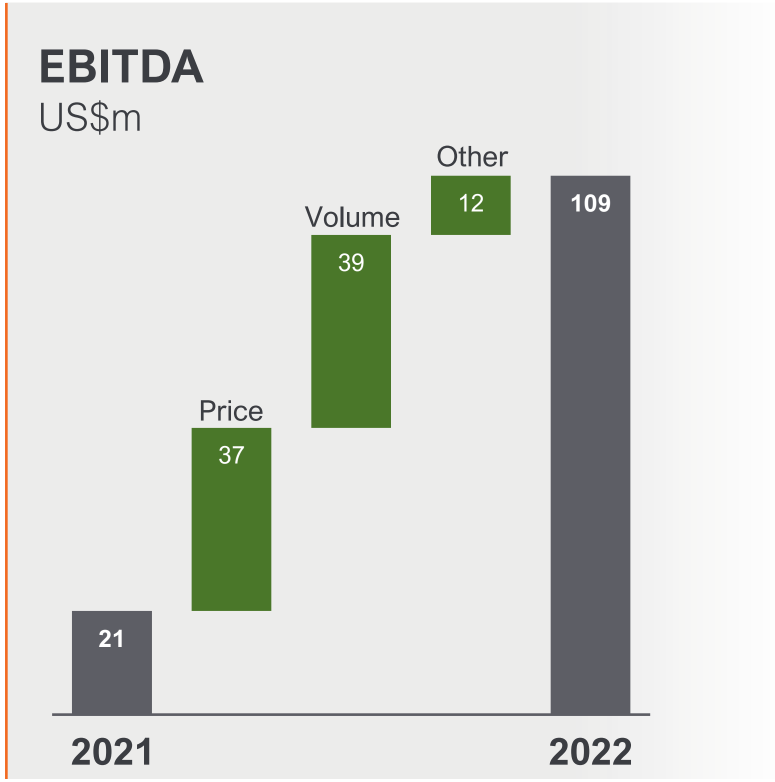
1. Business performance before separately disclosed items
2. Attributable to Petrofac Limited shareholders

Integrated Energy Services

Strong financial performance underpinned by oil price recovery and production increase

- Significant increase in revenue (+174%)
  - Increase in oil price
  - Increase in production
- Full year production from East Cendor [3]
- Reinstatement of the main Cendor field production
- EBITDA significantly increased to US$109 million

US$m (except as otherwise stated)	2022	2021
Revenue	**137**	50
EBITDA [1]	**109**	21
EBIT [1]	**58**	(6)
Net profit [1,2]	**53**	(5)
Production (net)	**1,261kboe**	640kboe
Oil price (per bbl) [4]	**$112**	$77



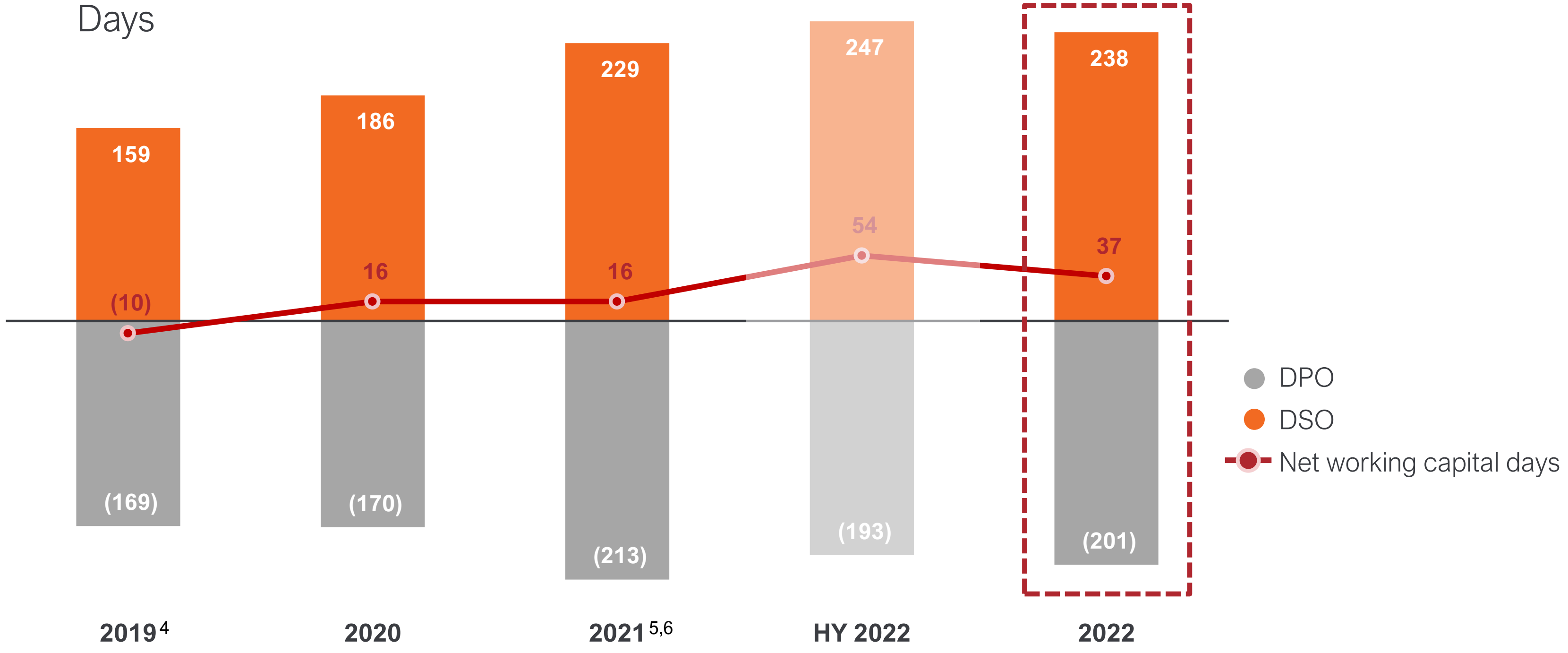
1. Business performance before separately disclosed items
2. Attributable to Petrofac Limited shareholders
3. Production from the East Cendor development commenced in June 2021
4. Average realised oil price is shown net of hedging impact

