

# Final results 2014

25 February 2015



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# 1. Introduction and headlines



# Agenda

## 1. Introduction and headlines

Ayman Asfari

## 2. Strategic update and project review

Ayman Asfari

## 3. Operating environment

Ayman Asfari

## 4. Results and financial profile

Tim Weller

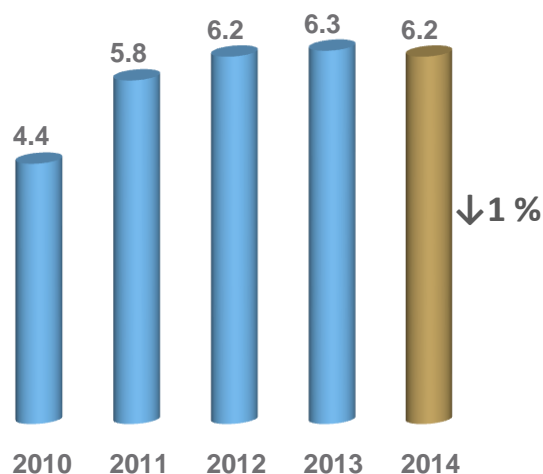
## 5. Summary and outlook, Q&A

Ayman Asfari, Tim Weller, Marwan Chedid and Rob Jewkes

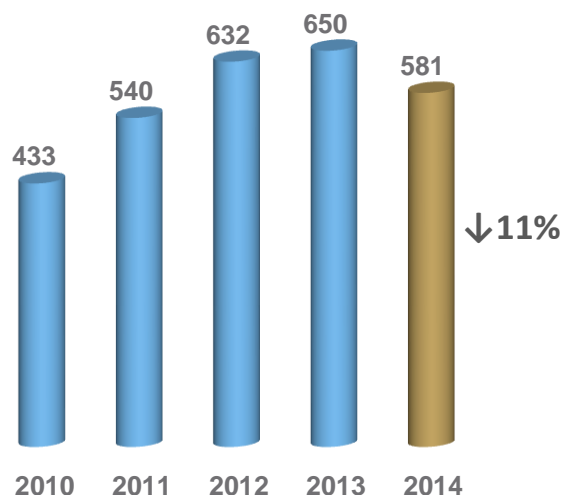
# Financial headlines

- Net profit before exceptional items and certain re-measurements of US\$581 million, in line with previous guidance
- Record year-end backlog of US\$18.9 billion, which, together with US\$3.5 billion of order intake in 2015 to date, gives excellent revenue visibility for 2015 and beyond
- Expect to deliver net profit in 2015 in line with our previous guidance<sup>1</sup>
- Impairment charges on IES portfolio of US\$461 million; book value now US\$1.8 billion
- Net debt stands at US\$0.7bn, reflecting success closing number of commercial settlements
- Dividend maintained, reflecting confidence in the prospects for the business

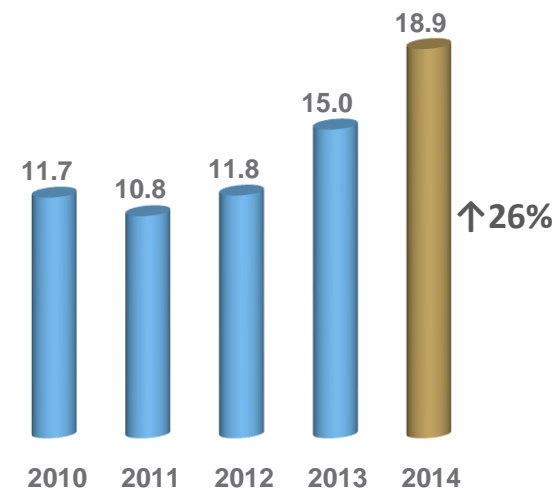
Revenue (US\$bn)



Net profit<sup>2</sup> (US\$m)



Backlog (US\$bn)



<sup>1</sup> On 24 November 2014, we guided to net profit in 2015 of around US\$500 million based on the then prevailing average 2015 forward oil price of US\$82 per barrel and stated that a further increase/decrease of US\$1 in the price of oil would impact net earnings by around US\$2 million. Based on the current average 2015 forward oil price of around US\$60 per barrel, we therefore currently expect net earnings to be around US\$460 million. Other than the movement in the oil price the Group continues to perform in line with management expectations at the time of the November announcement.

<sup>2</sup> Before exceptional items and certain re-measurements.

# Operational headlines

## Well-positioned to respond to operating environment

- Strong competitive position in core business with record backlog and excellent revenue visibility
- Will maintain bidding discipline and focus on our core areas of strength

## Decisive action taken to address challenges

- Settlement agreement reached on Laggan-Tormore
- Decision taken to exit Ticleni PEC – discussing exit options with OMV Petrom
- De-risked and optimised schedule for completion of FPF1
- Success in closing a number of commercial settlements

## Refocused strategy

- Re-focused IES strategy to improve synergies with ECOM
- Plan to lower capital-intensity and manage portfolio to maximise value
- Agreed strategic alliance with McDermott to address SURF market

## Remain focused on cost optimisation

- Delivered overhead and operating cost savings across the Group of US\$170 million in 2014
- Continuing to drive cost savings to underpin margins and help clients deliver more cost-effectively

## 2. Strategic update and project review



# Revisiting our key priorities for growth

## Key priorities for growth

### Geographic expansion

- Expand existing business into new geographies

### Offshore

- Develop our EPC business offshore

### Integrated Energy Services

- Implement our integrated services strategy

## Performance

- Success in Turkmenistan, Iraq, Mexico, Malaysia
- Disappointing performance in Shetland on Laggan-Tormore
- West Africa - unproven
- Success with delivering Sepat, Berantai, Bekok C and West Desaru MOPU
- Secured Borwin 3, SARB3
- Deepwater strategy launched and created alliance to de-risk delivery
- Supported market entry into Tunisia, Malaysia, Mexico and helped build our track record
- IES strategy adjusted to focus on creating synergies with ECOM



# Project review



## Ticleni Production Enhancement Contract, Romania

- During 2014, we worked towards a revised Field Development Plan and contractual framework
- Following a review of the project in early 2015, we have decided to exit and we are reviewing options with Petrom to manage the transition
- Fully impaired carrying value of project and provided for expenses relating to exit – total charge US\$164 million



## Greater Stella Area Development, UKCS

- Sailaway expected in early 2016, with first production scheduled for mid-2016
- Partners continue to discuss commercial settlement for variation orders and claims in respect of the FPF1
- Recorded impairment charge of US\$207 million on the project

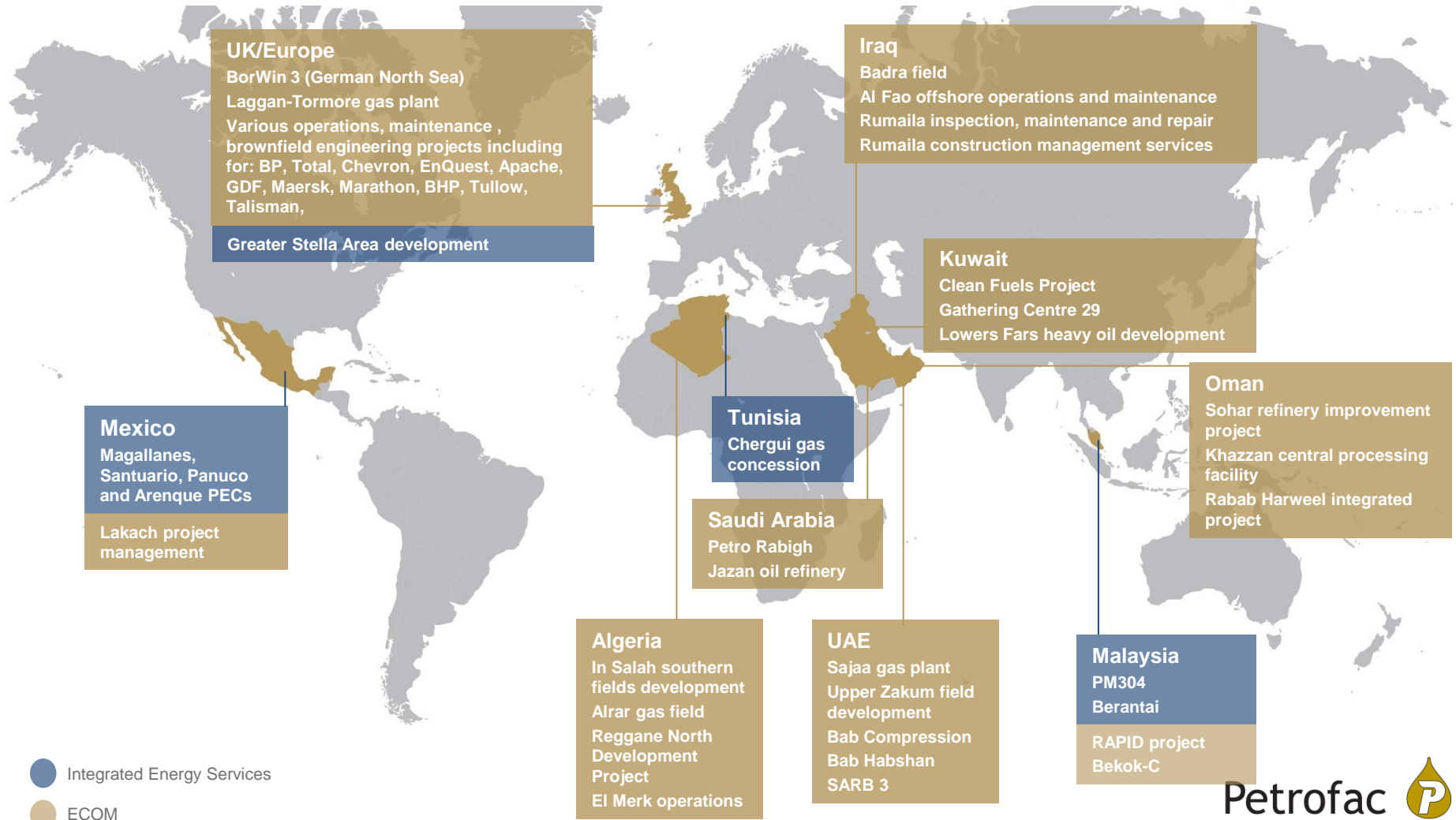


## Laggan- Tormore Gas Plant, Shetland Islands, UK

- Agreed a commercial settlement with Total
- Settlement aligns us in terms of timing of delivery of the plant
- Recorded a loss in 2014 of around US\$230 million (c. US\$180 million cumulative loss)
- Expect to recognise no further profit or loss on the project in 2015

