Segmental overview

Engineering & Construction

Revenue (US$ million)

2022 1,311
2021 (restated)[2] 1,952
2020 3,090

Business performance EBIT[1] (US$ million)

2022 (299)
2021 (restated)[2] (62)
2020 79

Business performance EBIT margin

2022 (22.8%)
2021 (restated)[2] (3.2%)
2020 2.6%

Group revenue contribution (2022)

50%

Headcount at 31 December 2022

3,400

Asset Solutions

Revenue (US$ million)

2022 1,158
2021 1,111
2020 933

Business performance EBIT[1] (US$ million)

2022 60
2021 74
2020 50

Business performance EBIT margin

2022 5.2%
2021 6.7%
2020 5.4%

Group revenue contribution (2022)

45%

Headcount at 31 December 2022

4,000

Integrated Energy Services

Revenue (US$ million)

2022 137
2021 50
2020 110

Business performance EBIT[1] (US$ million)

2022 58
2021 (6)
2020 (30)

Business performance EBIT margin

2022 42.3%
2021 12.0%
2020 27.3%

Group revenue contribution (2022)

5%

Headcount at 31 December 2022

250

US$ million For the year ended 31 December	Revenue 2022	Revenue 2021[2]	EBITDA[1] 2022	EBITDA[1] 2021[2]	EBIT[1] 2022	EBIT[1] 2021[2]
Engineering & Construction	**1,311**	1,952	**(287)**	(38)	**(299)**	(62)
Asset Solutions	**1,158**	1,111	**70**	84	**60**	74
Integrated Energy Services	**137**	50	**109**	21	**58**	(6)
Corporate, others, consolidation adjustments and eliminations	**(15)**	(75)	**(18)**	(11)	**(24)**	(18)
Group	**2,591**	3,038	**(126)**	56	**(205)**	(12)

% For the year ended 31 December	Revenue growth 2022	Revenue growth 2021[2]	EBITDA margin 2022	EBITDA margin 2021[2]	EBIT margin 2022	EBIT margin 2021[2]
Engineering & Construction	**(32.8)**	(36.8)	**(21.9)**	(1.9)	**(22.8)**	(3.2)
Asset Solutions	**4.2**	19.1	**6.0**	7.6	**5.2**	6.7
Integrated Energy Services	**174.0**	(54.5)	**79.6**	42.0	**42.3**	(12.0)
Group	**(14.7)**	(25.5)	**(4.9)**	1.8	**(7.9)**	(0.4)

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.

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. 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, petrochemicals and new energies infrastructure projects. In 2022, Petrofac was named as one of the top three EPC companies in Oil & Gas Middle East magazine.

Operational performance

2022 has been a challenging year operationally, as we progressed with the completion of the legacy Covid-19 affected portfolio of projects. Seven of the active lump-sum contracts were completed or substantially completed[1] during the year, with five of the remaining eight scheduled to be completed in 2023. However, due principally to the extended impact of the Covid-19 pandemic on the scheduling and scope of work on these projects throughout the year, additional costs have been incurred, which cannot be fully recovered from our clients.

Similarly, on the Thai Oil Clean Fuels project, where we are jointly liable with our partners for performing the contract, due to the scale and complexity of this project, the scheduling and additional work required to complete the project has been affected even more by the knock-on impacts of the pandemic. As a result, we have recognised an increase in costs, driven by a reassessment, with the partners, of the forecast costs to complete the project. Petrofac will continue to work closely with its partners to pursue the recovery of costs over the course of the contract and, in addition, seek to realise other portfolio upsides.

Despite these challenges, we have continued to execute projects to our high standards and deliver projects to clients that maintain our reputation for execution.

Energy transition

In offshore wind, we entered into a collaboration with Hitachi Energy in June 2022 to work together to provide joint grid integration and associated infrastructure to the rapidly growing offshore wind market. Petrofac brings to the partnership its EPC and installation capabilities, developed from executing major projects in the sector for more than a decade, having successfully delivered the BorWin 3 platform and the HZK Alpha and Beta platforms, with the Seagreen offshore wind project close to completion.

Preparing for the upcycle

In 2022, E&C has successfully positioned itself for growth in anticipation of the expected upcycle. It has restored relationships with key clients in the UAE where there is a strong pipeline of opportunities. Through the reshaping and strengthening of the delivery functions, along with further right-sizing of the business, whilst maintaining capability, E&C has enhanced its operational and functional excellence, and is well-placed to execute new projects as they are awarded at industry-leading margins.

