A review of our segmental performance throughout 2015

Segmental analysis

The Group reported the financial results of its seven service lines under four segments:

Divisions	Engineering, Construction, Operations & Maintenance (ECOM)				Integrated Energy Services (IES)		
Reporting segments	Onshore Engineering & Construction (OEC)	Offshore Projects & Operations (OPO)		Engineering & Consulting Services (ECS)	Integrated Energy Services		
Service lines	Onshore Engineering & Construction	Offshore Projects & Operations	Offshore Capital Projects	Engineering & Consulting Services	Training Services	Production Solutions	Developments

We present below an update on each of the Group's reporting segments*:

	Revenue		Operating profit[1,2]		Net profit[3]		EBITDA[2]	
US$ millions	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Onshore Engineering & Construction	**4,383**	3,241	**(55)**	395	**(59)**	403	**(9)**	438
Offshore Projects & Operations	**1,484**	2,009	**67**	89	**68**	64	**74**	107
Engineering & Consulting Services	**715**	437	**69**	39	**50**	33	**78**	45
Integrated Energy Services	**531**	782	**43**	172	**5**	131	**171**	345
Corporate, consolidation & elimination	**(269)**	(228)	**(12)**	(4)	**(55)**	(50)	**(2)**	–
Group	**6,844**	6,241	**112**	691	**9**	581	**312**	935

	Revenue growth		Operating margin		Net margin		EBITDA margin	
Growth/margin analysis %	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Onshore Engineering & Construction	**35.2**	(8.3)	**(1.3)**	12.2	**(1.3)**	12.4	**(0.2)**	13.5
Offshore Projects & Operations	**(26.1)**	20.2	**4.5**	4.4	**4.6**	3.2	**5.0**	5.3
Engineering & Consulting Services	**63.6**	20.7	**9.7**	8.9	**7.0**	7.6	**10.9**	10.3
Integrated Energy Services	**(32.1)**	(16.3)	**8.1**	22.0	**0.9**	16.8	**32.2**	44.1
Group	**9.7**	(1.4)	**1.6**	11.1	**0.1**	9.3	**4.6**	15.0

1 Profit from operations before tax and finance costs.
2 Operating profit and EBITDA includes the Group's share of results of associates.
3 Profit for the year attributable to Petrofac Limited shareholders.

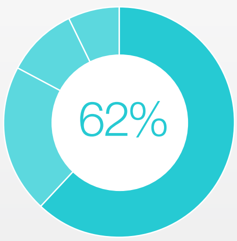
* Before exceptional items and certain re-measurements.

Engineering, Construction, Operations & Maintenance (ECOM)

Onshore Engineering & Construction

Onshore Engineering & Construction delivers onshore engineering, procurement and construction projects. We are predominantly focused on markets in the Middle East, Africa and the Caspian region of the Commonwealth of Independent States (CIS).

Group revenue contribution



Revenue

+35%

US$3,534m	2013
US$3,241m	2014
US$4,383m	**2015**

Net (loss)/profit

-115%

US$433m	2013
US$403m	2014
US$(59)m	**2015**

Net profit margin

12.3%	2013
12.4%	2014
(1.3)%	**2015**

Employees

6,900

(2014: 5,900)

We achieved major milestones on the Laggan-Tormore project with the completion of all main construction activities at the Shetland Gas Plant for our client Total E&P UK and transfer of the care and custody of the plant and the introduction of gas before the end of the year. We have also substantially completed the Bab Compression project and phase 1 of the Bab Habshan project, both in Abu Dhabi. In Iraq, we have completed the second of three trains on the Badra project and the third train is expected to be completed shortly. We continue to make good progress across the rest of our portfolio of engineering, procurement and construction (EPC) projects.

New awards

Order intake for the year totalled US$6.1 billion (2014: US$6.3 billion), including the following major awards:

Lower Fars heavy oil project, Kuwait

In January 2015, we announced that we are leading a consortium with Consolidated Contractors Company (CCC) to deliver the first phase of Kuwait Oil Company's (KOC) Lower Fars heavy oil development programme, which is located in the north of the country. The contract, which is worth in excess of US$4 billion, with Petrofac's share being approximately US$3 billion, will be completed in approximately 52 months. The scope of work covers greenfield and brownfield facilities and includes engineering, procurement, construction, pre-commissioning, commissioning (EPC), start-up and operations and maintenance work for the main central processing facility (CPF) and associated infrastructure as well as the production support complex. This also includes a pipeline of almost 162 kilometres which will transport the heavy crude from the CPF to the South Tank Farm located in Ahmadi, from where KOC has the option to send it to the proposed Al-Zour refinery in the south of Kuwait.

Manifold Group Trunkline (MGT) system, Kuwait

In July 2015, we received an award notification for KOC's Manifold Group Trunkline (MGT) system in the north of Kuwait. Valued at approximately US$780 million, it is integral to KOC's plans to increase and maintain crude production over the next five years. Three new gathering centres, which form part of the broader project, are already under construction with Petrofac executing the EPC contract for GC29. Due for completion towards the end of 2017, the MGT system will provide the feedstock to each of the gathering centres via three independent networks of intermediate manifolds and pipelines. Each of the three gathering centres will be capable of producing around 100,000 barrels of oil per day together with associated water and gas.