# Our overall portfolio remains in good shape

- Over 25 years, we successfully delivered, or are delivering, more than US\$50bn of projects
- Our existing portfolio of approximately 50 'substantial' projects is in good shape



# Reflections on IES strategy

## *IES has successfully...*

- Established Petrofac in new strategic geographies
  - PM304 facilitated our entry into Malaysia
  - This helped secure Berantai Risk Service Contract and developed in-country capability to undertake Sepat, Bekok C and RAPID refinery project
  - We have established a presence in Tunisia through Chergui, providing the platform to deliver ECOM's services
  - IES enabled entry into Mexico through Production Enhancement Contracts, which we have built upon with Lakach deepwater project



# Reflections on IES strategy

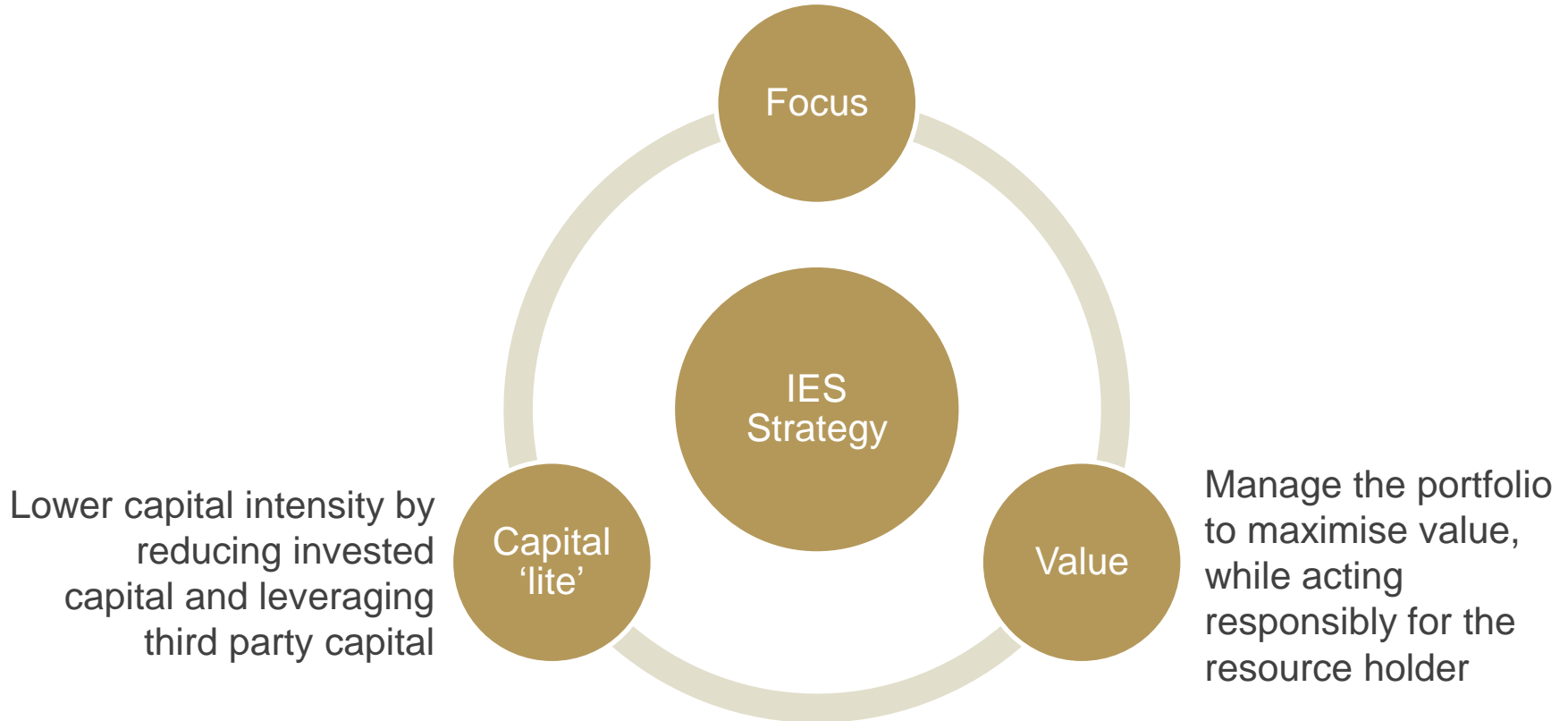
## *IES has successfully...*

- Built our track record
  - Through Ohanet Risk Service Contract, in Algeria, we secured a US\$600 million EPC project, by far our largest EPC project at that time
  - PM304 gave us skillset to deliver shallow water developments, including developing Don assets in UK
- Over 15 years, IES has generated almost US\$2 billion of revenues for ECOM at margins consistent with our overall Group margins



# Refocused IES strategy

IES will act as an integrator of the Group's core capabilities – engineering, construction and operations



**We will not enter into financial commitments on new projects until the existing portfolio is performing satisfactorily and we have reduced invested capital**

## Strategic update and project review summary

Taken decisive action to address challenges on Ticleni, Greater Stella Area and Laggan-Tormore

Overall portfolio is in good shape, with built in margins consistent with guidance

Re-focused IES strategy to improve synergies with ECOM, lower capital-intensity and will manage the portfolio to maximise value



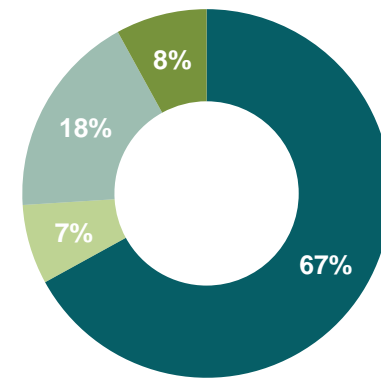
3. Operating environment



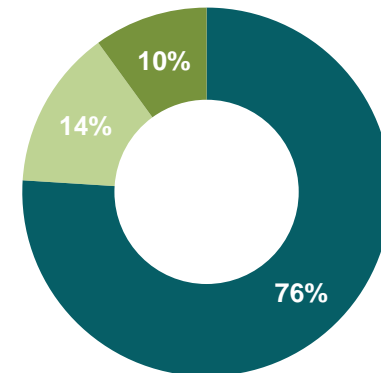
# Operating environment - overview

- Industry is adjusting to lower oil price environment
- At this stage, clients in our core onshore markets are continuing to commit to ongoing investment
- Operations and maintenance activity remains robust and opportunities to grow internationally
- Shallow water EPCI remains competitive
- Long-term market for deepwater offshore projects remains attractive and we are committed to our strategy
- Strategic alliance with McDermott will help us to deliver SURF projects
- Focus on maintaining and improving cost-effective structure puts us in a strong competitive position in line with expectations

2014 year-end backlog



■ Onshore capex ■ Opex ■ IES ■ Offshore capex

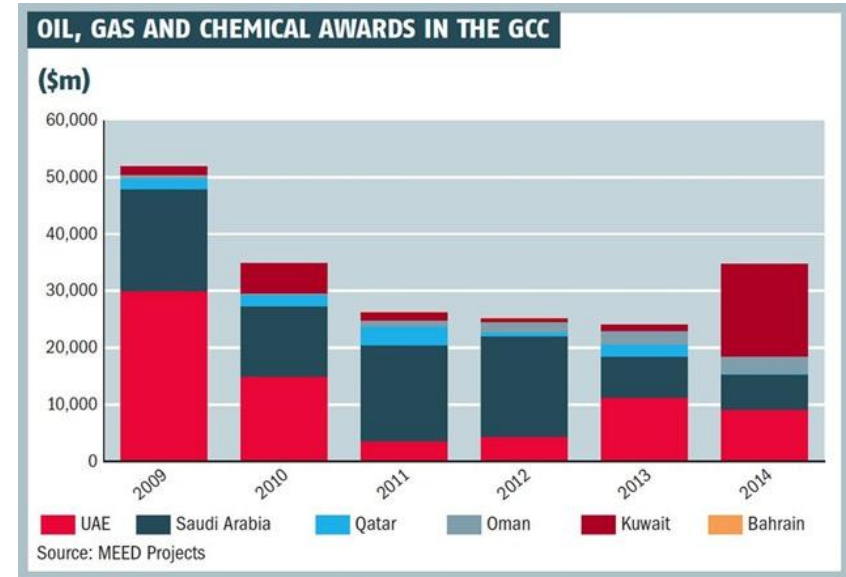


■ NOC ■ IOC ■ Independent

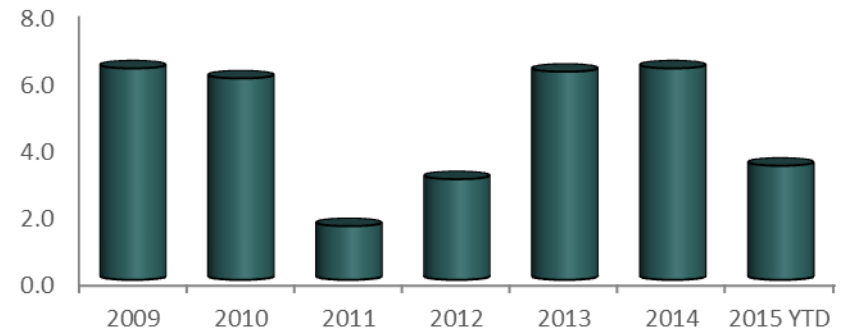


# Onshore Engineering & Construction

- OEC contributed > 80% of ECOM net profit over last 5 years with vast majority of onshore projects in MENA
- Projects in MENA are often at lower end of oil supply cost curve
- Majority of clients are NOCs who are committed to ongoing investment
- Competitive position is strong with diverse workforce and cost-effective structure
- Identified c. US\$25 billion of high priority upstream and downstream prospects to bid in 2015
- Success moving into downstream market
- Competitive environment remains good
- Reached final agreement on number of longstanding commercial settlements