Financial performance

Revenue for the year decreased 33% to US$1.3 billion (2021 restated: US$2.0 billion), reflecting the lower levels of activity compared with the prior year. Full year EBIT was a loss of US$299 million (2021 restated: US$62 million), reflecting the impact of further unrecovered cost overruns in the legacy portfolio, cost increases on the Thai Oil Clean Fuels contract and adverse commercial settlements.

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 22 by country

Lithuania	30%	Libya	6%
Thailand	24%	Iraq	3%
Algeria	22%	Others	9%
Oman	6%		

Backlog at 31 Dec 22 by market

Refining	58%
Upstream gas	28%
Upstream oil	12%
New energies	4%

Segmental overview continued

ENGINEERING & CONSTRUCTION

Resilience

Duqm Refinery

- US$2.2 billion total project value
- 50/50 joint venture with Samsung Engineering
- 230,000 barrels a day – doubling Oman's total refining capacity
- 2,000-acre footprint

Global refining capacity looks set to continue to expand in the coming years, and we have built good credentials in the market, with prestigious projects in the Middle East, Southeast Asia, and Central Europe.

We have an established track record in designing, building, and commissioning large, complex refineries. We also have significant experience in supporting clean fuels refining projects as clients transform existing facilities to produce higher quality and more environmentally friendly transportation fuels.

A key milestone for Petrofac was the initial 'coming to life' of the vast Duqm Refinery in Oman. During 2022, all the key milestones were achieved including the introduction of water and natural gas, firing of the auxiliary boilers, inauguration of the main administration building, opening of the Central Control Room and the lighting of the 180m tall flare.

Challenges encountered along the way included the disruption caused by the pandemic. With international travel restricted at a critical time, and vendors and contractors stranded around the world, the vital integration tests had to be conducted remotely – thanks to a combination of secure high-speed data links, a range of remote collaboration tools, and a spirit of collective determination.

As ever, in-country value was a key consideration. Among the components produced locally were nine huge LPG storage vessels, some of the largest ever manufactured in the Sultanate. Through the project, we also provided local and international scholarship programmes to 45 Omani students.

"Duqm Refinery is an engineering and construction masterpiece on a massive scale. Once complete, it will be the biggest refinery in Oman, delivering products to customers around the world, diversifying the local economy, and fuelling economic growth for the Sultanate."

IAN DEBATTISTA
Vice President Operations and Project Director

New orders

Industry awards were lower than expected in 2022, and, as a result, E&C's reduced new order intake for the year was US$0.5 billion, comprising an EPC award in Algeria and other net variation orders. However, following a sustained period of under-investment in the sector, the market outlook remains positive for 2023 awards, driven by a renewed focus on energy security, affordability and sustainability.

In 2022, following the reshaping of the organisation and the implementation of best-in-class compliance processes, the response from clients has been very encouraging, evidenced by the reinstatement of Petrofac to the ADNOC bidding list. We are now free to compete in all upcoming tenders in Abu Dhabi where there is a strong pipeline of opportunities.

Tinrhert EPC2 Development Project, Algeria

In September 2022, E&C, in partnership with Genie Civil et Batiment (GCB), secured a US$300 million EPC contract with Sonatrach for the Tinrhert EPC2 Development Project of which Petrofac's share is around US$200 million. This award follows the successful delivery of the 2018 contract awarded by Sonatrach for the Tinrhert EPC1 project.

The project will boost natural gas production and remove CO_2 from the field's gas reserves, within specifications for the global market, enabling further economic growth in Algeria.

This award evidences a recognition of Petrofac's execution capability, our unique mix of skills, and our track record of utilising partnerships, local delivery and the creation of in-country value to deliver exceptional outcomes for our clients and their communities.