Working capital

Delayed commercial settlements drove an increase in DSO

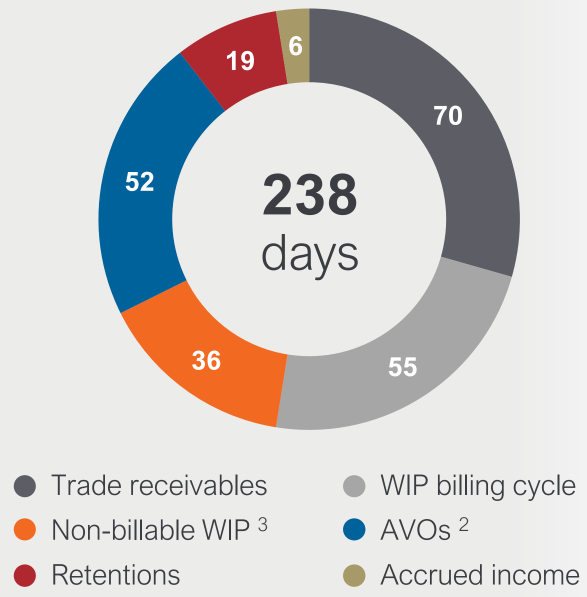
Cash Conversion Cycle [1,6]

Days



2022 DSO Analysis

days

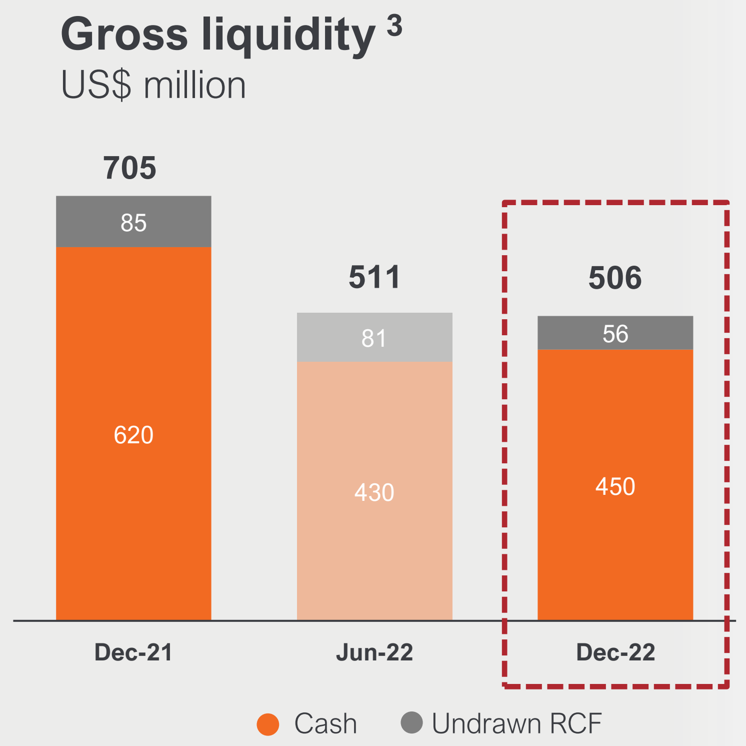


1. Cash Conversion Cycle = DSO – DPO
2. Assessed variation orders
3. Non-billable WIP is expenses incurred on a project for which the contractual milestones have not yet been reached in order to invoice the client
4. Adjusted to exclude assets held for sale. FY19 had included the DPO related to the Mexico operations, which were sold in Q4 2020
5. DPO excludes the US$104 million SFO related court penalty recognised in the balance sheet within Trade and Other Payables
6. The prior year numbers have been restated as detailed in note 2.9 to the consolidated financial statements

Cash flow & liquidity

Sufficient liquidity, despite collection delays, through active cash management

US$m	2022	2021 (restated)[1]
Opening net debt	(144)	(116)
Reported EBITDA	**(138)**	**(86)**
Movement in working capital	135	(88)
Net income taxes paid	(52)	(42)
Interest paid	(86)	(36)
Capex	(46)	(53)
Divestments	98	9
Other cash flows and adjustments [2]	(99)	15
Free cash flow	**(188)**	**(281)**
Other cash flows from financing activities & FX	(17)	253
Cash outflow	**(205)**	**(28)**
Closing net debt	**(349)**	**(144)**



1. The prior period year numbers are restated as detailed in note 2.9 to the consolidated financial statements
2. Other cash flows and adjustments include payment of the SFO Court penalty (US$104 million), net repayment of lease liabilities (US$26 million), ECL provision release (US$23 million) and other items
3. Gross liquidity of US$506 million on 31 Dec 2022 consisted of US$450 million of gross cash and US$56 million of 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$203m 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.

Guidance for 2023

Petrofac

E&C	• Secured revenue: US$0.9 billion • Small EBIT loss
AS	• Secured revenue: US$1.2 billion • Healthy EBIT, lower than 2022
IES	• Net production: marginally lower than 2022 • EBITDA of US$65 million – US$75 million at US$85 oil price • Depreciation and amortisation of US$50 million – US$55 million
Group	• Neutral free cash flow; upside potential from working capital unwind • Tax charge: US$25 million – US$35 million; Tax payments: US$70 million – US$80 million • Capex: US$25 million – US$35 million • Interest payments: US$80 million