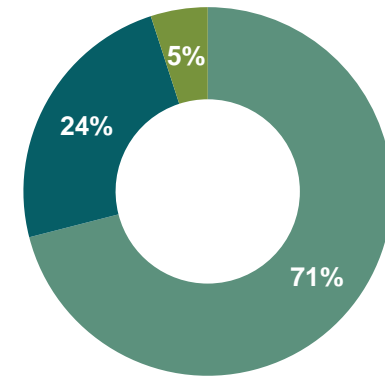
**Onshore Engineering & Construction annual order intake (US\$billion)**



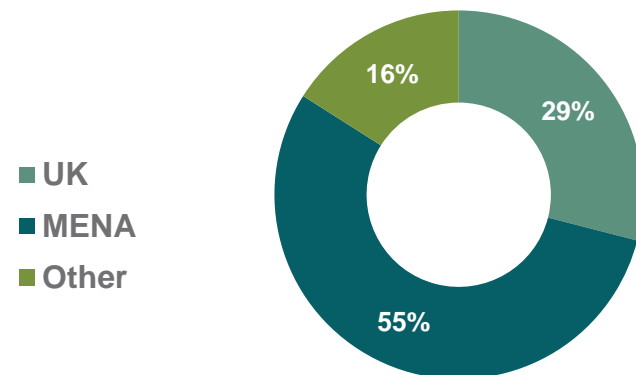
# Offshore Projects & Operations

- Operations, maintenance and brownfield modifications activities remain robust
- More than 50% of gross margin comes from projects outside of UK
- Opportunities to build upon our existing activities internationally
  - in UAE, Oman, Algeria and Iraq – where we have had recent success
  - and expanding into markets such as Malaysia

2014 OPO revenue



2014 OPO gross margin



- UK
- MENA
- Other

## OPO - Offshore Capital Projects

- Market for shallow water EPCI remains competitive
- Long-term market for deepwater EPCI opportunities remains attractive and we remain committed to our strategy
- Marketing Petrofac JSD6000 from mid-2017 but retain flexibility to delay delivery further dependent on project awards
- Continue to bid on large-scale projects which would require Petrofac JSD6000 to undertake installation work from H2 2017
- Multi-disciplined nature of the Petrofac JSD6000 helps to maximise the opportunities open to us and help deliver a cost-effective solution for clients
- Continued to build capability of team to manage deepwater projects

# McDermott strategic marketing alliance

- Agreed a strategic marketing alliance with McDermott to address the deepwater SURF market
- Under the 5 year Alliance, we will jointly pursue opportunities in the deepwater subsea, umbilicals, risers and flowlines (SURF) sector
- Aim to develop first-class SURF market position targeting EPCI projects in US Gulf of Mexico, Mexico, West Africa, Brazil, Mediterranean and North Sea
- Brings together combined expertise and will open up further EPCI opportunities for Petrofac's world-class JSD6000 offshore installation vessel
- McDermott, with almost 100 years of offshore experience, is already well-established in the SURF sector with an existing mid-sized fleet and is adding a new vessel during 2016



# Engineering & Consulting Services

- Recent success in securing ECS' largest project on Rabab Harweel project in Oman, worth > US\$1 billion - positioning ourselves for further EPCm opportunities
- ECS is helping to take us into new areas:
  - Helping Government of Nova Scotia to identify best way forward to exploit its ultra-deepwater oil potential
  - Providing specialised technical assistance to Pemex for development of the Lakach project, their first deepwater project
- Building upon the delivery of local content:
  - for example, we recently announced an agreement with Sonatrach in Algeria

# Maintaining our strong competitive position

- Building on cost efficiency and optimisation programme undertaken in 2013 and 2014, which focused on:
  - Resource optimisation
  - Tighter control and enhancing awareness of costs
  - Better integration of value engineering centres
  - Bidding prioritisation and estimating process improvement
- Delivered overhead and operating cost savings across Group of US\$170 million in 2014
- Across the Group, continuing to manage costs to help clients achieve reductions in opex and capex
- Enter 2015 with a very cost-effective structure and a strong competitive position and continue to drive cost savings

## Operating environment summary

At this stage, clients in our core onshore markets are continuing to commit to ongoing investment

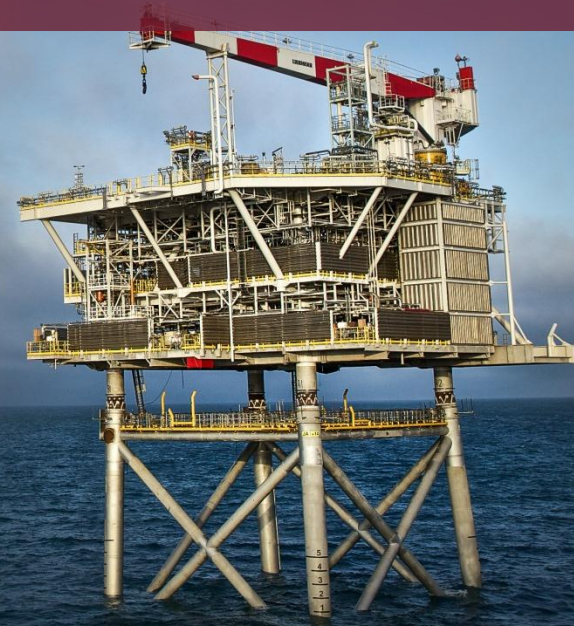
Operations and maintenance activity remains robust and opportunities to grow internationally

Marketing Petrofac JSD6000 from mid-2017 but retain flexibility to delay delivery further

Delivered overhead and operating cost savings across the Group of US\$170 million in 2014 and continuing to drive cost savings

This will enable us to maintain our competitive position and margins whilst helping our clients deliver more cost-effectively

## 4. Results and financial profile





# Income statement

US\$m	2014**	2013
Revenue	6,241	6,329
Operating profit*	691	793
Profit before tax	634	789
Income tax expense	(33)	(142)
Profit for the year	601	647
Profit attributable to Petrofac Limited shareholders	581	650
EBITDA	935	1,031
ROCE***	18%	28%
EPS, diluted (cents per share)	168.99	189.10
Full year dividend (cents)	65.80	65.80

Note: all figures presented above are for the full year ended 31 December (US\$ millions unless otherwise stated)

\* including share of results of associates

\*\* underlying business performance/before exceptional items and certain re-measurements

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

## IES exceptional items and re-measurements

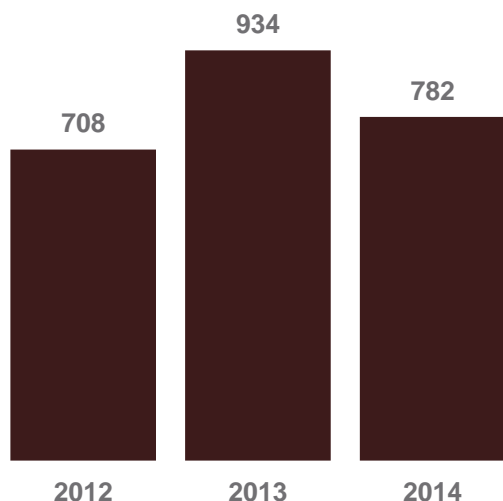
US\$million	Pre-tax	Tax	Post-tax
Ticleni PEC	164	3	167
Greater Stella Area	207	-	207
Other	92	(5)	87
<b>TOTAL</b>	<b>463</b>	<b>(2)</b>	<b>461</b>

- Group reviewed the carrying value of IES' assets reflecting:
  - decision to exit Ticleni PEC
  - significantly lower hydrocarbon commodity price expectations
  - latest view of FPF1 modification cost and the timing of first production for GSA
- Decision to exit Ticleni led to write-off of entire project net book value of US\$137m and provision of US\$30m for anticipated costs to exit
- Impairment test for rest of portfolio used 31 December 2014 forward curve for 2015 and 2016 reverting to Brent price of US\$80 for 2017, US\$85 for 2018 and US\$90 thereafter
- Around 60% of US\$294m impairment ex-Ticleni is driven by the reduction in hydrocarbon prices
- Carrying value of projects in IES portfolio now stands at US\$1.8bn (Mexican PECs US\$0.5bn, Berantai RSC US\$0.4bn, PM304 US\$0.4bn, GSA US\$0.2bn, Seven Energy US\$0.2bn, other US\$0.1bn)