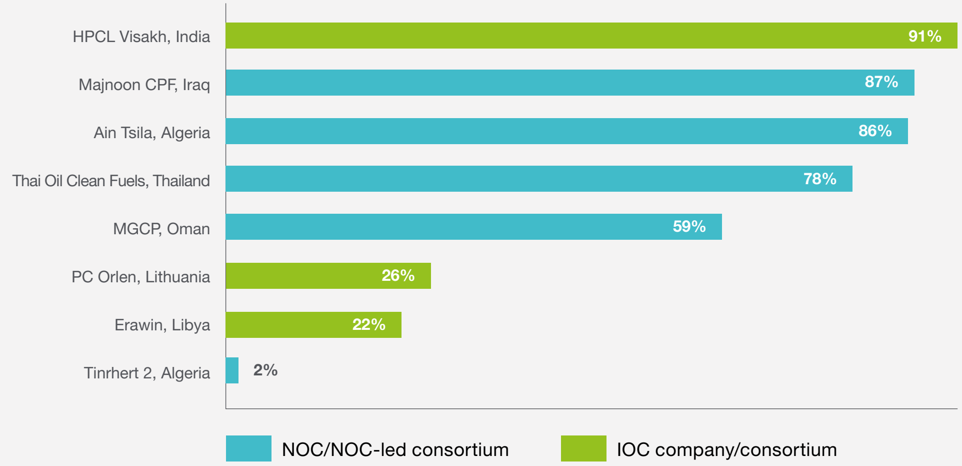
TenneT 2GW Programme, Netherlands

In January 2023, the partnership of Petrofac and Hitachi Energy signed early works agreements with TenneT in support of their 2GW Programme. Under the terms of the agreements, preparatory work and detailed engineering will begin, to ensure timely delivery of the first two Dutch offshore converter stations for TenneT's high voltage direct current (HVDC) offshore wind grid expansion. This award represented the first step in both TenneT's ambitious 40GW programme and Petrofac and Hitachi Energy's partnership to support the offshore wind sector.

At the end of March 2023, the partnership of Petrofac and Hitachi was awarded a multi-year framework agreement by TenneT worth approximately €13 billion. The framework agreement, which represents the largest in Petrofac's history, covers six projects. Each project comprises the EPCI of an offshore HVDC transmission station, onshore converter station and associated infrastructure.

ENGINEERING & CONSTRUCTION – KEY PROJECT PROGRESS

Key project status, % completion, December 2022[1]



1. Excludes projects that are >95% complete.

Segmental overview continued

TRANSITION

Collaboration with TenneT and Hitachi Energy

- Early works agreements from TenneT
- Largest framework agreement in Petrofac's history
- Grid integration and associated infrastructure
- Support for TenneT's 2GW programme
- A key step in Europe's energy transition

While considerable growth is projected across the new energies sector, the most immediate and material opportunity is in offshore wind.

As well as being one of the cleanest and greenest forms of energy available, offshore wind is also one of the most cost-effective. Yet, as the offshore wind sector scales up, technical, resourcing and supply chain challenges need to be addressed.

As in our traditional oil and gas projects, we always seek to take an innovative, problem-solving approach to such challenges, and one of the ways we can do this is by forming innovative, value-creating partnerships.

In June 2022, we entered a collaboration with Hitachi Energy, to provide joint grid integration and associated infrastructure to support clients in the rapidly growing offshore wind market.

The collaboration builds on the complementary core technologies and expertise of both our companies in offshore wind.

The initial aim was to help a key client, TenneT, to accelerate the preparatory works in its current 2GW Programme, and pave the way for an eventual 40GW of offshore wind capacity. The partnership ultimately led to a significant early work agreement between TenneT, Hitachi Energy and Petrofac, which was further enhanced by the award of Petrofac's largest ever framework agreement – a multi-year deal worth approximately €13 billion.

We hope that the collaboration will help other clients to accelerate their respective wind farm developments.

It's a great collaboration. We look forward to bringing our industry-leading experience and deep domain knowledge together, to benefit our customers and power millions more homes using renewable energy."

JOHN PEARSON
Chief Operating Officer, New Energy Services

Asset Solutions

NICK SHORTEN
Asset Solutions Chief Operating Officer

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. The division is also home to market-leading well engineering and decommissioning capabilities. The majority of Asset Solutions 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.

Operational performance

Asset Solutions delivered another robust performance in 2022, with a strong book-to-bill of 1.2x for the year with each of the service lines continuing to deliver growth. We maintained our core 40% market share in the UK and a renewal rate of 80% for operations and maintenance contracts. Internationally, we have expanded our operations into new – and within existing – geographies with awards across each of the service lines, including further expansion in the new energy services sector.

In mature basins, clients have increased their focus on late-life and end-of-life asset management strategies, seeking to extend the productive life and maximise the value from their assets. As a result, we saw strong growth in our Wells and Decommissioning business, with significant contract awards in Australia and the Gulf of Mexico. 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 the wells, throughout which we can take full responsibility from a regulatory perspective, as the operator of the infrastructure.

In new energies, we entered into a number of strategic alliances with leading technology providers, as momentum in our four focus areas of offshore wind, CCUS, hydrogen and waste-to-value continues to increase. We executed 39 Pre-FEED and FEED studies in 2022, up from 18 in 2021, 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 was up 4% compared with the previous year at US$1.2 billion (2021: US$1.1 billion), benefiting from strong order intake in the year. Full year EBIT was US$60 million (2021: US$74 million). EBIT margin for the year was 5.2% reflecting the contract portfolio mix with the roll-off of certain historic high-margin contracts.