Operational performance

Tareq Kawash
CEO

Turkstream

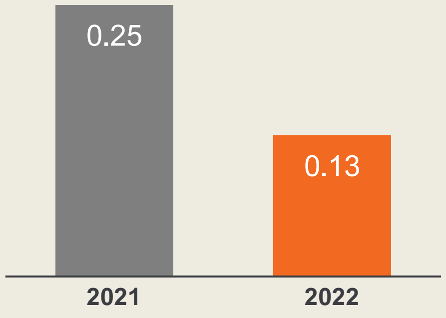
2022 highlights: ESG

Clear and ambitious objectives

E

NET ZERO

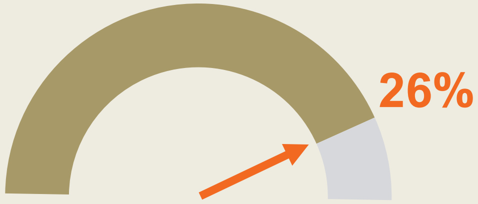
Significant reduction in Emissions Intensity (tCO2e/bbl)



Committed to Net Zero[1] Scope 1 and 2 emissions[2] **by 2030**

S

SOCIAL



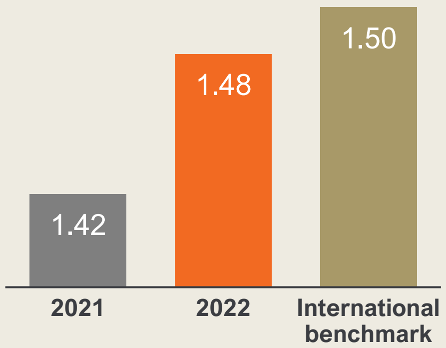
Building diversity: increased proportion of women in senior roles[3] to 26%

30% Target of women in senior roles **by 2025**

G

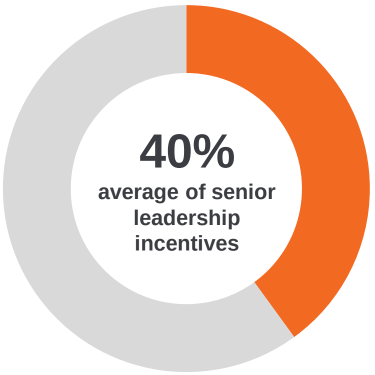
GOVERNANCE

Improvement in speak up statistics Per 100 employees



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

Management incentives strongly linked to ESG performance



1. Net Zero: no net increase in GHG emissions to the atmosphere as a result of GHG emissions associated with Petrofac's activities, where residual emissions will be offset by carbon credits.
2. Scope 1 (direct emissions e.g., production processes) and Scope 2 (indirect emissions e.g. energy purchased).
3. Executive management and direct reports (as per Hampton Alexander standard)

2022 health & safety performance

Driving a culture of safety through technology and employee engagement

HSE pillars

01 Leadership
- Accountability
- Visibility

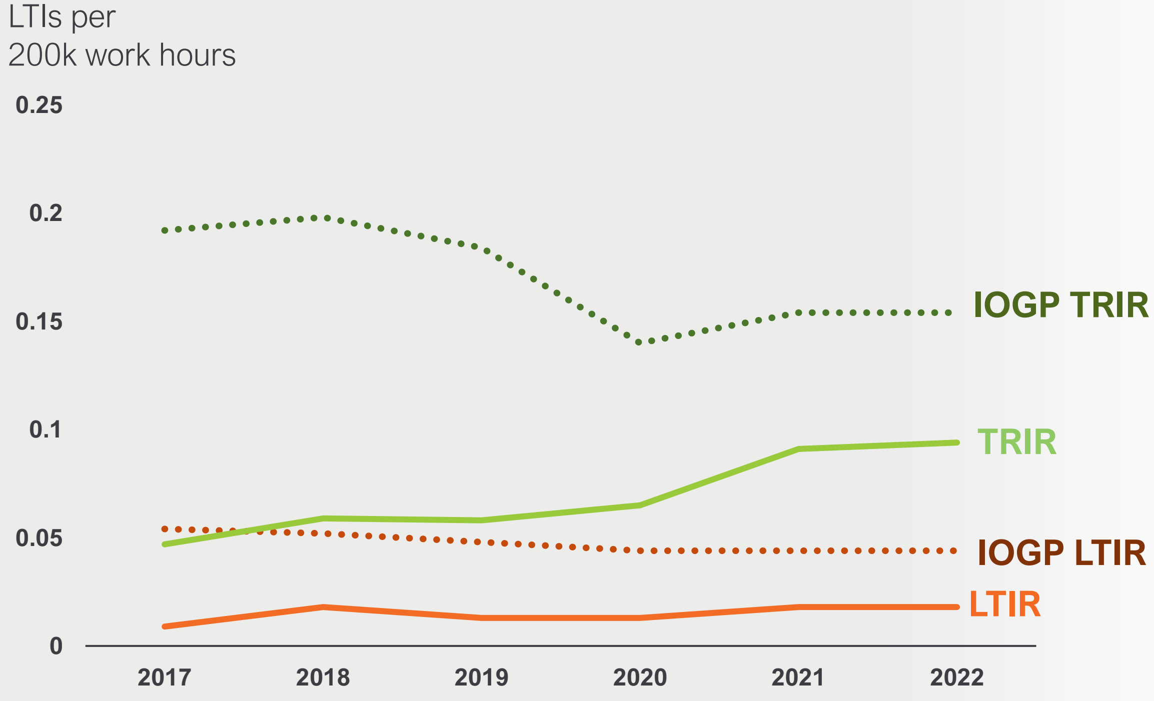
02 Employee engagement
- Mobile technology
- Communication

03 Compliance
- Adherence
- Repeatable

04 Contractor Management
- Influence
- Consistency

05 Training
- Standardise
- Digital

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: 2022 operational performance

