Segmental overview

Engineering & Construction

Group revenue contribution 2023

37%

Headcount at 31 December 2023

3,900

Asset Solutions

Group revenue contribution 2023

58%

Headcount at 31 December 2023

4,100

Integrated Energy Services

Group revenue contribution 2023

5%

Headcount at 31 December 2023

200

Engineering & Construction

Revenue (US$ million)

2023	936
2022 (restated)[2]	1,287
2021	1,952

Business performance EBIT[1] (US$ million)

2023	(422)
(restated)[2] 2022	(323)
2021	(62)

Business performance EBIT margin

2023	(45.1)%
(restated)[2] 2022	(25.1%)
2021	(3.2%)

Asset Solutions

Revenue (US$ million)

2023	1,446
2022	1,158
2021	1,111

Business performance EBIT[1] (US$ million)

2023	2
2022	60
2021	74

Business performance EBIT margin

2023	0.1%
2022	5.2%
2021	6.7%

Integrated Energy Services

Revenue (US$ million)

2023	121
2022	137
2021	50

Business performance EBIT[1] (US$ million)

2023	34
2022	58
2021	(6)

Business performance EBIT margin

2023	28.1%
2022	42.3%
2021	12.0%

US$ million For the year ended 31 December	Revenue 2023	Revenue 2022[2]	EBITDA[1] 2023	EBITDA[1] 2022[2]	EBIT[1] 2023	EBIT[1] 2022[2]
Engineering & Construction	**936**	1,287	**(412)**	(311)	**(422)**	(323)
Asset Solutions	**1,446**	1,158	**13**	70	**2**	60
Integrated Energy Services	**121**	137	**90**	109	**34**	58
Corporate, others, consolidation adjustments and eliminations	**(7)**	(15)	**(1)**	(18)	**(7)**	(24)
Group	**2,496**	2,567	**(310)**	(150)	**(393)**	(229)

% For the year ended 31 December	Revenue growth 2023	Revenue growth 2022[2]	EBITDA margin 2023	EBITDA margin 2022[2]	EBIT margin 2023	EBIT margin 2022[2]
Engineering & Construction	**(27.3)**	(34.1)	**(44.0)**	(24.2)	**(45.1)**	(25.1)
Asset Solutions	**24.9**	4.2	**0.9**	6.0	**0.1**	5.2
Integrated Energy Services	**(11.7)**	174.0	**74.4**	79.6	**28.1**	42.3
Group	**(2.8)**	(15.5)	**(12.4)**	(5.8)	**(15.7)**	(8.9)

1. Business performance is shown by Petrofac as a means of measuring underlying business performance (see note 4 of the consolidated financial statements).
2. The prior year numbers are restated as detailed in note 2.9 to the consolidated financial statements.

Segmental overview continued

Engineering & Construction

ELIE LAHOUD
E&C Chief Operating Officer

The Engineering & Construction (E&C) division delivers onshore and offshore engineering, procurement, construction, installation and commissioning services in both traditional hydrocarbon and energy transition markets. Lump-sum turnkey is the predominant commercial model used, but we also offer our clients the flexibility of other models.

The division has more than 40 years' track record in designing and building major oil, gas, refining and petrochemicals infrastructure projects. It also has over 10 years' experience in delivering HVAC and HVDC electrical substation projects in the offshore wind market.

2023 overview

2023 was the strongest period for new awards in E&C in five years, with backlog more than trebling in the year to US$6.1 billion (2022: US$1.6 billion). We secured US$5.5 billion of new order intake split between traditional hydrocarbon and renewable energy markets. Of the US$6.1 billion backlog, approximately half relates to energy transition contracts, with the remainder being hydrocarbon contracts.

Throughout the year we adjusted our operating model to drive the right leadership focus, project governance and geographical oversight across our growing portfolio. These adjustments were crucial in ensuring that we strengthen our operational performance and maintain the successful delivery and execution of projects. Furthermore, we took steps to strengthen our business development organisation and approach, with a focus on driving greater selectivity in the work that we bid for. Through a dedicated recruitment initiative, we welcomed talented new team members at all levels of the organisation, including the reinstatement of the graduate development programme.

2023 was not without its challenges:

- Activity levels were lower in the year, resulting in a 27% year-on-year reduction in revenue as the contract portfolio transitions from the legacy contracts, which are largely reaching completion, to a portfolio consisting of new contracts progressing on the initial phases. Additionally, the liquidity challenges in the second half of the year impacted progress on some contracts.
- Securing guarantees for the new contracts awarded in 2023 has taken longer than expected, and required the provision of cash collateral for the first two performance guarantees secured in 2023, with no advances. The process is ongoing for the remaining contracts.
- A tough commercial environment has resulted in write-downs of receivables and an increase in legacy contract losses as a result of clients not fully reimbursing additional costs incurred on Covid-19 pandemic-affected contracts.

Operational performance

Operationally, we continued progress on the completion of the portfolio of legacy contracts, which consisted of eight contracts at the start of 2023. During the year, two of the projects reached the completed or substantially completed milestone[1]. We expect all but two of the legacy contracts to be completed[1] in 2024. The two contracts that will continue in execution beyond 2024 are the Thai Oil Clean Fuels project and the Orlen Refinery Upgrade project in Lithuania.

1. 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.

Backlog at 31 Dec 23 by country

The Netherlands	46%	Lithuania	8%
UAE	21%	Thailand	4%
Algeria	19%	Others	2%

Backlog at 31 Dec 23 by market

Energy transition	56%
Petrochemicals	17%
Upstream gas	14%
Refining	12%
Upstream oil	1%

With respect to the Thai Oil Clean Fuels project, good progress continues to be made on the construction phases and we are achieving our interim milestones. However, additional, unbudgeted costs have been incurred on this contract. Through the negotiations with our clients, alongside our partners, we continue to seek the reimbursement of additional costs with the aim of reversing some of these adverse impacts in future periods.