New orders

Asset Solutions had another strong year of order intake, securing US$1.4 billion of awards and extensions in the year (2021: US$1.0 billion), representing a book-to-bill of 1.2x.

Key awards included:

- **United Arab Emirates** – with the restoration of the relationship with ADNOC, we have subsequently won awards for a brownfield EPC project to optimise operations and reduce emissions and a field maintenance services contract extension
- **Australia** – in the first of its kind in Australia, Petrofac was awarded a major decommissioning contract by the Australian Government heralding the start of an era of decommissioning in the nation's offshore oil and gas sector
- **Gulf of Mexico** – we entered into an alliance with Promethean Decommissioning Company, a decommissioning operator for the decommissioning of fields in the offshore Gulf of Mexico. The project uses Petrofac's proprietary project management tool to deliver the decommissioning project with comprehensive dashboards, transparency, and assurance.

Backlog at 31 December 2022 by country

UK	39%	Mauritania	6%
US	12%	Oman	6%
Australia	11%	Malaysia	4%
Bahrain	8%	Azerbaijan	3%
India	6%	Other	5%

Backlog at 31 December 2022 by market

Wells & Decommissioning	41%
Asset Operations	37%
Asset Development	22%

Segmental overview continued

- **Africa** – Petrofac continued to grow its presence in Africa with awards to provide offshore operating services and well decommissioning services in Mauritania, Ghana and Senegal
- **India** – As part of our geographical expansion, Petrofac was chosen to provide integrated Operations and Maintenance (O&M) services by Cairn Oil & Gas and Vedanta Limited, India's largest private oil and gas exploration company, in support of its upstream oil and gas facilities. Following this, we were also awarded a new O&M contract with Cairn, to provide integrated O&M and auxiliary services.
- **UK North Sea**
  We secured a number of extensions throughout the year:
  - With Serica Energy where we secured an extension for maintenance execution, maintenance consultancy and metering services having supported the team for more than four years to extend the field life of assets in the UKCS.
  - As Duty Holder, we secured a contract extension with EnQuest having supported the Kittiwake platform for more than two decades.
  - In our Wells and Decommissioning service line, we secured a contract with i3 to provide well engineering, well operations and well operator services for its UK North Sea licence areas.

New energies within Asset Solutions

In new energies, the strong momentum we have gained over the last two years continued with further developments in 2022. The market remains active, and we have secured a series of early-stage awards and strategic alliances with technology providers. This leaves us well positioned over the medium term to secure EPC and other execution phase project work, as projects reach final investment decision.

- **Carbon capture**: we secured our first carbon capture project within a UK cluster, with the Pre-FEED award for a UK refinery, in addition to work with Stockholm Exergi and Storegga
- **Hydrogen**: with our first new energies project in Egypt, we are assisting Mediterranean Energy Partners assess the feasibility of a new green hydrogen to ammonia facility which could open up other opportunities for the subsequent EPC projects in the country. A first new energies project in Chile, for Transitional Energy Group, sees us advise on and oversee the initial phases of a green ammonia project
- **Waste-to-value**: we supported GreenFuels with the development of their Sewage Sludge to Aviation Fuel project, which was funded by the UK Department for Transport
- **Emissions reduction**: we secured a flare gas capture project for ADNOC, supporting Ceraphi Energy to evaluate closed-loop geothermal technology to decarbonise offshore oil and gas assets using existing wells, in collaboration with EnQuest and Net Zero Technology Centre
- **Offshore wind**: engineering studies for several offshore wind developments

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 increased by 97% to 1,261 thousand barrels of oil equivalent (kboe) in 2022 (2021: 640 kboe) mainly due to a full year of East Cendor production and the completion of projects and well workovers.

A water injection well was completed in the Irama field in May 2022 to provide pressure support to the field. Following positive pressure response, production from Irama peaked in October 2022 at 2.6 kboe/d from a 2021 average of 1.0 kboe/d.

The shutdown in the main Cendor field in December 2021 was resolved initially by installing a temporary partial gas lift system prior to the full reinstatement of the risers in Q3 2022. The gas lift assisted wells in Cendor and East Cendor are now able to produce at their full technical potential.

As a result of the reinstatement of the gas lift risers, the Irama water injection and a full year of production from the East Cendor field, the 2022 net production exit rate was 3.5 kboe/d (2021: 1.8 kboe/d).

In 2022, our Flare Reduction Taskforce in partnership with the Block PM304 Asset's Reservoir Management and Operations Teams successfully reduced emissions intensity by 49%. This was achieved through an ongoing gas shut-off programme, switching diesel for fuel gas that would otherwise be flared, and operational optimisations focused on logistics and enhancements.

The average realised oil price for Block PM304 increased by 49% to US$112/boe in 2022 (2021: US$75/boe).