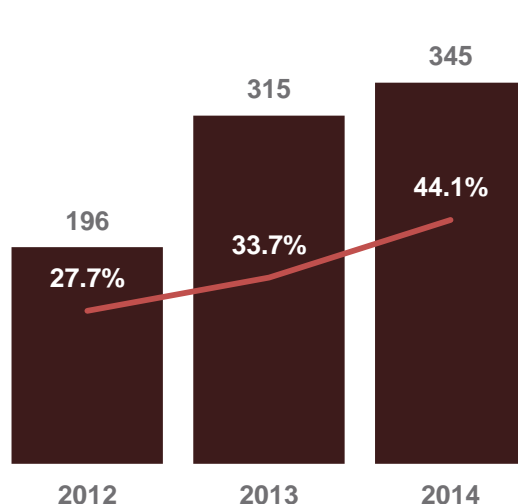
# Integrated Energy Services

- Revenue ↓16% – reflecting Berantai RSC, now in its operational phase; rephasing field development activities on Mexico PECs; Ticleni PEC in Romania, as we managed field investment prudently; and sale of floating production facilities to PetroFirst
- Net profit ↑5% – gain of US\$56m from sale of floating production facilities to PetroFirst more than offsets trading profit foregone following sale of floating production facilities and reduction in earnings on Berantai RSC

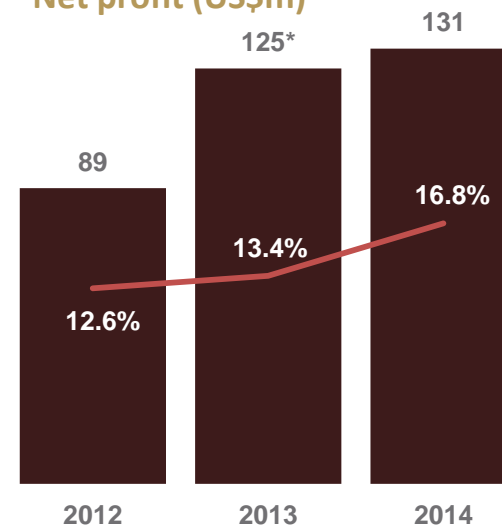
Revenue (US\$m)



EBITDA (US\$m)



Net profit (US\$m)

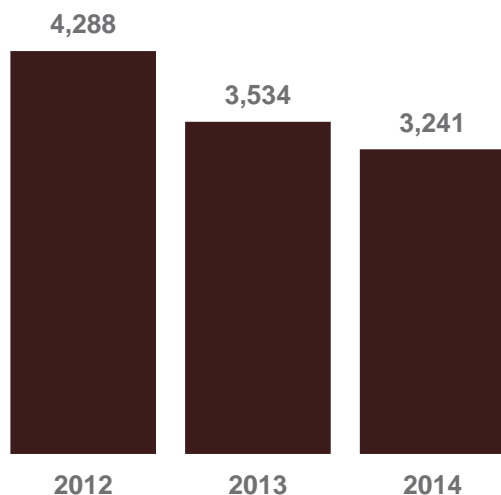


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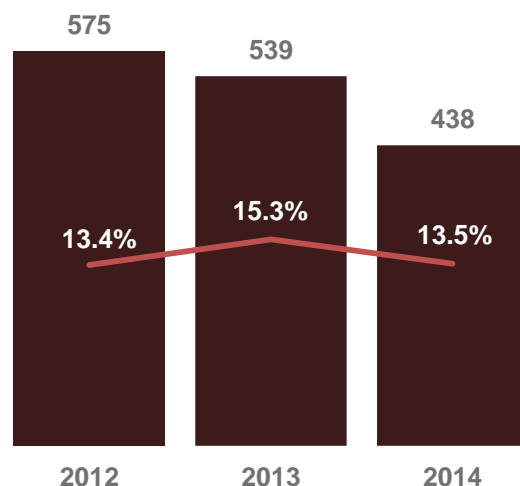
# Onshore Engineering & Construction

- Revenue ↓8% – activity levels and revenue increased substantially in 2H 2014 as moved into execution phase on new projects
- Net profit ↓7% – loss provision on Laggan-Tormore substantially mitigated by net release of tax provisions and financial outperformance on late-life projects elsewhere in contract portfolio
- Net margin of 12.4% broadly in line with prior year
- Cumulative loss on Laggan-Tormore c. US\$180m (current year losses OEC US\$200m, OPO US\$30m, profits recognised in prior years c. US\$50m)

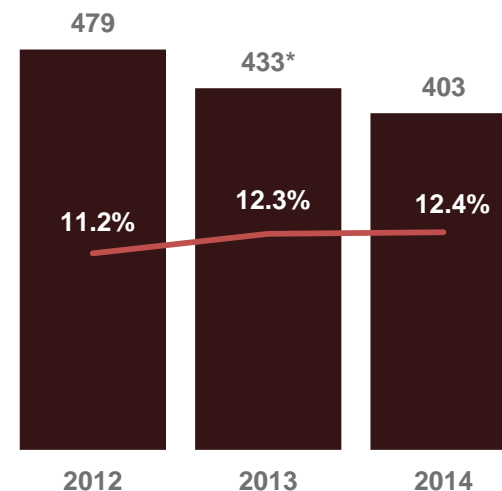
Revenue (US\$m)



EBITDA (US\$m)



Net profit (US\$m)

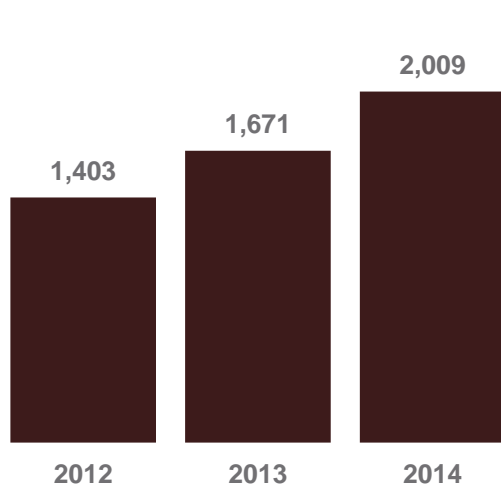


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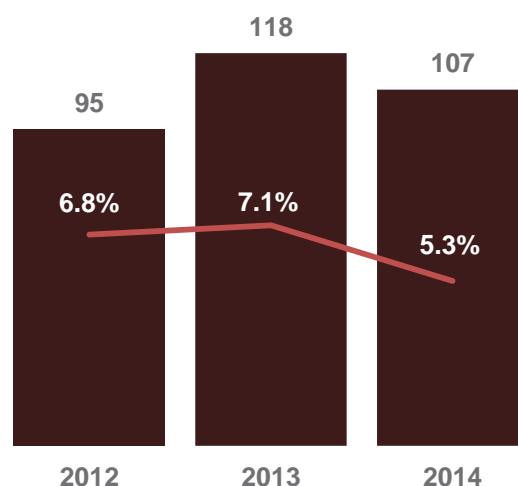
# Offshore Projects & Operations

- Revenue ↑20% – higher levels of activity, particularly on capital projects such as Laggan-Tormore, FPF1 modification and SARB3
- Net profit ↓10% – pre-tax loss of around US\$30m on OPO's scope of work on Laggan-Tormore, no margin on FPF1 modification, US\$8m forex loss on forward contracts
- Net margins were marginally lower at 3.2%, reflecting the above

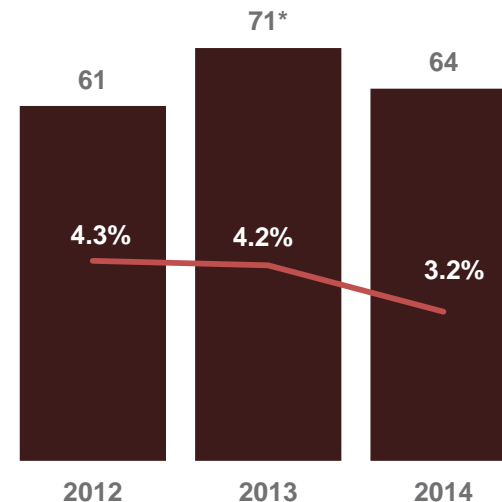
Revenue (US\$m)



EBITDA (US\$m)



Net profit (US\$m)

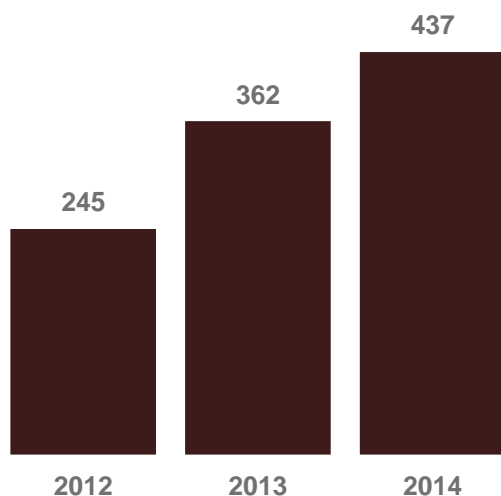


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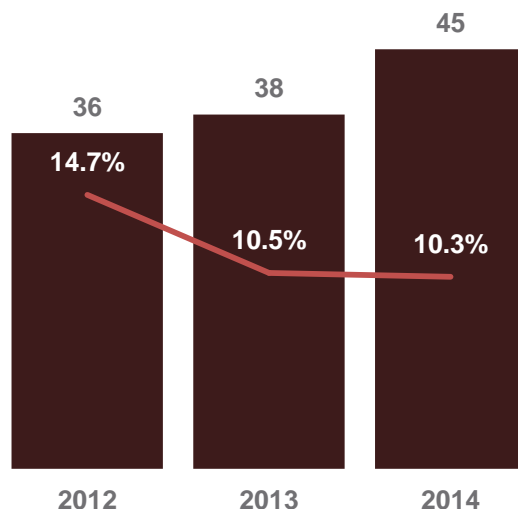
# Engineering & Consulting Services