The initial phases of the new contracts secured in 2023 are progressing well, including those for which guarantees are not yet secured. Of the US$6.1 billion backlog, approximately 90% relates to new order intake awarded in 2023, with only around 10% attributed to legacy contracts.

We remain in active discussions with credit providers to secure the contractually required guarantees on the remaining new contracts as well as with the clients of these new contracts (Financial Restructure, pages 8 and 9).

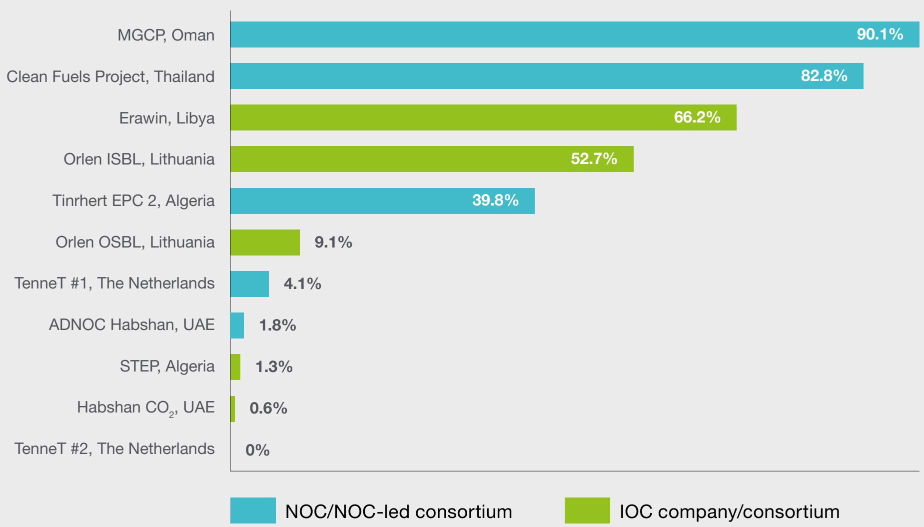
Energy transition

In offshore wind, Petrofac has over a decade of experience in designing and building offshore HVAC and HVDC electrical substations and partnering with original equipment manufacturers (OEMs). Petrofac's expertise in this sector lies in the construction of offshore wind substations which are designed and built onshore and transported to site. In 2023, TenneT awarded the Petrofac-Hitachi Energy partnership a multi-year Framework Agreement covering six projects worth approximately US$14 billion (of which approximately half of the value will be attributable to Petrofac) as it expands offshore wind capacity in the Dutch-German North Sea. Two platform contracts were subsequently awarded under the Framework Agreement in the year and comprise approximately 45% of the US$6.1 billion backlog.

Petrofac also has experience in delivering carbon capture utilisation and storage (CCUS) projects for clients, as well as concept and FEED studies on prospective future CCUS projects. In 2023, we extended our portfolio in this field, with a significant award for the ADNOC CCUS EPC project in the UAE (see new orders below).

Engineering & Construction – Key project progress

Key project status, % completion, December 2023[1]



1. Excludes projects that are >95% complete.

Financial performance

Revenue for the year decreased 27% to US$0.9 billion (2022: US$1.3 billion), reflecting the low opening backlog and the maturity of E&C's legacy contract portfolio, with initial phases of contracts awarded in the year providing limited contribution. Full year EBIT was a loss of US$422 million (2022 restated: US$323 million), including approximately US$90 million of one-off write-downs on legacy contracts to protect and accelerate cash flows. Excluding the one-off write-downs, E&C had an EBIT loss of US$332 million, driven by adverse operating leverage and additional losses on onerous contracts, including additional unbudgeted costs on the Thai Oil Clean Fuels project, as discussed above.

The challenges faced in obtaining guarantees for new contracts has resulted in the provision of cash collateral of over US$100 million to secure performance guarantees, with no advance payment guarantees available to secure advance payments on these awards. The combination of these dynamics with delays and reductions in contract settlements and further cost overruns has added further challenge to the Group's liquidity position. This has been partly offset by proactive working capital management.

New orders

E&C made significant progress in securing new awards and rebuilding backlog in our core traditional markets and with expansion into tangential markets. By driving greater selectivity in the work we bid for, we are continuing our focus on winning high-quality work in jurisdictions where we have a track record of successful delivery and with customers we know.

In 2023 this included three major contracts in our core markets of the UAE and Algeria, which significantly, were with key clients and included a re-entry to the UAE, a CCUS project and our entry into the petrochemical sector, in partnership with a petrochemical technical specialist. In addition, we further converted our potential in the energy transition sector with the first two platforms under the six-platform Framework Agreement with TenneT.

ADNOC Gas Habshan, UAE

In June 2023, Abu Dhabi National Oil Company (ADNOC) subsidiary, ADNOC Gas Processing awarded Petrofac a US$700 million EPC project for a new gas compressor plant, comprising three gas compressor trains and associated utilities and power systems, at its Habshan Complex.

This is a significant award for Petrofac in our home market of the UAE. Petrofac has a long and strong track record supporting ADNOC in the UAE, having first established a presence in the UAE in 1991, with a focus on in-country value maximising local delivery, investing in the local supply chain, and developing local teams.

ADNOC Habshan CCUS, UAE

In October 2023, Petrofac was awarded a second EPC contract by ADNOC Gas for its Habshan Carbon Capture, Utilisation and Storage (CCUS) project, one of the largest carbon capture projects in the Middle East and North Africa region.