Financial performance

Revenue for the year increased 174% to US$137 million (2021: US$50 million), reflecting the increased production and higher oil price realised.

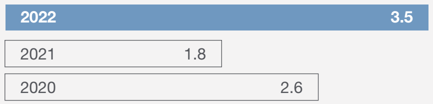
EBITDA increased 419% to US$109 million (2021: US$21 million), principally reflecting the higher revenue from PM304.

IES generated EBIT of US$58 million (2021: loss of US$6 million). IES generated positive free cash flow due to Block PM304 performance as well as receiving US$98 million of divestment proceeds related to the Greater Stella Area and the Mexico operations.

Impairment of Block PM304

The production sharing contract for Block PM304 in Malaysia expires in September 2026, and we are in continued technical and commercial discussions with Petronas and the joint venture partners in respect of an extension. Based on developments in the current year and the associated uncertainty in respect of securing that 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$6 million (2021 restated: charge of US$33 million) recorded in the year. As a result of this impairment, the net book value carrying amount of Block PM304 as of 31 December 2022 is US$86 million (2021 restated: US$84 million).

Net PM304 production (kboe/d)



Financial review

The Group's financial performance in 2022 reflected continuing challenges in the Engineering & Construction (E&C) portfolio, partly offset by strong performance in Asset Solutions and Integrated Energy Services (IES). The lingering impact of the Covid-19 pandemic continued to affect our E&C operating segment, with additional costs incurred due to extended schedules not being fully recovered from our clients. Overall, revenue was down year-on-year due to lower activity. Despite underperformance in profitability and low levels of new awards in the year, cash flows have been effectively controlled to manage the impact on net debt.

In April 2023, after the year-end, we extended the Revolving Credit Facility (RCF) and both bilateral term loans by 12-months to October 2024 (see note 26 of the consolidated financial statements for further details).

Cash flows have been effectively controlled, despite underperformance in profitability and low levels of awards in the year, to manage the impact on net debt".

AFONSO REIS E SOUSA
Chief Financial Officer

	Year ended 31 December 2022			Year ended 31 December 2021 (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	**2,591**	**–**	**2,591**	3,038	–	3,038
EBITDA	**(126)**	**(12)**	**(138)**	56	(142)	(86)
EBIT	**(205)**	**(7)**	**(212)**	(12)	(177)	(189)
Net (loss)/profit[1]	**(284)**	**(26)**	**(310)**	3	(248)	(245)

Income statement

Revenue

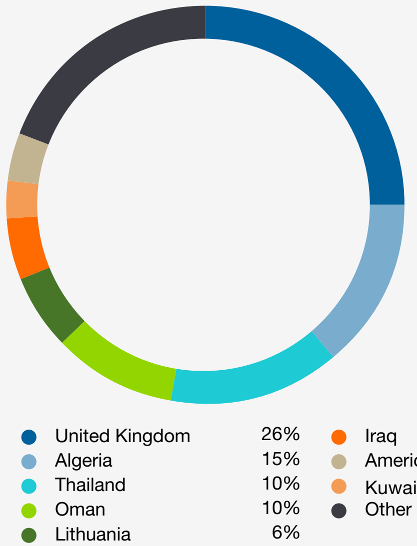
Group revenue decreased 15% to US$2.6 billion (2021 restated[3]: US$3.0 billion). This was principally due to a decline in revenue in the E&C operating segment which decreased 33% reflecting lower levels of activity compared with the prior year. Revenue in Asset Solutions increased by 4% primarily driven by growth in Wells & Decommissioning and Asset Developments, partially offset by lower levels of activity in Asset Operations. Revenue in the IES operating segment increased significantly driven by an increase in production and higher realised oil prices.

The Group generated revenue from a broad range of geographic markets in 2022, with UK, Algeria, Thailand and Oman generating 61% of Group revenue (2021: top four markets – UK, Algeria, Thailand and Oman generated 65% of revenue).

Earnings Before Interest and Tax (EBIT)

The Group reported a business performance[2] EBIT loss of US$205 million (2021 restated[3]: US$12 million), largely driven by a US$299 million EBIT loss in E&C (2021 restated[3]: US$62 million), reflecting the impact of further unrecovered costs in the legacy portfolio, cost increases on the Thai Oil Clean Fuels contract and some adverse commercial settlements. Asset Solutions EBIT margins were below prior year at 5.2% (2021: 6.7%), due to the contract portfolio mix in addition to the roll-off of certain historic high-margin contracts, and a higher contribution from pass-through revenue in Wells & Decommissioning. EBIT in IES increased to US$58 million (2021: loss of US$6 million) due to the increase in revenue without a commensurate increase in costs. Group business performance[2] EBIT margin declined to (8.0)% (2021 restated[3]: (0.4)%), reflecting the reductions in E&C and Asset Solutions described above, partially offset by improvement in IES. The reported EBIT was a loss of US$212 million (2021 restated[3]: US$189 million) due to the business performance described above and lower separately disclosed items incurred in 2022.