Covid-19 impact on project performance delaying recovery

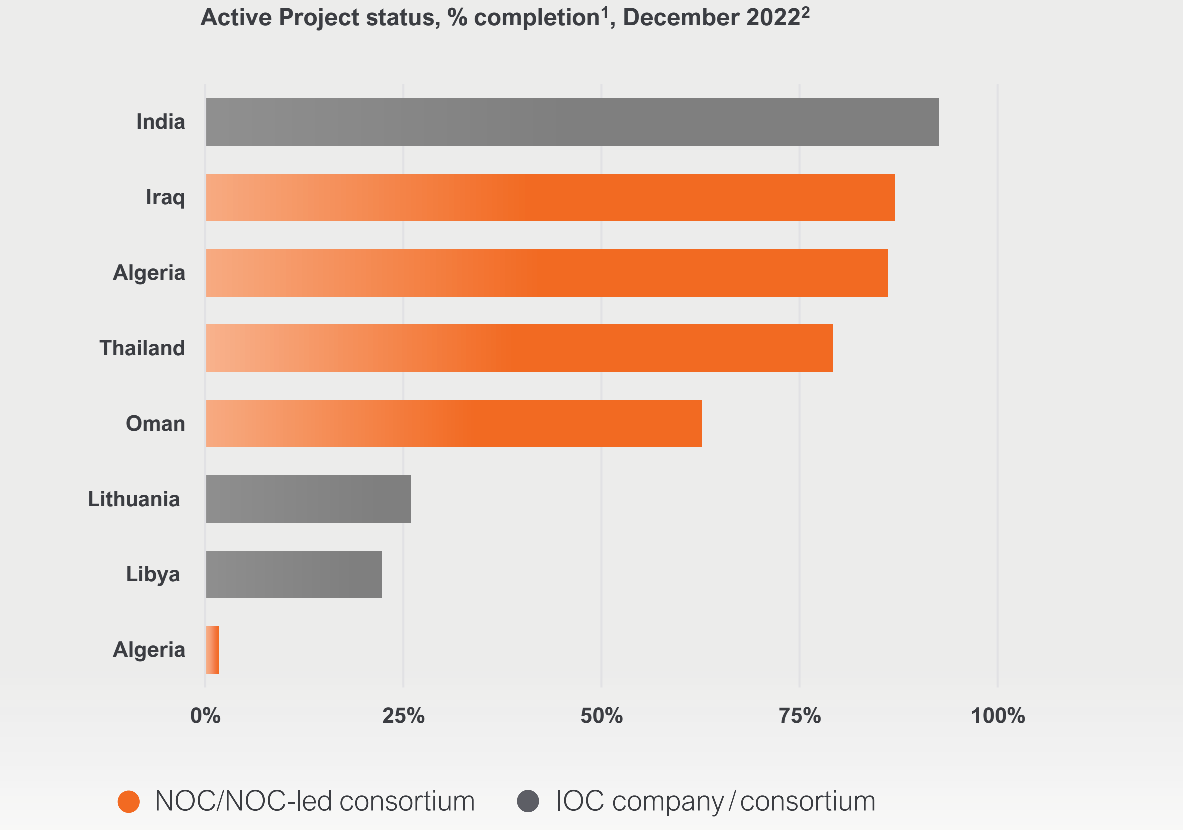
Current portfolio:

- Seven contracts completed / substantially completed
- Challenges across the legacy contracts:
  - Extended schedules
  - Unrecovered costs
  - Adverse commercial settlements
  - Delays in collections
- Five of the eight remaining expected to be completed in 2023

Future portfolio:

- Discipline in bidding and a selective focus in core geographies
- Convert New Energies early-stage work into projects
- Continue to embed operational excellence
- Resourcing plan in place for growth

Good progress completing legacy portfolio projects



1. Excludes projects that are >95% complete
2. Excludes new awards in 2023

E&C: Thai Oil Clean Fuels Project

A uniquely complex and challenging project

Petrofac

Fast facts:

- Project value: US$4 billion (Petrofac's share US$1.4 billion)
- Project details:
  - Constructing a new refinery within an old refinery
  - To produce low emission fuels and increase capacity
  - 1.4 square miles
  - 434 modules, 1,400 interfaces
  - 12,000+ workforce
  - Located next to a forest and a city