Segmental overview continued

The contract is valued at more than US$600 million and involves the delivery of carbon capture units, associated pipeline infrastructure and a network of wells for carbon dioxide recovery and injection. The project is part of ADNOC's accelerated decarbonisation plan and is further evidence of Petrofac's role in helping clients with their decarbonisation journey.

STEP Polymers, Algeria
In May 2023, a Petrofac-led joint venture in partnership with China Huanqiu Contracting & Engineering Corporation was awarded a significant petrochemical EPC contract by STEP Polymers SPA (100% Sonatrach subsidiary) valued at approximately US$1.5 billion, with Petrofac's share valued at over US$1.0 billion. The contract is currently being delivered via a joint venture and so will be equity accounted.

This is a downstream project, which will form part of the Arzew Industrial Zone, located west of Algiers, supporting Algeria's energy strategy. This award broadens Petrofac's portfolio into the petrochemical sector and builds on its 25-year track record in Algeria.

TenneT 2GW Offshore Wind Projects, Netherlands

With regards to energy transition, the Petrofac-Hitachi Energy partnership was awarded the first two projects under the TenneT multi-year Framework Agreement which covers six projects. Under the terms of the agreement, Petrofac will undertake the engineering, procurement, construction and installation (EPCI) of offshore platforms and elements of the onshore converter stations, which convert AC to DC power offshore and DC to AC onshore.

Each project is expected to take over six years to complete, and has a lower risk profile compared with a traditional lump sum EPC contract. The contracts are made up of a mix of lump sum, reimbursable and index-linked pricing.

Ijmuiden Ver Alpha, TenneT, The Netherlands
The first contract for the Ijmuiden Ver Alpha Project was awarded in March 2023, and was valued at over US$2 billion, split approximately equally between Petrofac and Hitachi Energy's scopes.

Nederwiek 1, TenneT, The Netherlands
The second contract for Nederwiek 1, a Dutch transmission station, was awarded in December 2023. The project is to be executed as a standalone project, with Petrofac's portion of the second contract valued at around US$1.4 billion.

Asset Solutions

NICK SHORTEN
Asset Solutions COO

The Asset Solutions division provides services across the full life cycle of energy infrastructure. It manages and maintains client assets, both onshore and offshore, delivers small to medium-scale EPC projects and provides concept, feasibility and front-end engineering design (FEED) services to both traditional hydrocarbon and energy transition markets. The division is also home to market-leading well engineering, decommissioning and training capabilities. The majority of services are executed on a reimbursable basis, but we are responsive to clients' preferred commercial models to deliver our expertise. Asset Solutions has three service lines: Asset Operations, Asset Development and Wells and Decommissioning.

2023 overview

Asset Solutions had another successful year for backlog growth in 2023, delivering a strong order intake of US$1.6 billion, with a closing backlog of US$2.0 billion (2022: US$1.8 billion).

Revenues grew year-on-year by 25% due to higher levels of activity from a high opening backlog and order intake in the year. EBIT reduced by 97% as a result of cost increases on one of its EPCC contracts pending client negotiations, a one-off bad debt provision, reduction in profits from associates following the sale of the Group's investments in the two PetroFirst Infrastructure associates, and the roll off of higher margin work in 2022.

Operational performance

In Asset Operations, we have a unique operator pedigree and a differentiated integrated service offering that drives value for our clients. During the year, we maintained our core 40% market share in the UK and a renewal rate of 80% for operations and maintenance contracts. Internationally, we continued to leverage our UK centre of excellence and expanded our operations with new awards in new and within existing geographies.

Our Well Engineering team helps clients to explore and develop resources, maintain and maximise existing wells, or prepare for end of life. Additionally, by leveraging our core capabilities developed in oil and gas, we support the rapidly growing energy transition market, including delivering conceptual design, detailed due diligence, risk reviews and cost estimates for all well types.

In mature basins, clients have continued to have an increased focus on mature, late-life and end-of-life asset management, seeking to extend the productive life and maximise the value from their assets. With over 20 years' decommissioning experience, Petrofac combines experience, a flexible commercial model and a strong supply chain collaboration to deliver predictable and cost-efficient decommissioning.

Additionally, our ability to provide a one-stop shop has led to multiple integrated decommissioning projects which showcase our Duty Holder services. Pioneered in the UK North Sea, this unique integrated service offering includes our engineering and project management capabilities and the plugging and abandoning of wells, throughout which we can take full responsibility from a regulatory perspective, as the operator of the infrastructure.

In energy transition projects, we entered into a number of strategic alliances with leading technology providers, as momentum in our four focus areas of offshore wind, carbon capture utilisation and storage (CCUS), hydrogen and waste-to-value continues to increase. We executed 35 Pre-FEED and FEED studies in 2023 (2022: 39 Pre-FEED and FEED studies), and we are well-positioned over the medium term to secure EPC and other execution phase work as projects reach final investment decision.

Financial performance

Revenue for the year grew 25% compared with the previous year at US$1.4 billion (2022: US$1.2 billion), primarily driven by growth in Asset Operations. Full year EBIT was US$2 million (2022: US$60 million), with an EBIT margin of 0.1% (2022: 5.2%). EBIT during the year was adversely impacted by additional costs recognised on an EPCC contract, a bad debt provision of approximately US$11 million for a client going into administration, and lost trading income following the sale of the Group's investments in the two PetroFirst Infrastructure associates. Excluding these one-off events, underlying EBIT in the year was US$13 million, with an EBIT margin of 0.9% reflecting the completion of historic high-margin contracts in 2022.