- Revenues ↑21% – substantial increase in activity levels, including Rabab Harweel Integrated Project in Oman and In Salah Gas and In Amenas consultancy contract
- Net profit ↑3%, net margin 7.6% – net margin lower due to much of activity on Rabab Harweel Integrated Project at lower margin with procurement undertaken on incentivised pass-through basis

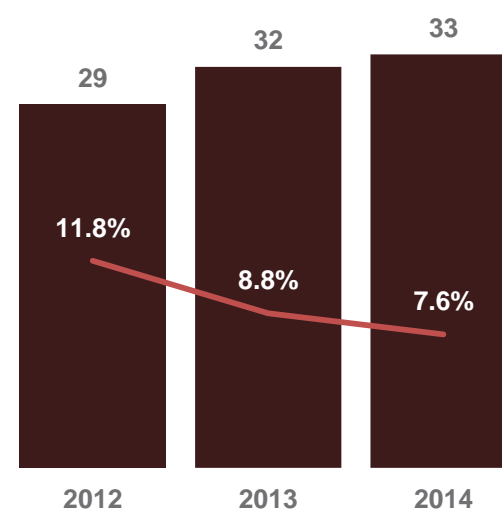
Revenue (US\$m)



EBITDA (US\$m)



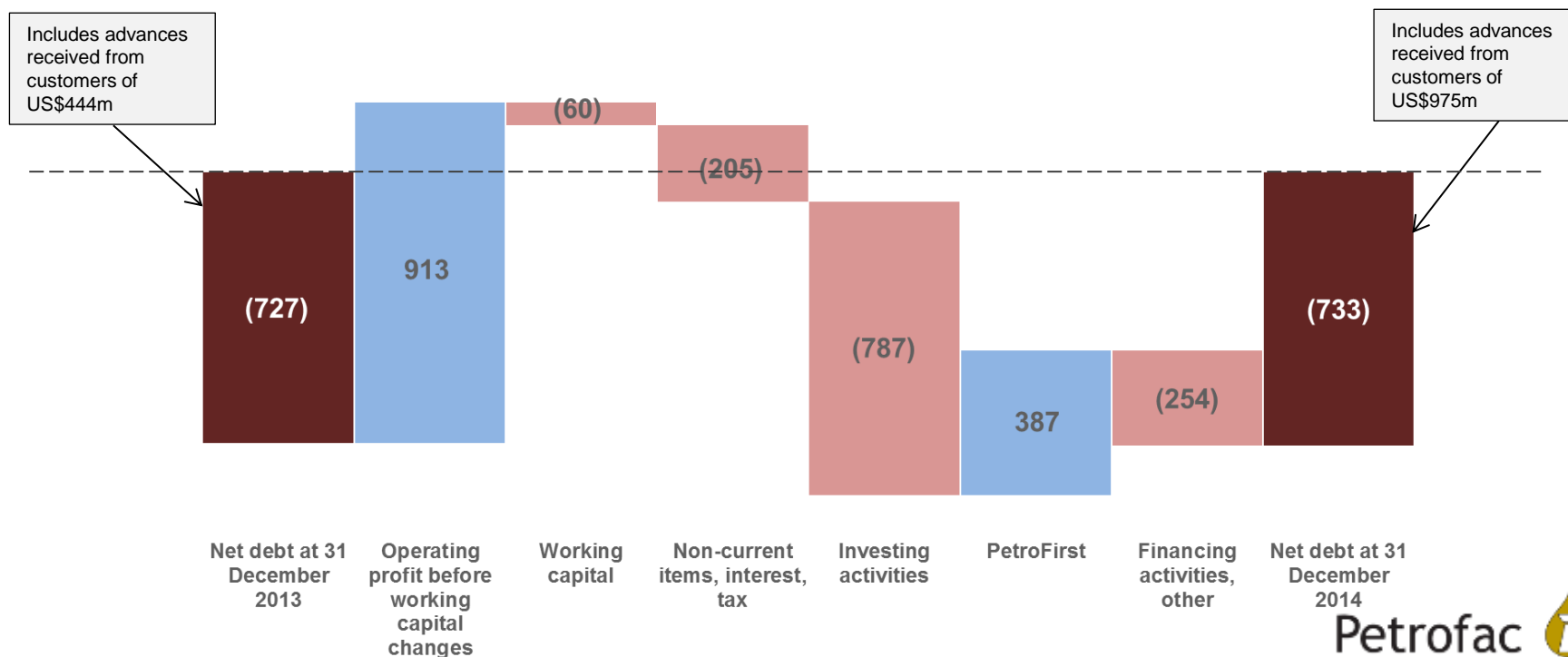
Net profit (US\$m)



# Net debt movements

Net debt was flat across the year, standing at US\$0.7 billion at 31 December 2014:

- cash generated from operations of US\$0.9 billion
- net investing activities of US\$0.8bn
- consideration in respect of PetroFirst transaction of US\$0.4bn
- financing activities, including payment of the 2013 final dividend and 2014 interim dividend, of US\$250m



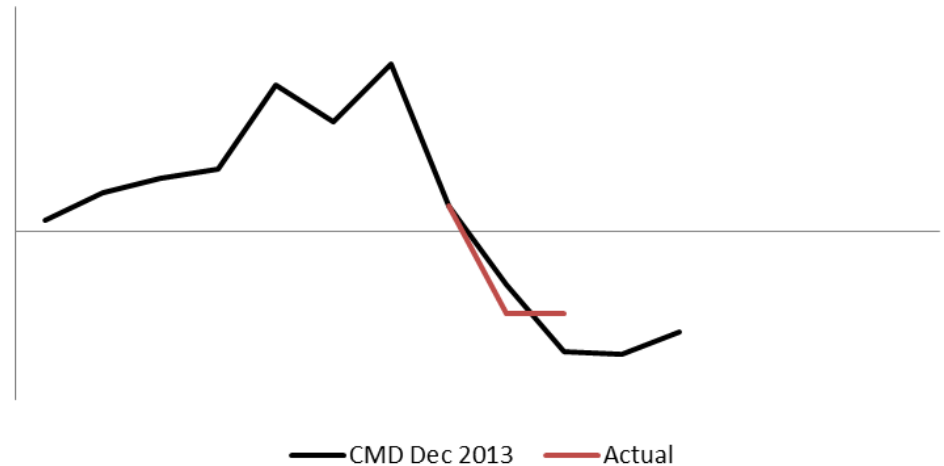
# We have a strong financial position

While we have revised expectations over recent months, including the impact of lower oil prices on IES, net debt is currently lower than our previous plans

- Balance sheet remains strong and prudently managed, reflected in strong investment grade credit ratings

- Target gearing ratio of net debt/EBITDA < 1X
- Covenants: net debt/EBITDA of < 3X and EBITDA/interest cover of > 3X

Net cash (debt)



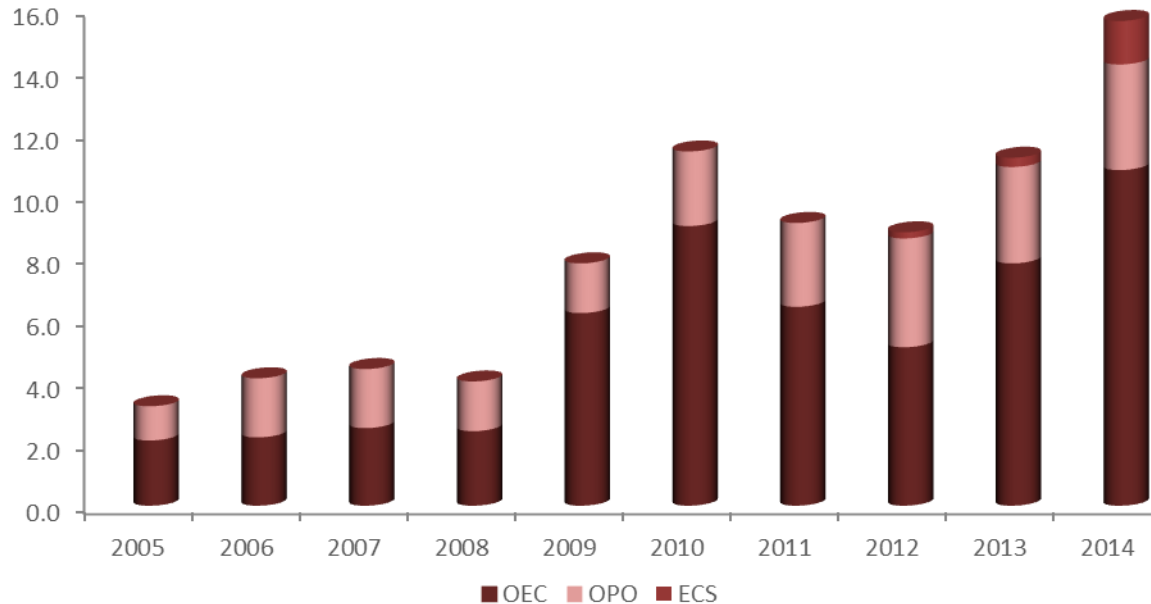
Moody's	Baa2
S&P	BBB+

- Substantial liquidity available from our US\$750m debut bond, US\$1.2bn revolving credit facility and two-year US\$0.5bn term loan



# Our backlog stands at record levels

ECOM year-end backlog (US\$ billion)