Thai Oil Clean Fuels Project

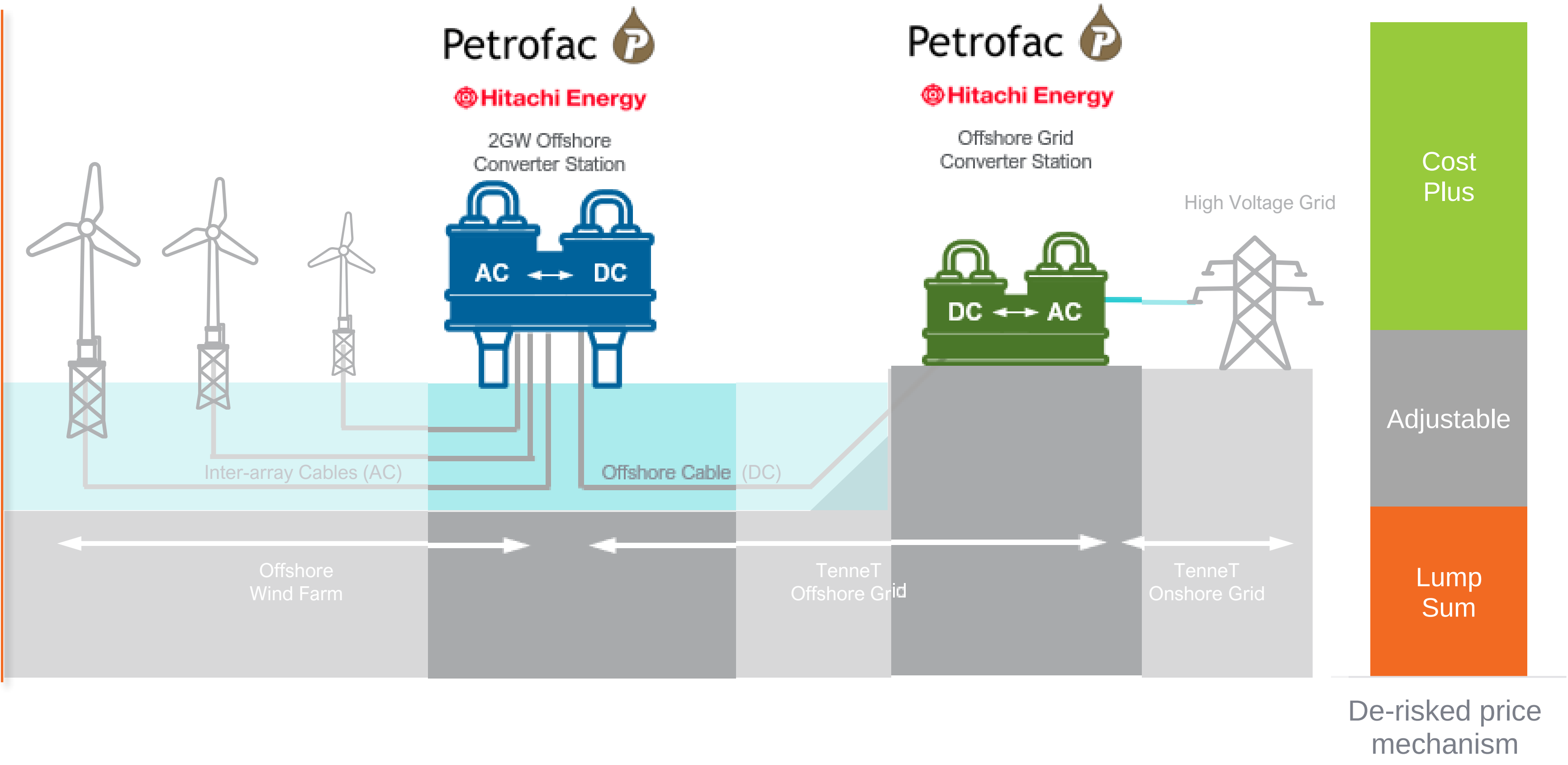
Project progress

- 78% complete
- Revised execution strategy
- Approximately 2 years to complete

E&C: TenneT Offshore 2GW Projects

Petrofac deploying its industry-leading offshore wind EPCI expertise in Netherlands & Germany

- Petrofac / Hitachi allocated a portfolio of a minimum 6 offshore projects by TenneT 2023-2025
- 2 projects per annum, every 6 months, under a call off framework agreement
- >€2 billion per project
- Petrofac is the consortium leader for the partnership
- Mix of lump sum, cost-plus and index-linked pricing



Asset Solutions: 2022 operational performance

Robust performance (BtB[1] of 1.2x), growing revenue and healthy margin

Protecting the core

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

2022 highlights: UK new order intake

- Contract extensions in O&M
- Small brownfield projects
- Well operations contracts
- New energies early-stage work

Geographic expansion

- Leveraging UK centre of excellence
- Supporting UK clients internationally

2022 highlights: awards in new regions

- Growing footprint in Australia
- Expanded with significant project awards in:
  - Gulf of Mexico
  - India
  - Africa

Integrated services

- Increase differentiation
- Maximise pull through services

2022 highlights: awards in new offerings

- Zero carbon projects
- Integrated decommissioning:
  - Key enabler of the energy transition
  - Two significant contracts
- ISC[2] with Anasuria (UK)

1. BtB means book-to-bill; the ratio of new order intake divided by revenue (backlog executed)
2. Integrated Services Contract

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Initial observations & Outlook

Turkstream

Initial observations

'Travelling the journey' towards medium term ambition

Strengths

- Culture and values
- Track record for execution and client delivery
- Differentiated offerings
- Strong positioning for the energy transition

Opportunities

- Completion of legacy projects
- A healthy pipeline of projects
- Working capital unwind

Petrofac is well positioned in key growth markets

We have an extensive track record in helping clients access additional energy sources

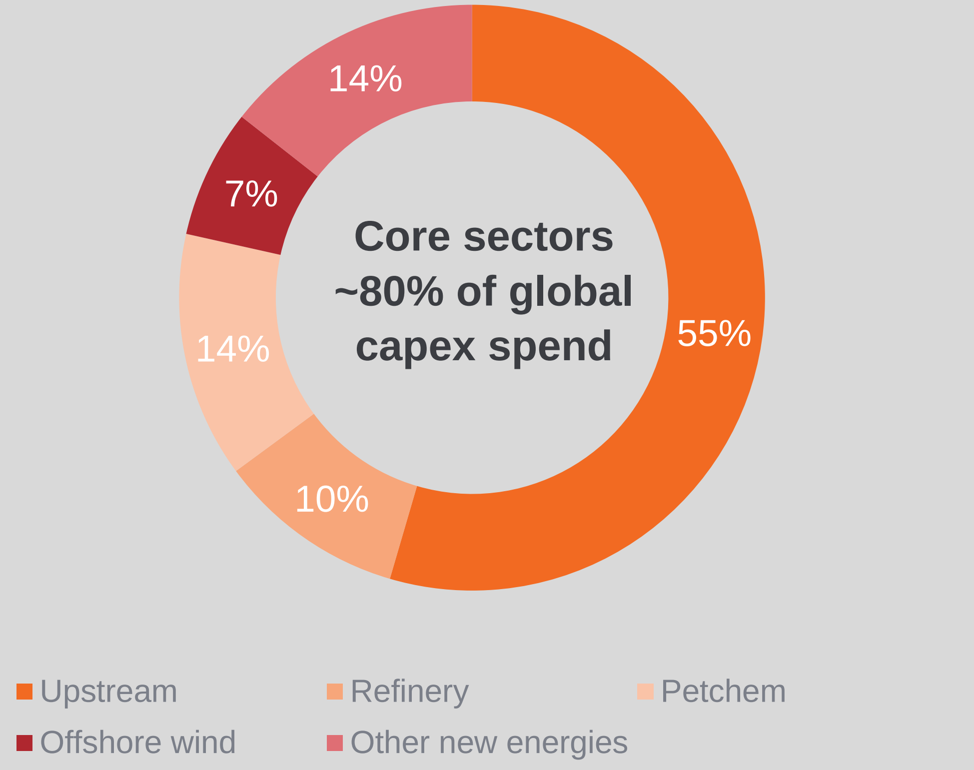
Increased capex spend expected in core MENA regions

Significant opportunity in offshore wind

Late life asset management and decommissioning

Geographical expansion (Asset Solutions)