Backlog at 31 Dec 23 by country

UK	50%	Thailand	5%
USA	14%	India	5%
Ivory Coast	7%	Others	13%
Australia	6%		

Backlog at 31 Dec 23 by market

Asset Operations	54%
Wells & Decommissioning	32%
Asset Development	14%

Segmental overview continued

New orders

Asset Solutions had a robust order intake in 2023, securing US$1.6 billion of awards and extensions in the year (2022: US$1.4 billion).

Key awards included:

Integrated services contract, Ivory Coast
Petrofac was awarded a three-year integrated services contract for a floating production storage and offloading (FPSO) vessel in Ivory Coast, Africa. The contract builds upon Petrofac's existing relationship with CNR International in the UKCS, which has centred around the provision of operation and maintenance services.

Integrated services contract, United Kingdom
In June 2023, Petrofac was awarded an extension to its integrated services contract with NEO Energy, worth £250 million, to continue to deliver operations, maintenance, engineering and construction support.

Late life asset management renewal, Gulf of Thailand
Petrofac was awarded a five-year extension for the provision of operations and maintenance (O&M) services on the FPF-003 floating production, storage and offloading (FPSO) vessel, located in the Jasmine field in the Gulf of Thailand.

Decommissioning scope increase, Gulf of Mexico
In June 2023, Petrofac added a third Gulf of Mexico field, and extended the scope of its existing contract to decommission two fields, offshore Gulf of Mexico. The scope includes the safe, efficient and assured decommissioning of the fields and operation of the fields during the execution of the decommissioning work.

Decommissioning contract, UK
In October 2023, Petrofac was awarded a multi-million pound deal with Saipem to support the decommissioning of a platform in the UK sector of the North Sea, supporting the UK energy transition.

Operations and maintenance extension, UK
In October 2023, Petrofac was awarded a three-year contract extension in support of Repsol Sinopec Resources UK's North Sea operations worth more than US$100 million. The award, for the provision of operations and maintenance services, is testament to the Company's established track record and existing long-term relationship with Repsol Sinopec.

Brownfield EPC framework, UK
In December 2023, Petrofac secured an engineering, procurement, construction and commissioning (EPCC) Framework Agreement with TotalEnergies to deliver EPCC solutions across TotalEnergies UKCS assets.

Energy transition

In energy transition, we continue to secure further early-stage awards and strategic alliances with technology providers. We remain well positioned over the medium-term to secure engineering, procurement and construction scopes of work, as projects reach final investment decision.

Key awards included:

Gasification-based green methanol programme partnership, OCI Global
In April 2023, OCI Global and Petrofac announced an exclusive partnership for their gasification-based green methanol programme. The programme will support the production of low-carbon feedstock for OCI's existing methanol facilities.

OCI will work together with Petrofac, on an exclusive basis, on the design of a standardised gasification process and modular design for the delivery of new waste-fed facilities. Petrofac will deploy its engineering, procurement and project management expertise to provide continued support to OCI for the delivery of the programme.

Carbon storage FEED, Neptune Energy
In December 2023, Petrofac's consulting team began work on the front-end engineering design (FEED) on a project that aims to play a key role in supporting the European Union in reaching its decarbonisation goals. The FEED, awarded to Petrofac by Neptune Energy, is for its L10 Operation facilities – a carbon storage infrastructure development that will connect to the Netherlands' flagship Carbon Capture, Transportation and Storage (CCS) project, Aramis.

The L10 Operation is being developed by Neptune Energy, alongside its partners EBN, Tenaz Energy and ExxonMobil, and seeks to store up to five million tonnes of carbon dioxide (CO_2) annually, which will be captured from industrial emitters in the region.

Integrated Energy Services

Integrated Energy Services (IES) is Petrofac's upstream oil and gas business. Our interest in the Production Sharing Contract (PSC) for Block PM304, Malaysia's offshore Cendor field, is the sole asset in the portfolio.

Operational performance

Net production for the year was maintained at 1,260 thousand barrels of oil equivalent (kboe) in 2023 (2022: 1,261 kboe) mainly due to strong reservoir management and excellent facilities performance coupled with stabilisation of water production in East Cendor.

During 2023, IES achieved an emissions reduction of 15% and an emissions intensity reduction of 14%. This was due to a combination of operational optimisations, flare reduction, reservoir management, logistics enhancements and employee commuting patterns. Our Flare Reduction Taskforce, in partnership with Block PM304 Reservoir Management and Operations Teams in Malaysia, achieved a reduction of 14% in absolute emissions.

The average realised oil price for Block PM304 decreased by 17% to US$93/boe in 2023 (2022: US$112/boe).

Financial performance

Revenue for the year decreased 12% to US$121 million (2022: US$137 million), reflecting the lower realised oil price. Business performance EBITDA decreased 17% to US$90 million (2022: US$109 million) principally reflecting the lower revenue from PM304. IES generated business performance EBIT of US$34 million (2022: US$58 million), driven by a decrease in realised oil price. Reported EBIT was US$41 million (2022: US$71 million), following a partial reversal of prior year impairment charges of US$7 million as detailed below.

Impairment of Block PM304

The production sharing contract for Block PM304 in Malaysia expires in September 2026, and we are not in continued discussions with Petronas in respect of an extension. Based on developments in the current year and the unlikely scenario of an extension, management continues to assume that it will not be secured when assessing the carrying value of the asset at the year-end. The review of all relevant assumptions resulted in an impairment reversal of US$7 million (2022: US$6 million reversal) recorded in the year. As a result of this impairment, the net book value carrying amount of Block PM304 as of 31 December 2023 is US$73 million (2022: US$86 million).