External revenue by geographical segment



Financial review continued

Year ended 31 December 2022

	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	**1,311**	**1,158**	**137**	**6**	**(21)**	**2,591**	**-**	**2,591**
EBIT	**(299)**	**60**	**58**	**(24)**	**–**	**(205)**	**(7)**	**(212)**
EBIT margin	**(22.8)%**	**5.2%**	**42.3%**	**n/a**	**n/a**	**(7.9)%**	**n/a**	**(8.2)%**

Year ended 31 December 2021 (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	1,952	1,111	50	–	(75)	3,038	-	3,038
EBIT	(62)	74	(6)	(18)	–	(12)	(177)	(189)
EBIT margin	(3.2)%	6.7%	(12.0)%	n/a	n/a	(0.4)%	n/a	(6.2)%

Depreciation and amortisation

Business performance depreciation and amortisation increased to US$79 million (2021: US$68 million), due to increased production in IES.

	2022 US$m	2021 (restated)[3] US$m
Engineering & Construction	**12**	24
Asset Solutions	**10**	10
Integrated Energy Services	**51**	27
Corporate	**6**	7
Total (business performance[2])	**79**	68
Separately disclosed items	**(5)**	35
Total (reported)	**74**	103

Finance income/(expense)

Finance income decreased to US$7 million (2021 restated[3]: US$15 million) due to a reduction in the unwinding of the discount on the receivables, and lease interest from joint operation partners. Business performance finance expense increased to US$98 million (2021 restated[3]: US$53 million), largely reflecting the full year effect of the higher interest rate associated with the high yield bond secured as part of the refinancing completed in November 2021. See note 6 of the consolidated financial statements for details of the SDI finance expense item.

	2022 US$m	2021 (restated)[3] US$m
Finance income		
Bank interest	**1**	1
Lease interest from JO partners	**6**	9
Unwinding of discount on receivables	**-**	5
Total	**7**	15

	2022 US$m	2021 (restated)[3] US$m
Finance expense		
Group borrowings	**(85)**	(36)
Lease liabilities	**(12)**	(16)
Unwinding of discount on provisions	**(1)**	(1)
Total (business performance[2])	**(98)**	(53)
Separately disclosed items	**(18)**	(28)
Total (reported)	**(116)**	(81)

Taxation

The Group had a reported income tax expense was US$16 million (2021 restated[3]: credit of US$13 million).

Business performance[2] income tax expense for the year of US$15 million (2021 restated[3]: credit of US$56 million), reflecting a change in mix of profits in the jurisdictions in which the profits and losses were generated. Tax provision releases in the year were US$20 million (2021 restated[3]: US$73 million) due to favourable tax audit outcomes in certain jurisdictions in relation to prior period assessments.

Net profit/(loss)

Business performance[2] net loss attributable to Petrofac Limited shareholders for the year was US$284 million (2021 restated[3]: profit of US$3 million) primarily due to the lower EBIT and the higher net finance expense incurred in the year, in addition to higher income tax charge. Business performance[2] net margin was (11.0)% (2021 restated[3]: 0.1%).

A reported net loss of US$310 million (2021 restated[3]: US$245 million) resulted from the movements noted above and the lower net separately disclosed items incurred in 2022.

Separately disclosed items

During the year, the Group incurred US$26 million (2021 restated[3]: US$248 million) of net separately disclosed items.

These predominantly related to:

- US$(5) million net non-cash reversal of impairment charge primarily resulting from a review of the carrying amount of the investment in Block PM304 in Malaysia
- US$(10) million of net fair value remeasurements, primarily resulting from the improved final settlement of the contingent consideration receivable from the 2020 disposal of the Group's operations in Mexico
- US$18 million of financing related costs associated with the embedded derivative in respect of the Revolving Credit Facility
- US$10 million of cloud ERP software implementation costs
- Other net separately disclosed items of US$13 million including: restructuring and redundancy costs (US$4 million); a loss on the sale of the deferred consideration receivable due from Ithaca Energy UK Ltd (US$3 million); and professional service fees in the Corporate reporting segment (US$5 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$146 million (2021: US$161 million), principally reflecting the working capital inflow during the year, partially offset by a decline in EBITDA and the payment of the penalty imposed by the UK courts in relation to the SFO investigation which concluded in 2021. The operating profit cash flow adjustments were US$(12) million (2021 restated[3]: US$(59) million). Net income taxes paid increased to US$52 million (2021: US$42 million) as a number of tax assessments and audits concluded, resulting in the payment of the remaining balance which had been previously provided.