Total global capex spend 2025[1]



1. Annual global capex spend: Source; Rystad, Global Data, Petrofac

A diverse pipeline across markets and geographies

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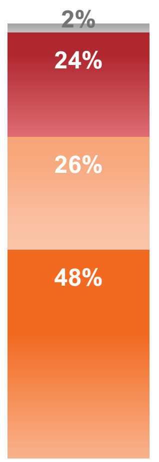
E&C: $40 billion pipeline to June 2024[1]

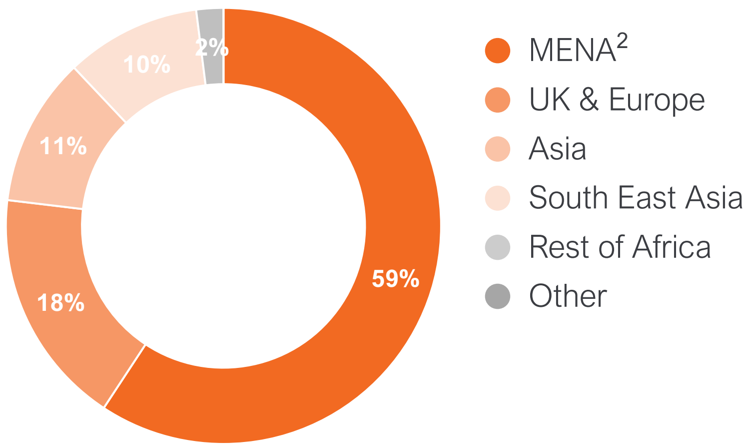
Diverse pipeline of opportunities

by market



- Other
- New Energies (Energy transition)
- Refining & Petchem
- Upstream

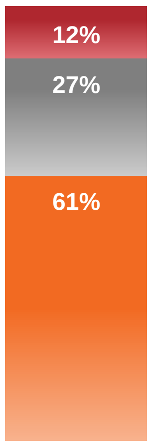
by geography



Asset Solutions: $11 billion pipeline to June 2024[1]

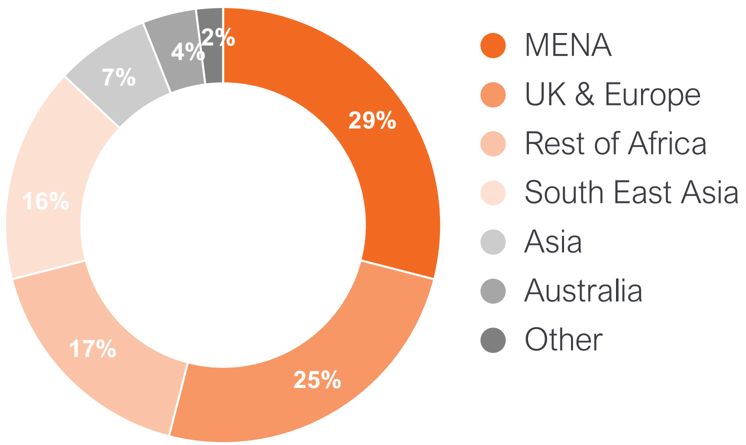
Increasing geographic diversity and projects opportunities

by service line



- Wells & Decommissioning (incl. Energy transition)
- Asset Operations
- Asset Developments

by geography



1. The Group bidding pipeline excludes opportunities in Russia, Iraq and with Saudi Aramco.
2. Core E&C geographies within MENA comprise UAE: 25%, Algeria: 13%, Kuwait: 5% and Oman

Summary – key messages

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Near-term

- Close out legacy projects
- Neutral FCF in 2023
- Unlock working capital
- Deliver backlog growth
- Expand new energies and zero carbon
- Increased customer focus

Medium-term

- Continued backlog growth
- Convert energy transition opportunities in both E&C and Asset Solutions
- Develop a more balanced E&C portfolio
- Deliver our medium-term strategy
  - US$4 billion – US$5 billion revenue, with $1billion from new energies
  - A return to sector-leading margins
  - Deleverage the balance sheet

Appendix

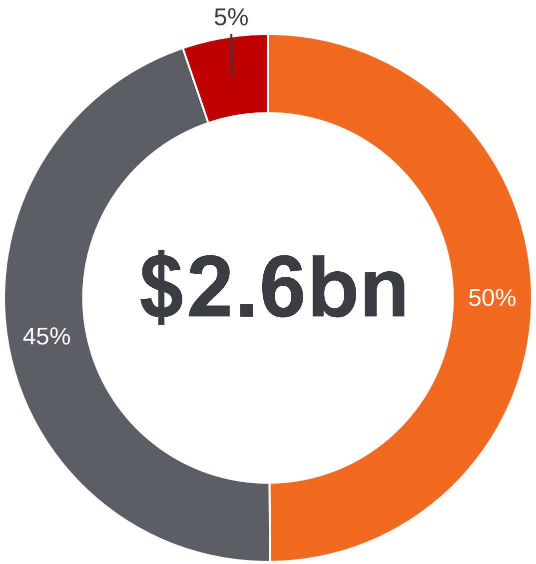
Business performance results[1]

US$m	2022	2021 (restated)[5]	Change
Revenue	**2,591**	3,038	**(15)%**
EBITDA[2]	**(126)**	56	**>(100)%**
EBITDA margin	**(4.9)%**	1.8%	**(6.7)ppts**
EBIT[3]	**(205)**	(12)	**>(100)%**
EBIT margin	**(7.9)%**	(0.4)%	**(7.5)ppts**
Net finance expense	**(91)**	(38)	**139%**
Income tax (expense) / credit	**(15)**	56	**>(100)%**
Net (loss) / profit[4]	**(284)**	3	**>(100)%**
Net margin[4]	**(11.0)%**	0.1%	**(11.1)ppts**

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. Attributable to Petrofac Limited shareholders
5. The prior year numbers are restated as detailed in note 2.9 to the consolidated financial statements