Financial review

focus

on near-term priorities

AFONSO REIS E SOUSA
Chief Financial Officer

In a year which delivered excellent backlog growth to close at US$8.1 billion, the Group's financial performance in 2023 reflected the ongoing challenges in closing commercial settlements on legacy Engineering & Construction (E&C) contracts and the restricted access to guarantees for the new E&C contracts awarded in 2023. This resulted in a business performance[2] EBIT loss of US$393 million (2022 restated[3]: US$229 million) and an increase in net debt to US$583 million (2022: US$349 million), with liquidity of US$201 million (2022: US$506 million). The reported EBIT loss was US$418 million (2022 restated[3]: US$236 million).

E&C performance was impacted by the recognition of additional costs on the Thai Oil Clean Fuels project, one-off write-downs on legacy contracts incurred to protect and accelerate cash flows, and low levels of activity, resulting from the aged legacy portfolio, giving an adverse operating leverage. Asset Solutions had another successful year with strong order intake, but with EBIT performance adversely impacted by a one-off bad debt provision relating to a customer entering administration and additional costs incurred in an EPCC contract. IES continued to deliver ahead of expectations with net production broadly in line with the prior year.

The Group made progress on its near-term priorities, continued to perform well for its clients and secured significant new awards which drove growth in backlog but with minimal impact on other financial metrics in the year. Good progress was made during the year in agreeing contractual settlements for historic collections, and actions taken by management resulted in positive free cash flow in the second half of the year, even in the absence of advance payment receipts, offset by an increase in the requirement to provide collateral for guarantees. However, the increased difficulty in securing these guarantees and the resulting tightening in liquidity towards the end of 2023 and into 2024 has created operational challenges. Management is currently progressing the critical Financial Restructure to help strengthen the Group's balance sheet as well as improving liquidity and securing guarantees.

Financial restructure

As set out on pages 8 and 9, the Company is pursuing a comprehensive financial restructure (Financial Restructure), to strengthen the Group's balance sheet, improve liquidity and to secure guarantees on normal commercial terms.

The Company has received a proposal from an ad hoc group of senior secured noteholders for the provision of new funding of up to US$200 million as well as further credit support of US$100 million to facilitate the provision of guarantees on existing contracts. This non-binding proposal is dependent upon, amongst other things, the Company securing performance guarantees for certain of its contracts and would require the conversion of a significant proportion of the Group's existing debt to equity. The Company is in active discussions with credit providers to provide these guarantees.

	Year ended 31 December 2023			Year ended 31 December 2022 (restated)[3]		
	Business performance[2] US$m	**Separately disclosed items US$m**	**Reported US$m**	Business performance[2] US$m	Separately disclosed items US$m	Reported US$m
Revenue	**2,496**	**–**	**2,496**	2,567	–	2,567
EBITDA	**(310)**	**(30)**	**(340)**	(150)	(12)	(162)
EBIT	**(393)**	**(25)**	**(418)**	(229)	(7)	(236)
Net loss[1]	**(485)**	**(20)**	**(505)**	(294)	(26)	(320)

Income statement

Revenue

Group revenue reduced marginally to US$2.5 billion (2022: US$2.6 billion), with the reduction in E&C being largely offset by growth in Asset Solutions. Revenue in the E&C operating segment decreased 27% reflecting the low opening backlog and the maturity of the E&C legacy contract portfolio. Asset Solutions had a strong revenue performance in the year, with growth of 25% year-on-year primarily driven by growth in Asset Operations. Revenue in the IES operating segment decreased 12% resulting from lower average realised oil prices during the year.

The Group generated revenue from a broad range of geographic markets in 2023, with UK, Algeria, Lithuania and Malaysia generating 59% of Group revenue (2022: top four markets – UK, Algeria, Thailand and Oman – generated 61% of Group revenue).

Earnings Before Interest and Tax (EBIT)

The Group reported a business performance[2] EBIT loss of US$393 million (2022 restated[3]: US$229 million). This included US$90 million of one-off write-downs in E&C contract settlements to protect cash flows, and a one-off bad debt provision of US$11 million for a client going into administration in the Asset Solutions segment. The reported EBIT was a loss of US$418 million (2022 restated[3]: US$236 million), with US$25 million (2022: US$7 million) of separately disclosed items.

E&C had a business performance[2] EBIT loss of US$422 million (2022 restated[3]: US$323 million). Excluding the one-off write-downs, E&C's business performance[2] EBIT loss of US$332 million, reflected adverse operating leverage due to low levels of activity and the impact of further unrecovered costs in the legacy portfolio. On the Thai Oil Clean Fuels Project, client negotiations are ongoing in relation to the reimbursement of a portion of the additional costs. The timing and outcome of these negotiations is not wholly within the Company's control, which resulted in further margin deterioration in 2023.

External revenue by geographical segment

United Kingdom	32%	Americas	7%
Algeria	10%	Oman	5%
Lithuania	9%	Thailand	5%
Malaysia	7%	Australia	5%
		Other	20%

1. Attributable to Petrofac Limited shareholders.
2. This measurement is shown by Petrofac as a means of measuring underlying business performance, see note 4 of the consolidated financial statements.
3. The prior year numbers are restated as detailed in note 2.9 to the consolidated financial statements.

Financial review continued

In Asset Solutions, business performance[2] EBIT was below the prior year at US$2 million (2022: US$60 million), with an EBIT margin of 0.1% (2022: 5.2%). Excluding the impact of the one-off doubtful debt provision, underlying business performance[2] EBIT was US$13 million with an EBIT margin of 0.9%, reflecting the additional costs incurred on an EPCC contract, the completion of historic high margin contracts in 2022 and pass-through revenue. Business performance[2] EBIT in IES decreased to US$34 million (2022: US$58 million) driven by a decrease in the realised oil price.