	2022 US$m	2021 (restated)[3] US$m
Business performance EBITDA	**(126)**	56
Operating profit adjustments	**(12)**	(59)
Operating profit before changes in working capital and other items	**(114)**	(3)
Net working capital movement	**135**	(88)
Separately disclosed items paid	**(115)**	(28)
Net income taxes paid	**(52)**	(42)
Net cash flows used in operating activities	**(146)**	(161)

Working capital inflow/(outflow):

	2022 US$m	2021 (restated)[3] US$m
Inventories	**7**	(15)
Trade and other receivables	**(101)**	211
Contract assets	**268**	78
Restricted cash	**26**	(93)
Net derivative contracts	**6**	(13)
Trade and other payables	**(95)**	120
Contract liabilities	**62**	(40)
Accrued contract expenses	**(38)**	(336)
Net working capital movements	**135**	(88)

The net working capital inflow of US$135 million (2021 restated[3]: outflow of US$88 million) was due to cash inflows on contract assets and contract liabilities more than offsetting cash outflows in trade and other receivables, trade and other payables and accrued contract expenses. These cash inflows were largely driven by the progress achieved in the E&C operating segment as the portfolio continued to mature, while the underlying DSO (days sales outstanding) increased due to longer billing cycles as a result of Covid-19 related delays on E&C projects as well as slower cash collections from clients.

Accrued contract expenses outflow decreased due to lower volumes, higher payment milestones being reached in the year relating to vendors and subcontractors predominantly in the E&C business unit and the maturity of the E&C project portfolio. Consequently, trade and other payables increased as accrued contract expenses migrated into trade payables.

Free cash flow

The free cash outflow for the year of US$188 million (2021: US$281 million) primarily reflects high net cash outflow used in operating activities, and the higher interest payments, partially offset by higher divestment proceeds received in respect of the sale of the Mexican assets in 2020 and the disposal proceeds in relation to the consideration received from Ithaca Energy UK Limited receivable.

Group capital expenditure decreased to US$46 million (2021: US$53 million), with approximately 57% being incurred in IES for the final stages of the capital development programme in Block PM304.

	2022 US$m	2021 (restated)[3] US$m
Net cash flows generated from operating activities	**(146)**	(161)
Capital expenditure	**(46)**	(53)
Divestments	**98**	9
Receipts from joint operation partners in respect of leases	**28**	59
Other investing activities, including dividends received from associates and JVs	**18**	23
Net cash flows generated from investing activities	**98**	38
Interest paid	**(86)**	(36)
Separately disclosed items – refinancing-related costs paid	**-**	(23)
Repayment of lease liabilities	**(54)**	(99)
Free cash flow	**(188)**	(281)

Financial review continued

Balance sheet

IES carrying amount

The carrying amount of the IES portfolio stood at US$86 million at 31 December 2022 (2021 restated[3]: US$84 million), solely comprising the Group's interests in its operations in Malaysia and reflecting the partial 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 6% to US$116 million at 31 December 2022 (2021: US$124 million). Net lease liabilities attributable to PM304 amounted to US$52 million (2021: US$59 million) and largely relate to the bareboat charters for the floating equipment used for block operations.

Total equity

Total equity at 31 December 2022 decreased to US$112 million (2021 restated[3]: US$423 million), reflecting the operational losses in the year. No dividends were paid in the period (2021: nil).

Of the US$112 million of total equity at 31 December 2022, US$129 million (2021 restated[3]: US$413 million) was attributable to Petrofac Limited shareholders and US$(17) million (2021: US$10 million) was attributable to non-controlling interests.

Net debt and liquidity

Net debt

Net debt, excluding net finance leases, increased to US$349 million at 31 December 2022 (2021: US$144 million). The net debt increase was predominantly due to the payment of the SFO penalty and interest payments in 2022.

Total gross borrowings less associated debt acquisition costs were US$799 million at 31 December 2022 (2021: US$764 million). This consisted of US$583 million senior secured notes, US$117 million drawn on the revolving credit facility and US$99 million of term loans (net of US$7 million and US$1 million respectively of debt acquisition costs).

	2022 US$m	2021 US$m
Cash and short-term deposits	**450**	620
Interest-bearing loans and borrowings	**(799)**	(764)
Net debt	**(349)**	(144)

Extension of debt facilities

Following the capital raise (note 22) and the refinancing completed in 2021, the Group successfully completed an amendment and extension to its existing bank facilities in April 2023 (note 26).