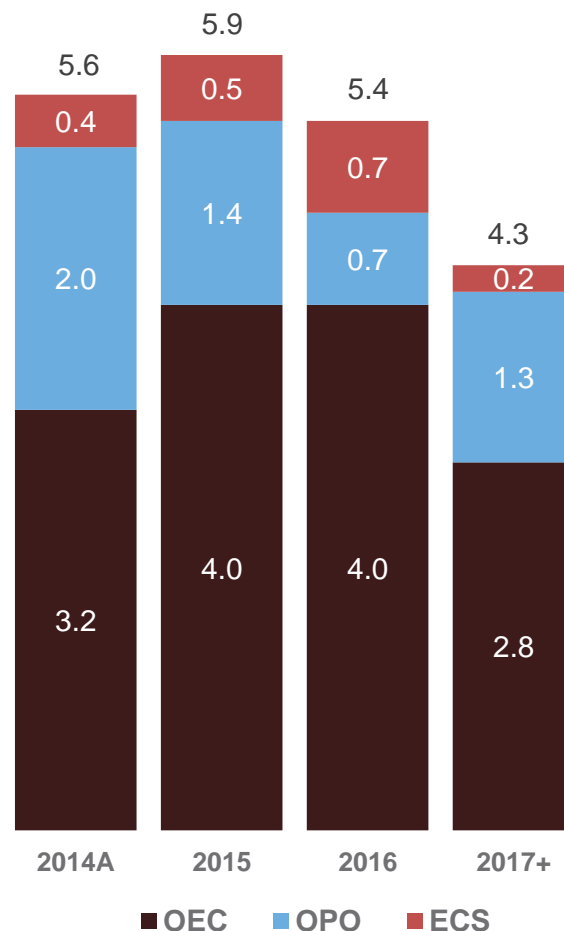
- Backlog stands at record year-end levels, after delivering a year of record order intake in 2014

- Well-positioned for long-term revenue growth in ECOM as move into the execution stage on a number of EPC projects

# Our backlog gives us excellent revenue visibility

- ECOM's year-end backlog has been augmented by the award of the Lower Fars heavy oil project in Kuwait in January
- This gives us excellent revenue visibility for 2015 and beyond
- Our pipeline of bidding opportunities should at least enable us to maintain our ECOM backlog across 2015
- Going forward, we expect to continue to deliver differentiated sector-leading net margins in OEC, including net margins of around 9% in 2015

31 December 2014 backlog ageing (US\$bn)\*



\* Excludes Lower Fars heavy oil project which was awarded in January 2015

# Dividends, growth and returns

## DIVIDEND

- Maintained dividend in 2014
- Maintaining robust financial position to support dividend remains a high priority

## RETURNS

- Target ROCE above 20% in medium-term as we lower capital intensity

## GROWTH

- Record ECOM backlog positions us well for a return to long-term growth
- Will remain disciplined and not chase top line growth at expense of margin or shareholder value

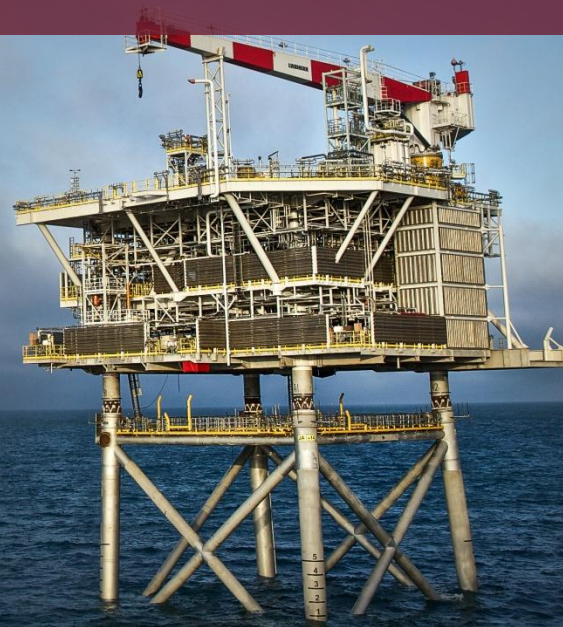
## 5. Summary and outlook, Q&A



## Summary and outlook

- Taken decisive action to address Ticleni, Greater Stella Area and Laggan-Tormore and success in closing a number of commercial settlements
- Re-focused IES strategy to improve synergies with ECOM, lower capital-intensity and we will manage the portfolio to maximise value
- Our overall portfolio is in good shape, with built in margins consistent with guidance
- Operating environment remains uncertain, but we are well positioned and will maintain our bidding discipline and focus on our core areas of strength
- Our balance sheet remains strong and we are focused on managing working capital and improving capital returns
- 2014 results and expected 2015 earnings are consistent with previous guidance
- Record backlog gives excellent revenue visibility for 2015 and beyond and ECOM is well-positioned for long-term growth

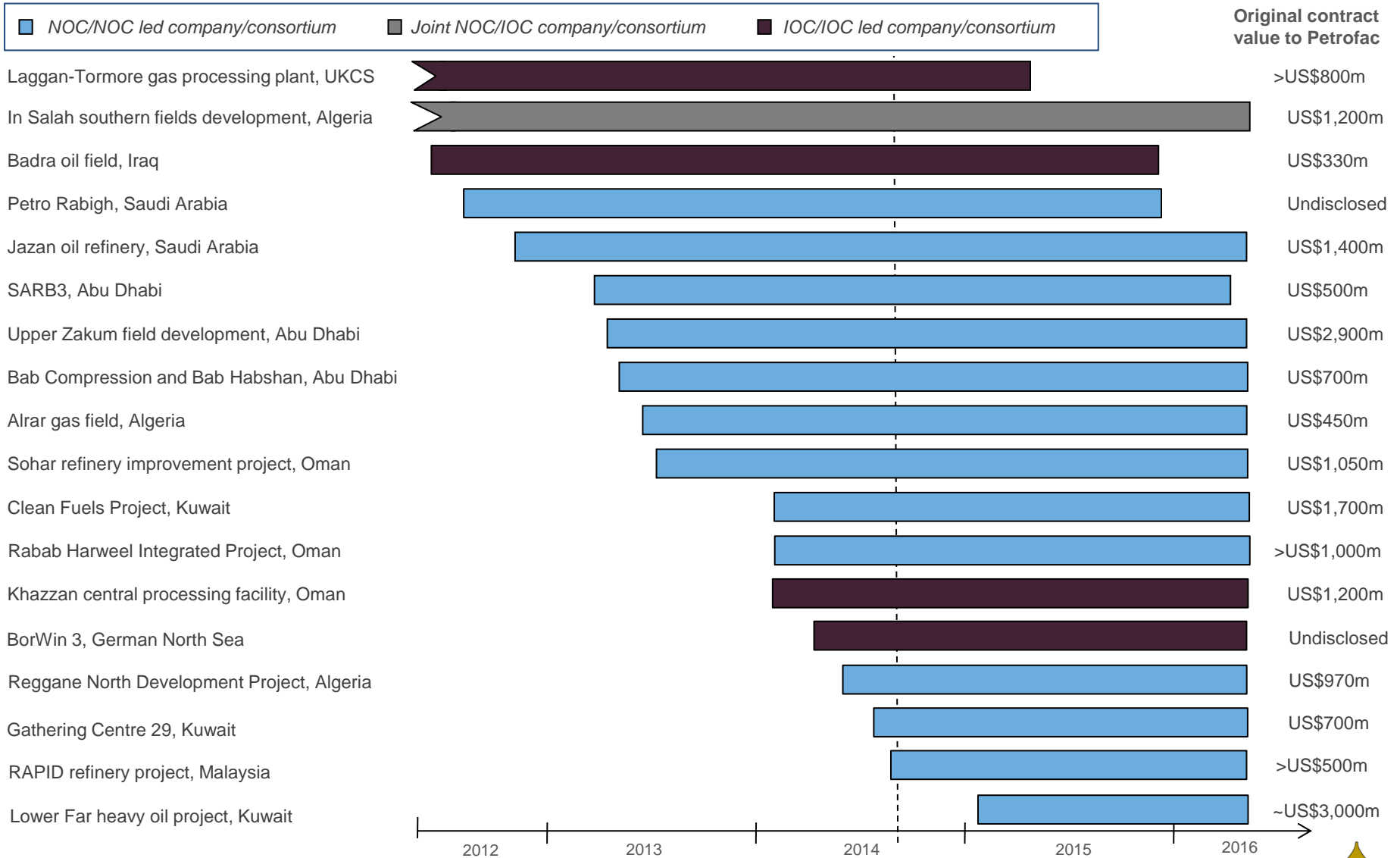
# Appendices



# Appendix 1: Group organisation structure

Divisions	<b>Engineering, Construction, Operations &amp; Maintenance (ECOM)</b> <i>Chief Executive, Marwan Chedid</i>				<b>Integrated Energy Services (IES)</b> <i>Chief Operating Officer, Rob Jewkes</i>		
Reporting segments	<b>Onshore Engineering &amp; Construction (OEC)</b>	<b>Offshore Projects &amp; Operations (OPO)</b>		<b>Engineering &amp; Consulting Services (ECS)</b>	<b>Integrated Energy Services</b>		
Service lines	<b>Onshore Engineering &amp; Construction</b>	<b>Offshore Projects &amp; Operations</b>	<b>Offshore Capital Projects</b>	<b>Engineering &amp; Consulting Services</b>	<b>Training Services</b>	<b>Production Solutions</b>	<b>Developments</b>

# Appendix 2: Key ECOM projects





## Appendix 3: Effective tax rate

### Effective tax rate (ETR) by segment

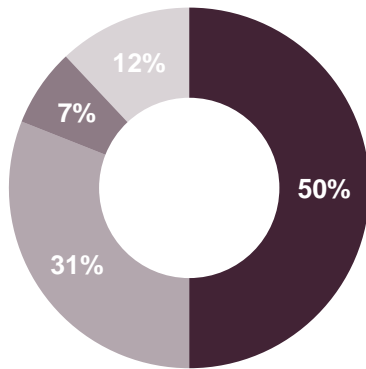
	2014	2013
Onshore Engineering & Construction	(7)%	10%
Offshore Projects & Operations	28%	28%
Engineering & Consulting Services	15%	12%
Integrated Energy Services	22%	32%
<b>Group</b>	<b>5%</b>	<b>18%</b>