Group business performance[2] EBIT margin was below the previous year at (15.7)% (2022 restated[3]: (8.9)%) reflecting the one-off impact and the reductions in E&C and Asset Solutions described above, additional losses in E&C and the lower contributions from Asset Solutions and IES.

Year ended 31 December 2023

	Engineering & Construction US$m	**Asset Solutions US$m**	**Integrated Energy Services US$m**	**Corporate & others US$m**	**Consolidation adjustments & eliminations US$m**	**Business performance[2] US$m**	**Separately disclosed items US$m**	**Reported US$m**
Total revenue	936	1,446	121	6	(13)	2,496	–	2,496
EBIT	(422)	2	34	(7)	–	(393)	(25)	(418)
EBIT margin	(45.1)%	0.1%	28.1%	n/a	n/a	(15.7)%	–	(16.7)%

Year ended 31 December 2022 (restated)[3]

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Business performance[2] US$m	Separately disclosed items US$m	Reported US$m
Total revenue	1,287	1,158	137	6	(21)	2,567	–	2,567
EBIT	(323)	60	58	(24)	–	(229)	(7)	(236)
EBIT margin	(25.1)%	5.2%	(42.3)%	n/a	n/a	(8.9)%	n/a	(9.2)%

Depreciation and amortisation

Business performance depreciation and amortisation increased marginally to US$83 million (2022: US$79 million). Reported depreciation and amortisation was US$64 million (2022: US$74 million), resulting from the partial reversal of the previously recognised impairment in relation to Block PM304.

	2023 US$m	2023 US$m
Engineering & Construction	**10**	12
Asset Solutions	**11**	10
Integrated Energy Services	**56**	51
Corporate	**6**	6
Total (business performance[2])	**83**	79
Separately disclosed items	**(5)**	(5)
Total (reported)	**78**	74

Finance income/(expense)

Business performance finance income during the year was US$6 million (2022: US$7 million). Reported finance income increased during the year to US$11 million (2022: US$7 million) due to the reversal of some of the previously recorded embedded derivative fair value loss associated with the revolving credit facility (see note 6 to the consolidated financial statements). Business performance finance expense increased to US$119 million (2022: US$98 million), due to the increase in the Group's borrowing costs, primarily attributable to the increase in the Group's average net debt levels and an increase in market interest rates during the year.

	2023 US$m	2022 US$m
Finance income		
Bank interest	**1**	1
Interest income from joint operations in respect of leases	**5**	6
Business performance[2] finance income	**6**	7
Separately disclosed items	**5**	–
Total finance income	**11**	7

	2023 US$m	2022 US$m
Finance expense		
Group borrowings	**(105)**	(85)
Lease liabilities	**(9)**	(12)
Unwinding of discount on provisions	**(5)**	(1)
Total business performance[2] finance expense	**(119)**	(98)
Separately disclosed items	**–**	(18)
Reported finance expense	**(119)**	(116)

Taxation

Both the business performance[2] and reported income tax credit for the year were US$3 million (2022 restated[3]: business performance expense of US$1 million and reported expense of US$2 million). This primarily reflects tax provision releases in respect of previous years. Tax provision releases in the year were US$14 million (2022 restated[3]: US$34 million) driven by favourable outcomes from tax audits and adjustments to estimates concerning amounts expected to be paid in certain jurisdictions.

Net profit/(loss)

Business performance[2] net loss attributable to Petrofac Limited shareholders for the year was US$485 million (2022 restated[3]: US$294 million) primarily due to the lower EBIT and the higher net finance expense in the year. Business performance[2] net margin was (19.4)% (2022 restated[3]: (11.5)%).

The reported net loss was US$505 million (2022 restated[3]: US$320 million) which resulted from the movements noted above and the lower net separately disclosed items incurred in 2023.

Financial review continued

Separately disclosed items

During the year, the Group incurred US$20 million (2022: US$26 million) of net separately disclosed items.

These predominantly related to:

- US$(7) million non-cash reversal of impairment of assets resulting from a review of the carrying amount of the investment in Block PM304 in Malaysia
- US$20 million of restructuring and refinancing-related costs in relation to professional services fees for non-recurring projects within the Corporate reporting segment
- US$8 million losses on disposals. During 2023, the Group sold its investment in two associates and disposed of its shareholding in a wholly-owned subsidiary, (see note 6 to the consolidated financial statements)
- US$5 million of cloud ERP software implementation costs
- US$(5) million of fair value gain associated with the embedded derivative in respect of the Revolving Credit Facility
- Other net separately disclosed gains of US$(1) million

Further details of these separately disclosed items can be seen in note 6 of the consolidated financial statements.

Cash flow

Operating cash flow

Operating activities generated a net cash outflow of US$97 million (2022: US$146 million), principally reflecting the working capital inflow during the year partially offsetting EBITDA losses and other operating outflows. Net income taxes paid decreased to US$35 million (2022: US$52 million) due to lower payments resulting from tax assessments and liabilities.

	2023 US$m	2022 (restated)[3] US$m
Business performance[2] EBITDA	**(310)**	(150)
Operating profit adjustments	**14**	(12)
Operating loss before changes in working capital and other items	**(296)**	(138)
Net working capital movement	**257**	159
Separately disclosed items paid	**(23)**	(115)
Net income taxes paid	**(35)**	(52)
Net cash flows used in operating activities	**(97)**	(146)

Working capital inflow/(outflow):

	2023 US$m	2022 (restated)[3] US$m
Inventories	**6**	7
Trade and other receivables	**(252)**	(101)
Contract assets	**495**	273
Restricted cash	**(112)**	26
Net derivative contracts	**(7)**	6
Trade and other payables	**59**	(95)
Contract liabilities	**135**	81
Accrued contract expenses	**(67)**	(38)
Net working capital movements	**257**	159

The net working capital inflow of US$257 million (2022 restated[3]: US$159 million) was due to the conversion of contract assets to receivables and collections partially offset by an increase in restricted cash due to the provision of collateral for guarantees.