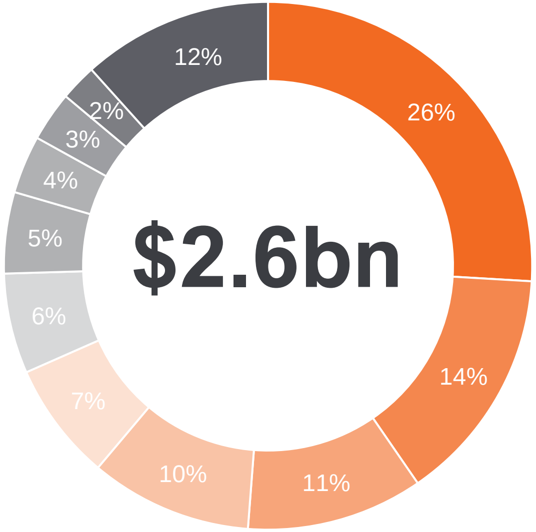
Segmental performance

FY 2022 revenue by business unit



- **50%** Engineering & Construction
- **45%** Asset Solutions
- **5%** Integrated Energy Services

FY 2022 revenue by geography



- **26%** United Kingdom
- **14%** Algeria
- **11%** Thailand
- **10%** Oman
- **7%** Malaysia
- **6%** Lithuania
- **5%** Iraq
- **4%** United States of America
- **3%** Kuwait
- **2%** United Arab Emirates
- **12%** Others

Separately disclosed items

Reported net loss of US$(310) million [1]

- US$26 million net charge for separately disclosed items:
  - Reversal of PM304 impairment
  - Fair value re-measurements
  - ERP implementation costs
  - Financing related costs

US$m (post tax)	**2022**	**2021** (restated) [2]
Impairment (reversal) / charge	(5)	35
Fair value re-measurements	(10)	8
ERP implementation costs	10	12
Financing related costs	18	28
Others, including tax	13	59
UK SFO penalty	-	106
Total charge	**26**	248

1. Attributable to Petrofac Limited shareholders
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Working capital

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Movement in working capital (US$m)	**Dec 2022**	*Jun 2022*	**Dec 2021** (restated)[2]	**Cash flow 2022**
Contract assets and inventories	**1,346**	*1,503*	1,603	275
Trade and other receivables	**739**	*758*	668	(101)
Restricted cash	**111**	*110*	137	26
Trade and other payables[1]	**(865)**	*(857)*	(1,090)	(95)
Accrued contract expenses	**(759)**	*(668)*	(798)	(38)
Contract liabilities	**(136)**	*(158)*	(77)	62
Working capital (balance sheet)	**436**	*688*	443	**129**
Other adjustments				6
Net working capital inflow				**135**

Working capital by operating segment (US$m)	**Dec 2022**	*Jun 2022*	**Dec 2021** (restated)[2]
Engineering & Construction	**321**	*588*	457
Asset Solutions	**116**	*56*	43
Integrated Energy Services	**(8)**	*(20)*	(18)
Corporate/other[1]	**7**	*64*	(39)
	436	*688*	443

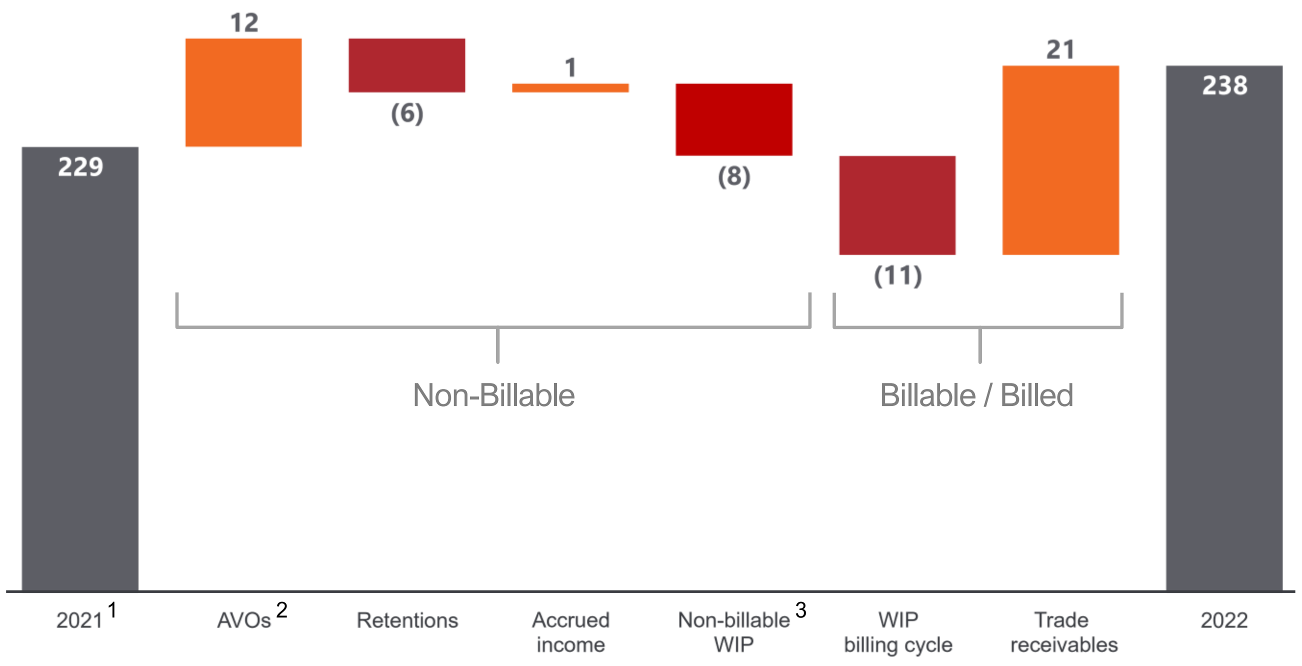
1. Dec 2021 includes US$104 million payable for the court imposed penalty in relation to the concluded SFO investigation. Payment is shown as a separately disclosed item in the cash flow statement
2. The prior year numbers are restated as detailed in note 2.9 to the consolidated financial statements