- Group's effective tax rate (ETR), excluding the impact of exceptional items and certain re-measurements, for year ended 31 December 2014 was 5%
- ETR reflects net release of tax provisions partially offset by impact of tax losses created in the year for which realisation against future taxable profits is not probable

# Appendix 4: Segmental performance

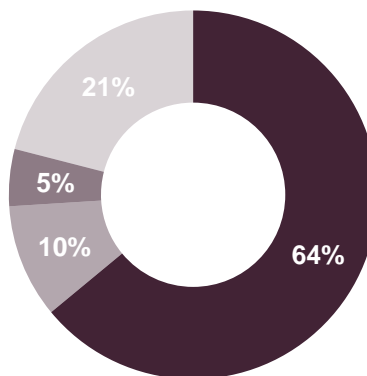
- Onshore Engineering & Construction earned 50% of Group revenue and 64%\* of net profit
- Middle East and Africa represents 53% of revenues in 2014
- CIS and Asia: primarily relates to activity on Galkynysh in Turkmenistan, Berantai and PM304 in Malaysia
- Europe: activity principally in UK North Sea, where significant proportion of Offshore Projects & Operations revenues are generated and Laggan-Tormore on the Shetland Islands, UK
- Americas predominantly relates to our Production Enhancement Contracts in Mexico

2014 revenue



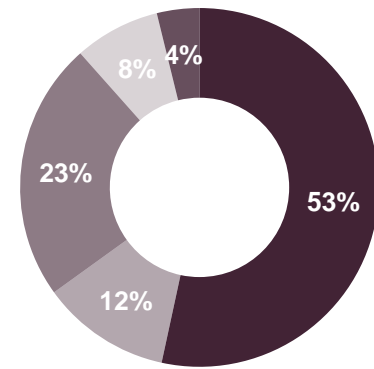
■ OEC ■ OPO ■ ECS ■ IES

2014 net profit\*



■ OEC ■ OPO ■ ECS ■ IES

2014 revenue



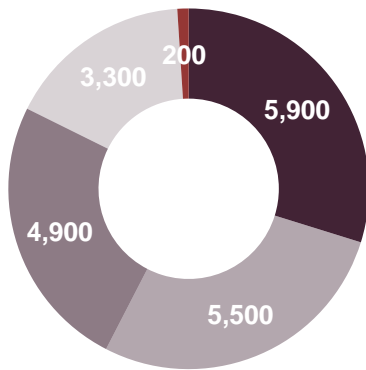
■ Middle East & Africa ■ CIS & Asia  
 ■ Europe ■ Americas  
 ■ Other

\* Before exceptional items and certain re-measurements.

# Appendix 5: Employees

- Approximately 19,800 people in 7 key operating centres and 24 offices
- Around 30% of our employees are shareholders/participants in employee share schemes

Total headcount



■ OEC ■ OPO ■ ECS ■ IES ■ Corporate

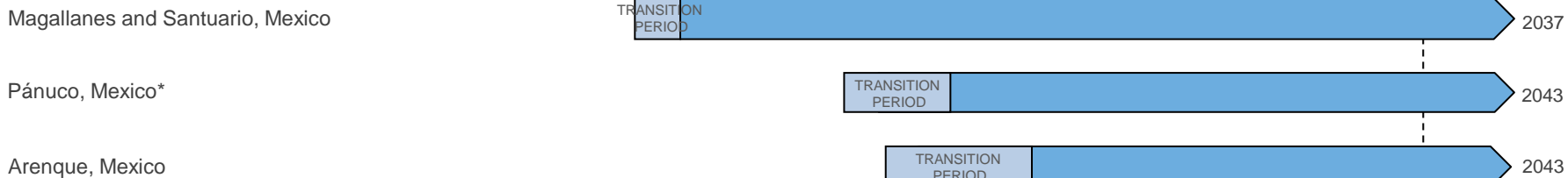


▲ Operating centre ● Country office

# Appendix 6: IES data book update

# Key IES projects

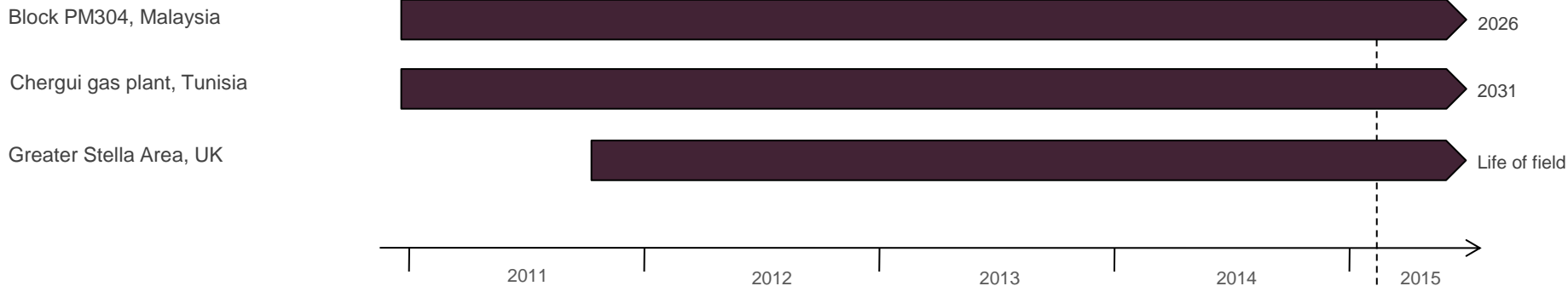
## Production Enhancement Contracts (PEC)\*\*



## Risk Service Contracts (RSC)\*\*



## Equity Upstream Investments



\* In joint venture with Schlumberger

\*\* Ticleni PEC in Romania excluded following decision to exit; OML119 not included, as Field Development Plan not yet defined

# IES project portfolio

	Oil and gas assets per note 10 (Block PM304, Chergui and PECs) US\$m	Oil and gas facilities per note 10 (Ohanet (fully depreciated) and floating production facilities) US\$m	Intangible oil and gas assets per note 13 (Block PM304, OML119 and other pre-development costs) US\$m	Greater Stella Area per note 16 US\$m	Total US\$m
<b>Cost</b>					
At 1 January 2014	828	448	290	200	1,766
Additions	172	225	97	199	693
Disposals	–	(48)	–	–	(48)
Increase in provision for decommissioning	–	–	47	–	47
Transfers	269	–	(264)	–	5
Write-off	–	–	(9)	–	(9)
Exchange difference	(13)	–	–	–	(13)
<b>At 31 December 2014</b>	<b>1,256</b>	<b>625</b>	<b>161</b>	<b>399</b>	<b>2,441</b>
<b>Depreciation</b>					
At 1 January 2014	(200)	(175)	–	–	(375)
Charge for the year	(116)	(24)	–	–	(140)
Charge for impairment	(99)	(15)	(5)	(207)	(326)
Disposals	–	17	–	–	17
<b>At 31 December 2014</b>	<b>(415)</b>	<b>(197)</b>	<b>(5)</b>	<b>(207)</b>	<b>(824)</b>
<b>Net carrying amount:</b>					
<b>At 31 December 2014</b>	<b>841</b>	<b>428</b>	<b>156</b>	<b>192</b>	<b>1,617</b>
At 31 December 2013	628	273	290	200	1,391
					(393)
					381
					185
<b>TOTAL</b>					<b>1,790</b>

Less floating production facilities held under finance leases within 'oil and gas facilities'

Add Berantai long-term receivable (see note 16)

Add investment in Seven Energy International Limited (see notes 14 and 15)

**TOTAL**

# Key IES projects

The following slides describe the following for each of the three commercial models:

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- A A reminder of how the commercial model works
- B The current projects within each portfolio
- C The key facts pertaining to those projects
- D The key operational activities we expect to undertake
- E The shape of the valuation drivers for the projects in aggregate

# Production Enhancement Contracts

A

Commercial Model

- Under the PEC commercial model we are paid a tariff per barrel for production and earnings are not directly impacted by commodity prices
- PECs are appropriate for mature fields which have a long production history
- Our contracts are long-term
- We deploy capital on production enhancing activities (e.g. drilling new wells, well workovers), recovered over the life of the contract

B

Projects

- Our portfolio includes the following PECs:
  - **Magallanes and Santuario oil fields**, Mexico
  - **Pánuco field**, Mexico
  - **Arenque field**, Mexico



# Production Enhancement Contracts

C

Key Facts

## Magallanes and Santuario, Mexico

- Petrofac is providing production enhancement services to PEMEX (the concession holder) for the Magallanes and Santuario blocks in Tabasco State, central Mexico
- Contract was signed in October 2011 and Petrofac took over field operations in February 2012
- Contracts have a 25-year term
- At the time of taking over operations, the two blocks had almost 1,000 wells of which around 100 were producing approximately 12,000 barrels of oil per day
- PEMEX has retained a 10% economic interest in the PECs

Block	Duration years	Incremental tariff US\$	Baseline tariff US\$	Cost recovery %
Magallanes	25	5.01	1.05	75
Santuario	25	5.01	1.05	75
Arenque	30	7.90	0.79	75
Panuco	30	7.00	1.60	75