These cash inflows were largely driven by the progress achieved in the E&C operating segment in reaching contractual settlements. Underlying DSO (days sales outstanding) decreased as the Group made progress in collecting payments from clients.

Accrued contract expenses outflow increased, largely driven by the delays in securing guarantees required to collect advance payments on new contracts secured during the year in the E&C business unit, partly offset by progress made in reaching contractual settlements in the mature E&C project portfolio.

Free cash flow

The free cash outflow for the year of US$223 million (2022: US$188 million) primarily reflects the operating outflows and higher interest payments in the year attributable to the increase in the Group's average net debt levels, with the prior year including higher divestment proceeds.

Group capital expenditure decreased to US$16 million (2022: US$46 million), with only modest levels of spend across the Group, as the development programme in Block PM304 reached maturity.

	2023 US$m	2022 US$m
Net cash flows generated from operating activities	**(97)**	(146)
Capital expenditure	**(16)**	(46)
Net cash flows from divestments	**(1)**	98
Receipts from joint operation partners in respect of leases	**28**	28
Other investing activities, including dividends received from associates	**21**	18
Net cash flows generated from investing activities	**32**	98
Interest paid	**(101)**	(86)
Repayment of lease liabilities	**(57)**	(54)
Free cash flow	**(223)**	(188)

Balance sheet

IES carrying amount

The carrying amount of the IES portfolio stood at US$73 million at 31 December 2023 (2022: US$86 million), solely comprising the Group's interests in its operations in Malaysia and reflecting the impairment reversal described above.

Leases

Net lease liabilities, calculated as gross lease liabilities minus 64.7% of leases relating to Block PM304 in Malaysia, reflecting the amount receivable from joint operation partners, decreased 33% to US$78 million at 31 December 2023 (31 December 2022: US$116 million). Net lease liabilities attributable to PM304 amounted to US$38 million (31 December 2022: US$52 million) and largely relate to the bareboat charters for the floating equipment used for block operations.

Total equity

Total equity at 31 December 2023 decreased to US$(436) million (2022 restated[3]: US$102 million), reflecting the operational losses in the year. No dividends were paid in the period (2022: nil).

Of the US$(436) million of total equity at 31 December 2023, US$(401) million (2022 restated[3]: US$119 million) was attributable to Petrofac Limited shareholders and US$(35) million (2022: US$(17) million) was attributable to non-controlling interests.

Net debt, liquidity and financial restructure

Net debt

Net debt, excluding net finance leases, increased to US$583 million at 31 December 2023 (2022: US$349 million), predominantly reflecting the free cash outflow in the year.

Total gross borrowings less associated debt acquisition costs were US$784 million at 31 December 2023 (2022: US$799 million). This consisted of US$586 million senior secured notes, US$127 million drawn on the revolving credit facility and US$71 million of term loans (net of debt acquisition costs).

	31 December 2023 US$m	31 December 2022 US$m
Cash and short-term deposits	**201**	450
Interest-bearing loans and borrowings	**(784)**	(799)
Net debt	**(583)**	(349)

Liquidity

Following the extension of the debt facilities in April 2023, and the subsequent amortisations payments made during the year, the Group's total available borrowing facilities, excluding bank overdrafts, was US$797 million at 31 December 2023 (2022: US$880 million).

The facilities were fully drawn at 31 December 2023 (31 December 2022: US$56 million undrawn). With the Group's cash and short-term deposits of US$201 million (2022: US$450 million), the Group had US$201 million of liquidity available at 31 December 2023 (31 December 2022: US$506 million).

Borrowing facilities	Amount (US$m)	Maturity date[4]
Senior secured notes	600	Nov-26
Revolving credit facility	127	Oct-24
Term loan 1	35	Oct-24
Term loan 2	35	Oct-24
Total borrowing facilities	797	

Financial restructure

The Financial Restructure is detailed on pages 8 and 9. As at 31 May, we are in active discussions with creditors and prospective credit providers in relation to this critical restructure, which is designed to deliver a strengthened balance sheet through the conversion of a substantial portion of existing debt into equity, an improvement in liquidity, through the provision of US$200 million of new debt and more than US$200 million through the release of cash collateral and retentions. This restructure is required to repair the Group's currently fragile financial position.

The successful implementation of the Financial Restructure is critical and is subject to reaching an inter-conditional agreement with these key stakeholders, securing a number of necessary approvals from various stakeholders including our shareholders and completing the required judicial process. This is not expected to be completed before September 2024, at the earliest, albeit with the necessary inter-conditional agreements being reached approximately one to two months prior to final implementation.

Financial review continued

The revolving credit facility and the term loans are subject to financial covenants relating to minimum liquidity and minimum EBITDA. The Group was compliant with the minimum liquidity covenant throughout the year and the EBITDA covenant for the first three quarters following an amendment granted by lenders. The Group received a waiver in respect of the EBITDA covenant for the quarter ended 31 December 2023 (see note 26 to the consolidated financial statements).

Going concern

The Directors considered the going concern assessment for the extended period up to 31 December 2025 (the Assessment Period) in light of the ongoing Financial Restructure, which is seeking to materially strengthen the Group's balance sheet, improve liquidity and secure guarantees on normal commercial terms to support current and future contracts.