Working capital – DSO analysis

Longer billing cycles and commercial settlements driving an increase in DSO

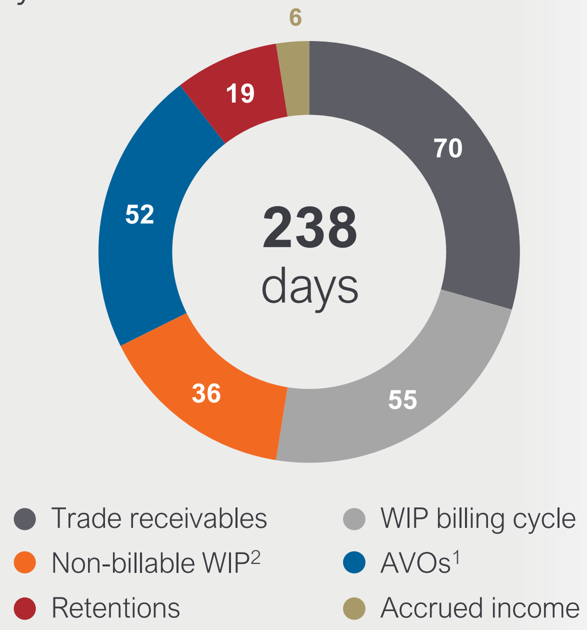
DSO analysis

Days



2022 DSO Analysis

days

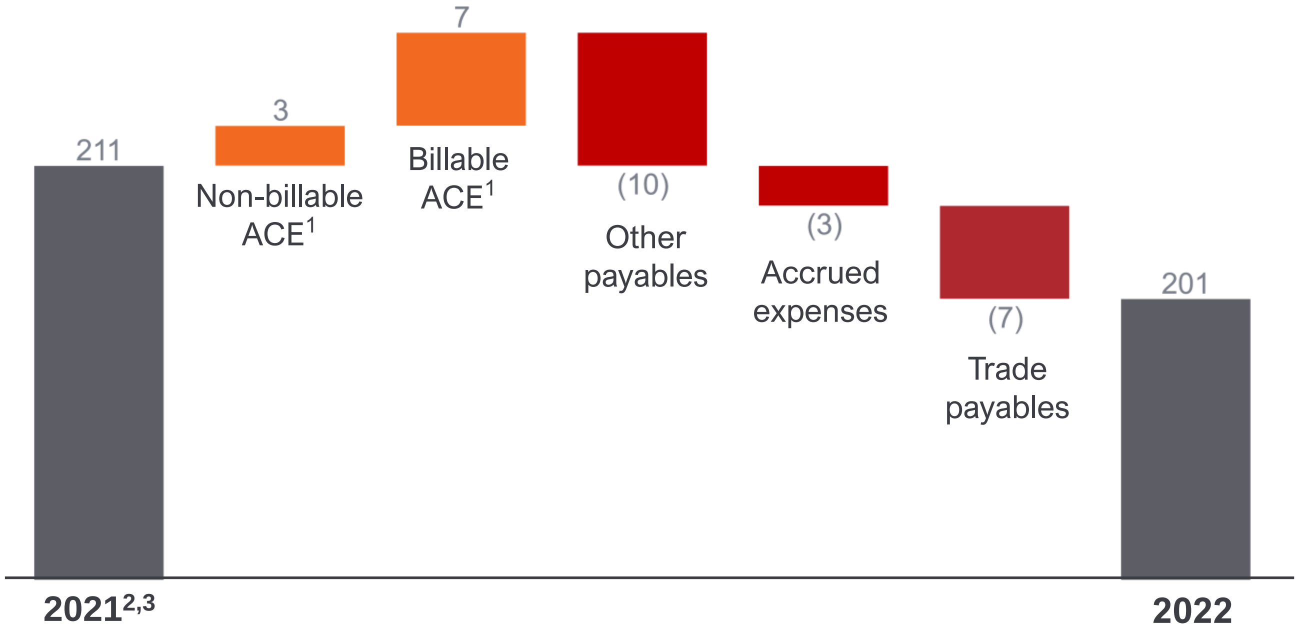


1. The prior year numbers are restated as detailed in note 2.9 to the consolidated financial statements
2. Assessed variation orders
3. Non-billable WIP is expenses incurred on a project for which the contractual milestones have not yet been reached in order to invoice the client

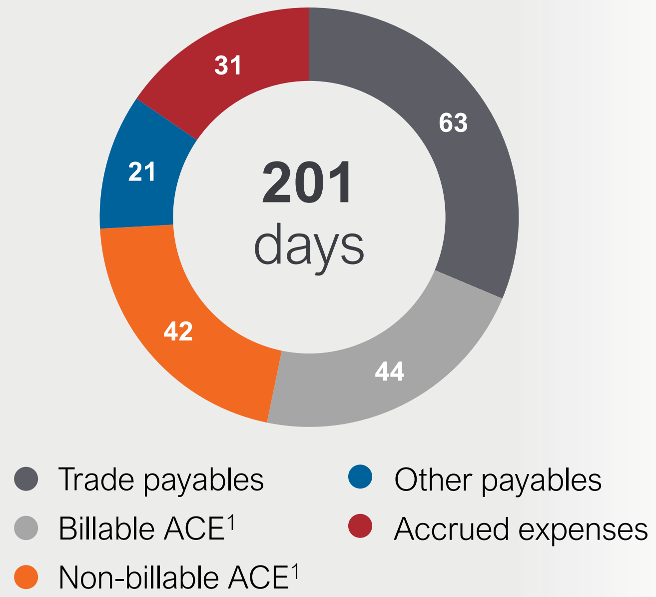
Working capital – DPO analysis

Petrofac

DPO analysis
Days



2022 DPO analysis
Days



1. ACE is accrued contract expenses
2. Excludes the $104 million court penalty liability recognised in trade and other payables
3. The prior year numbers are restated as detailed in note 2.9 to the consolidated financial statements