# Production Enhancement Contracts

C

Key Facts

## Pánuco, Mexico

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- Petrofac is providing production enhancement services to PEMEX (the concession holder) for the Pánuco block in Veracruz State, eastern Mexico
- First award in conjunction with Schlumberger under the co-operation agreement
- Contract was signed in August 2012 and Petrofac took over field operations in March 2013
- Contract has a 30-year term
- At the time of taking over operations, the block had over 1,600 wells of which around 200 were producing approximately 1,800 barrels of oil per day

# Production Enhancement Contracts

C

Key Facts

## Arenque, Mexico

- Petrofac is providing production enhancement services to PEMEX (the concession holder) for the Arenque block, located 30 kms from Tampico on the Mexican continental shelf, eastern Mexico
- Contract was signed in November 2012 and Petrofac took over field operations in July 2013
- Contract has a 30-year term
- At the time of taking over operations, the block had approximately 50 wells of which 17 were producing approximately 5,000 barrels of oil per day

D

Operational Activities

- Key work items for the boosting of production include the drilling and tying in of new wells, and the completion of well sidetracks and well workovers

# Production Enhancement Contracts

E

Valuation drivers

- As part of the ongoing energy reforms in Mexico, we have the opportunity to migrate our portfolio of Production Enhancement Contracts in Mexico to a new form of contract
- At this stage, the detailed commercial terms of the new contractual arrangements are unknown and we cannot therefore forecast the financial impact, but anticipate being able to provide further clarity during 2015

# Risk Service Contracts

A

Commercial Model

- Under the RSC commercial model we develop, operate and/or maintain a field, while the resource holder retains ownership and control of their reserves
- Our interests are aligned: we fund the development and are reimbursed (typically from production cash flows) and/or receive a remuneration fee based upon our performance

B

Project

- Our current portfolio includes the **Berantai oil and gas field**, Malaysia

C

Key Facts

## Berantai oil and gas field, Malaysia

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- Petrofac led the fast-track development of the Berantai field for PETRONAS
- Contract was signed in January 2011
- Berantai partners are Petrofac and SapuraKencana, each having a 50% interest in the RSC
- Berantai partners are developing the field and are operating the 1<sup>st</sup> phase of the development for a period of seven years following first gas production in October 2012
- Phase 1 included the installation of a wellhead platform to support the drilling of 13 wells, with the wellhead platform connected to the FPSO Berantai

# Risk Service Contracts

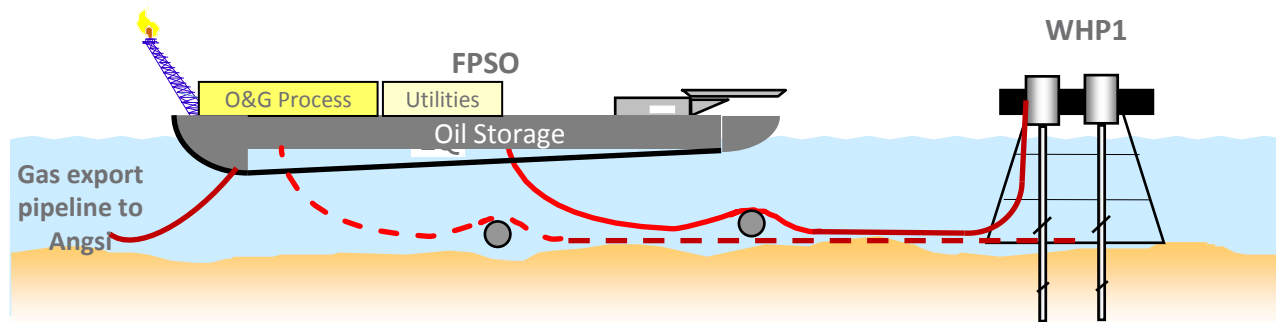
D

Operational Activities

## Berantai oil and gas field, Malaysia

- The key operational activities on the Berantai project include:
  - **2012:** achievement of first gas and the drilling of the initial phase one wells
  - **2013:** completion of the phase one drilling campaign
  - **2015+:** possible in-fill drilling

### Berantai full field development plan



# Risk Service Contracts

F

Valuation drivers

- We recover costs and profits from the sale proceeds of production but we do not share in the barrels of production as we have no legal ownership/entitlement to the reserves
- We are not directly exposed to prevailing commodity prices unless production volumes and or prices are insufficient to generate a large enough pool of cash available
- Remuneration comprises the recovery of capital expenditure, operating expenditure and an agreed margin that is based on a contractually agreed set of measurable KPIs, designed to deliver an agreed internal rate of return
- Cost recovery on Berantai commenced from first gas in equal quarterly instalments over seven years and the remuneration fee commenced from the quarter following completion of the construction phase of the project and concludes at the end of the RSC term
- These receivable amounts under the RSC are classified as a financial asset at fair value through profit or loss as it is managed and the performance evaluated by management on a fair value basis
- As per note 16 to the Group financial statements, we have a long-term receivable in relation to the Berantai project of US\$381 million at 31 December 2014 (2013: US\$476 million)

# Equity Upstream Investments

A

Commercial Model

- Under this commercial model we take a direct interest in a field via a Production Sharing Contract or Concession Agreement
- We have production and commodity price exposure

B

Projects

- Our current portfolio includes the following contracts:
  - **Block PM304 oil field**, Malaysia
  - **Chergui gas field**, Tunisia
  - **Greater Stella Area oil & gas field**, United Kingdom



# Equity Upstream Investments

C

Key Facts

## Block PM304, Malaysia

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- Petrofac has a 30% operating interest in Block PM304
- The interest was acquired in 2004 and is held through a PSC
- Petrofac's partners in the PSC are PETRONAS (30%), KUFPEC (25%) and PetroVietnam (15%)
- The first phase of development on the Block was the Cendor field, which has been producing since 2006
- The second phase of development was the West Desaru fault block, and involved introducing an Early Production System to accelerate production from Block PM304 – production commenced in August 2013
- The third phase of development, Cendor phase 2, involved the replacement of the original Cendor MOPU and FSO with an FPSO and fixed wellhead structures – production commenced in September 2014

# Equity Upstream Investments

C

Key Facts

## Chergui, Tunisia

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- Petrofac has a 45% interest in the Chergui gas field, held through a Concession Agreement
- The interest was obtained in 2007 from ETAP, the Tunisian national oil company, which holds the remaining 55% interest
- Petrofac completed engineering and construction of the gas processing plant and is operator of the concession
- Production commenced in August 2008

## Greater Stella Area Development, UK

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- Upon first production Petrofac will acquire a 20% interest in the Ithaca-operated Greater Stella Area development
- The interest will be acquired from the other co-venturers in the development
- Petrofac has sold 75% of the FPF1 to Ithaca and Dyas, ahead of its deployment on the development

# Equity Upstream Investments

D

Operational Activities

## Block PM304, Malaysia

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- **2015:** Ramp up of production expected as water injection and gas lift fully commissioned  
'C' wells being brought on stream

## Chergui, Tunisia

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- **2015+:** possible in-fill drilling (but project 'steady state')

# Equity Upstream Investments

D

Operational Activities

## Greater Stella Area Development, UK

- **2015-16:** completion of modification and upgrade of the FPF1 and commencement of production from the Greater Stella Area

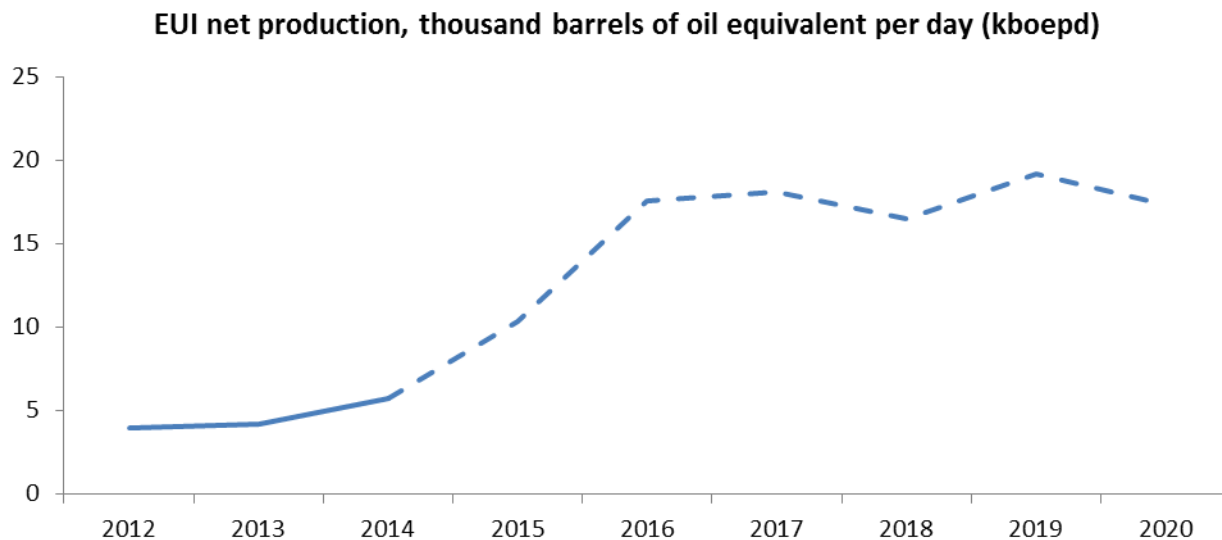


# Equity Upstream Investments

E

Valuation Drivers

- The expected profile of aggregate net production for our existing EUIs is as below:



**Point forward data from 1 January 2015:**

Liquids as % of barrels of oil equivalent (boe)	71%
Average gas price (US\$ per million cubic feet)	11
Capex (US\$ per barrel undiscounted)	13
Opex (including royalties etc; US\$ per barrel undiscounted)	34
Effective tax rate	24%