The Group closely monitors and manages its funding position and liquidity headroom by producing detailed cash forecasts and assessing downside sensitivities considered to be severe but plausible based on the Group's principal risks and uncertainties.

At the date of signing the financial statements, the Financial Restructure remains in progress and requires the setting and agreement of the associated commercial terms with all of the relevant stakeholders, the securing of guarantees, the necessary approvals from its shareholders and other key stakeholders and completing the judicial process.

Due to the number of steps indicated above and their inter-conditionality, the success and timing of the implementation of the Financial Restructure and subsequent receipt of new funds and cash collateral and retentions, is uncertain. The Directors' assessment of Going Concern is predicated on the ability to maintain sufficient liquidity prior to, and the successful implementation of, the Financial Restructure and the subsequent receipt of the associated funds, as detailed above, as well as the ability to maintain sufficient liquidity throughout the Assessment Period post-implementation in the mitigated severe but plausible downside scenario.

Whilst there is uncertainty in these outcomes, based on the current status of the process, and taking into account the advice from the Company's external financial, legal and liquidity advisors, the Directors have concluded that there is currently a reasonable prospect that the Group will be successful in implementing the Financial Restructure and there is therefore a realistic alternative to liquidation or cessation of operations. Assuming the successful implementation of the Financial Restructure, the cash forecasts show that the Group will have sufficient liquidity headroom during the Assessment Period in the mitigated severe but plausible downside scenario.

The Directors have concluded that there are a number of material uncertainties applicable to the going concern assessment, in accordance with accounting standards, that cast significant doubt upon the Group's ability to continue as a going concern during the Assessment Period.

These principally relate to the dependency on the Group successfully managing its short-term liquidity, implementing the Financial Restructure, the ability to continue to secure performance and advance payment guarantees on normal commercial terms following the Financial Restructure and the ongoing reliance on a small number of relatively high value collections from clients.

The full going concern assessment including the importance of the Financial Restructure, the short-term liquidity, the approach and assessment and the key risks, basis of preparation and conclusion, is detailed in note 2.5 to the consolidated financial statements on page 152.

Backlog

The Group's backlog more than doubled to US$8.1 billion at 31 December 2023 (2022: US$3.4 billion), reflecting the exceptional order intake in both E&C and Asset Solutions. Overall, Group order intake for the year was US$7.1 billion (2022: US$1.9 billion), representing a book-to-bill of 2.8x.

Order intake in E&C was US$5.5 billion (2022: US$0.5 billion) representing an exceptional book-to-bill of 5.9x, comprising new awards in both our core traditional and in energy transition projects. In the UAE and Algeria, Petrofac secured three major awards with key clients. We re-entered the UAE with two engineering, procurement and construction (EPC) awards from ADNOC worth over US$1.3 billion, including a carbon capture project.

In Algeria, we broadened our portfolio into the petrochemical sector in partnership with a petrochemicals technical specialist, with an EPC award of approximately US$1.0 billion to Petrofac. In energy transition, the Petrofac and Hitachi Energy partnership was awarded two projects from the six-project TenneT Framework Agreement. The two contracts with a value of more than $2 billion to Petrofac form a core part of the backlog.

Order intake in Asset Solutions was US$1.6 billion (2022: US$1.4 billion), with a book-to-bill of 1.1x, comprising awards, renewals and extensions in the year. During the year, we maintained our core 40% market share in the UK and a renewal rate of 80% for operations and maintenance contracts. Internationally, we continued to leverage our UK centre of excellence and expanded our operations with new awards in new – and within existing – geographies.

Backlog	**31 December 2023 US$bn**	31 December 2022 US$bn
Engineering & Construction	**6.1**	1.6
Asset Solutions	**2.0**	1.8
Group backlog	**8.1**	3.4

Dividends

The Board recognises the importance of dividends to shareholders and expects to reinstate them in due course, once the Company's performance has improved.

Prior year adjustments and controls deficiencies

Two prior year adjustments have been identified in the year and reflected in the comparative information in this year's financial statements.

The largest of these adjustments was in respect of one of the contracts in the E&C portfolio, where updated third-party quantum expert advice in support of our claim for a variation was not reported by our legal team to our finance team and E&C management or to the Group's auditor at the correct time. There was insufficient follow-up on the matter by legal and local finance teams in the post balance sheet event period, and therefore, appropriate evaluation of this update did not occur ahead of the issuance of the 2022 financial statements. This issue was identified by the Group's assurance and compliance teams, in response to enquiries from the Group's auditor, and highlighted areas of improvement in relation to the adequacy of information flows within the business, and in particular information flows as part of the year end finalisation process.

The other adjustment was in respect of tax provision releases in certain jurisdictions and errors in translating foreign currency balances totalling US$14 million which were identified as relating to the previous year.

Upon the conclusion of this investigation noted above (and additional associated investigations, see Audit Committee report on pages 115 to 124), the Board sought additional assurance in relation to the identified control deficiencies and to satisfy itself that there were no other similar occurrences within the broader contract portfolio. Accordingly, the Group undertook a series of incremental assurance activities, supplemented by support from external advisors (see the principal risks and uncertainties disclosures on pages 72 to 77 and the Audit Committee report on pages 115 to 124). These assurance activities did not identify any other occurrences.

Full details of the prior year adjustments can be found in note 2.9 to the consolidated financial statements.

1. Attributable to Petrofac Limited shareholders.
2. This measurement is shown by Petrofac as a means of measuring underlying business performance, see note 4 of the consolidated financial statements.
3. The prior year numbers are restated as detailed in note 2.9 to the consolidated financial statements.

AFONSO REIS E SOUSA
Chief Financial Officer

31 May 2024