The Group therefore now has facilities consisting of US$600m 9.75% senior secured notes (due 2026) a US$162m revolving credit facility and two bilateral loan facilities totalling US$90m (all of which mature in October 2024). All facilities are for general corporate purposes.

It should be noted that as this amendment and extension (including a waiver of the financial covenant testing date of 31 December 2022) was completed after the year end and the Group did not have an unconditional right to defer repayment of these facilities for greater than 12 months as at the balance sheet date, the borrowings have been disclosed as current in the balance sheet.

Liquidity

The Group's total available borrowing facilities, excluding bank overdrafts, were US$880 million at 31 December 2022 (2021: US$880 million).

Of these facilities, US$56 million was undrawn at 31 December 2022 (2021: US$85 million). Combined with the Group's cash and short-term deposits of US$450 million (2021: US$620 million), the Group had US$506 million of liquidity available at 31 December 2022 (2021: US$705 million).

Following the extension of the debt facilities in April 2023, the total available facilities were:

Borrowing facilities	Amount (US$m)	Maturity date[4]
Senior secured notes	600	Nov-26
Revolving credit facility	162	Oct-24
Term loan 1	45	Oct-24
Term loan 2	45	Oct-24
Total borrowing facilities	852	

The revolving credit facility and term loans have been amended and extended as described above, and are subject to financial covenants relating to liquidity and EBITDA. More detail can be found in note 26 to the consolidated financial statements.

Note that 31 December 2022 covenants were waived by the banks (leverage and interest cover).

The Group has a BB- (positive outlook) credit rating from S&P and a B+ (negative outlook) credit rating from Fitch.

Going concern

The Directors considered the going concern assessment for the extended period up to 31 December 2024 (the Assessment Period). The Group closely monitors and manages its funding position, liquidity and financial covenant headroom by producing robust cash forecasts and assessing downside sensitivities considered to be severe but plausible based on the Group's principal risks and uncertainties.

These forecasts show that the Group will be able to maintain compliance with its financial covenants and have sufficient liquidity headroom during the Assessment Period under its base case scenario. However, the Group's liquidity position in the mitigated severe but plausible downside scenario is reliant on a small number of collections from clients which are not entirely within the direct control of the Group. Accordingly, there are material uncertainties applicable to the going concern assessments, as defined in auditing and accounting standards, related to the timing of receipt of these collections from clients.

The Directors concluded, after rigorously evaluating relevant, available information, that, they remain confident in the prospects of the Group to maintain compliance with its financial covenants and sufficient liquidity even in a severe but plausible downside scenario.

Backlog

The Group's backlog decreased 15% to US$3.4 billion at 31 December 2022 (2021 restated[3]: US$4.0 billion), reflecting low new order intake in E&C due to industry delays to awards, partially offset by strong order intake in Asset Solutions.

Overall, Group order intake for the year was US$1.9 billion, representing a book-to-bill of 0.7x. Order intake in E&C was US$0.5 billion (2021: US$1.2 billion), comprising an EPC contract in Algeria and other net variation orders. Order intake in Asset Solutions increased to US$1.4 billion (2021: US$1.0 billion), representing a book-to-bill of 1.2x.

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

A number of 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 the Thai Oil Clean Fuels contract, where indications of a material growth in the bills of quantities volumes resulting from a periodic engineering scope review had not been appropriately identified and considered prior to the approval of the Group's consolidated financial statements for the year ended 31 December 2021. These should have been evaluated and reflected in the 2021 financial statements. This issue was identified by the Group's Internal Audit function and indicated a deficiency in internal controls in respect of this uniquely complex project, executed in a consortium. In order to satisfy itself that there were no other similar occurrences within the broader E&C portfolio, the Group undertook a series of incremental assurance activities (see note 2.9 on page, the principal risks and uncertainties disclosures on page 78 to 87 and the Audit Committee report on page 114 to 122). These assurance activities confirmed that there were no such occurrences.

In September 2022, the Group's 31 December 2021 financial statements were subject to a review by the Financial Reporting Council's (FRC) Corporate Reporting Review Team (CRRT). This review is now closed. As stated in note 2.9 to the consolidated financial statements, the review resulted in some classification and presentational prior year adjustments being recorded in the Group's consolidated income statement and statement of cash flows and the Company's statement of cash flows, but did not have any impact on consolidated net profit or consolidated net change in cash and cash equivalents.

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

AFONSO REIS E SOUSA
Chief Financial Officer
27 April 2023

Notes:
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
4. Borrowing facilities at 27 April 2023