Segmental performance continued

Fadhili gas programme, Saudi Arabia

In November 2015, we were awarded a contract by Saudi Aramco to undertake the engineering, procurement and construction of a sulphur recovery plant as part of their Fadhili gas programme. Fadhili is a greenfield development located 30 km west of the city of Jubail in the eastern province of Saudi Arabia. When completed, the gas plant will have a capacity for around 2,500 million standard cubic feet per day (MMSCFD) and will process sour gas from the Khursaniyah oil field and the Hasbah non-associated gas field. Petrofac's scope of work includes: the construction of six sulphur recovery trains with associated facilities for the sulphur and heavy duty oil handling, loading, unloading and storage; sour water stripper; flare system; and waste water treatment plant.

Financial performance[1]

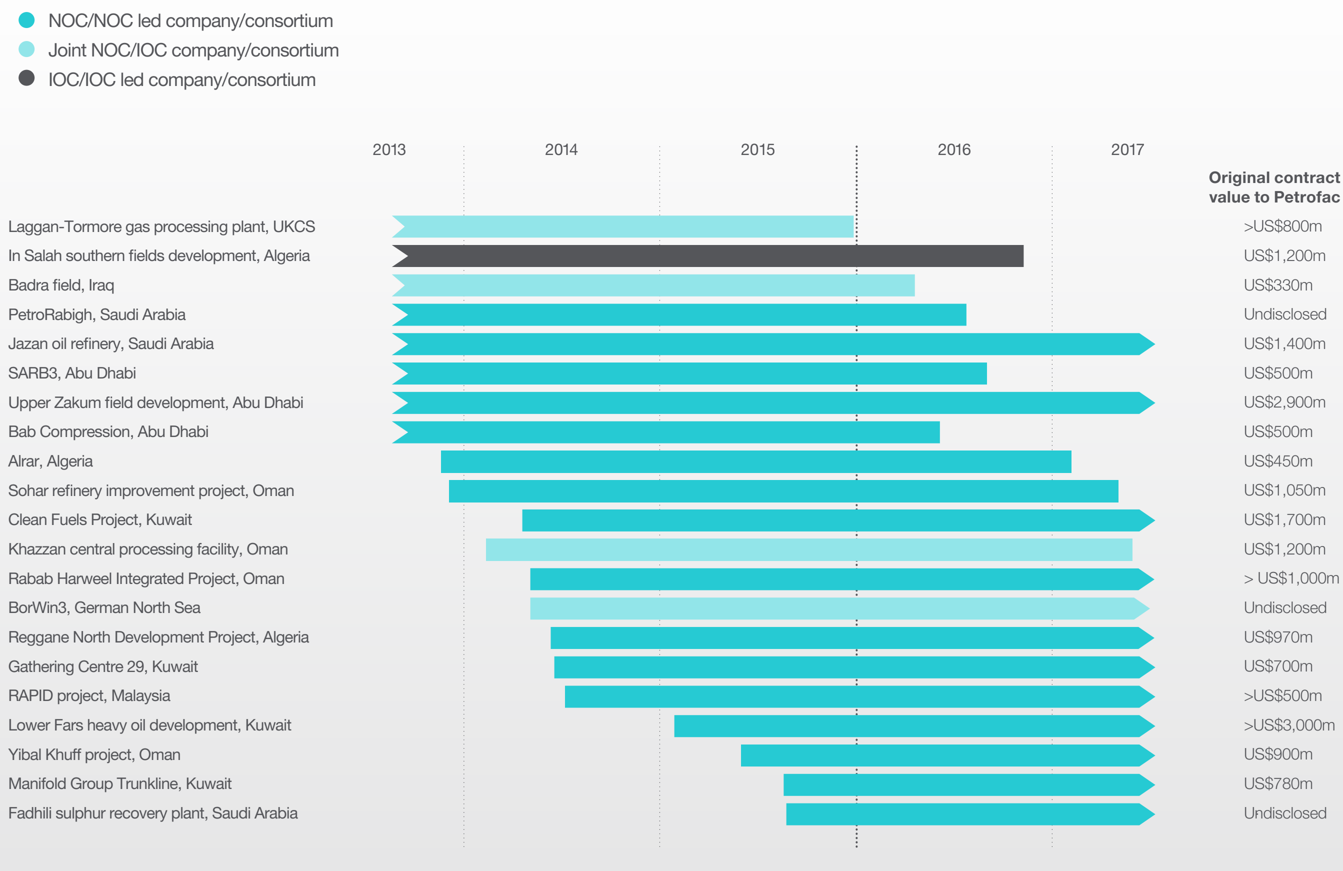
Revenue for the year increased 35% to US$4,383 million (2014: US$3,241 million), reflecting an increase in activity levels as we moved into the execution phase on a number of projects, particularly in Oman, Abu Dhabi, Algeria, Kuwait and Saudi Arabia.

The net loss for the year was US$59 million (2014: US$403 million net profit), reflecting the recognition of a post-tax loss of US$431 million on the Laggan-Tormore project. The net margin for the year was minus 1.3% (2014: 12.4%), while the underlying net margin before the Laggan-Tormore loss was 8.5%, reflecting the geographic mix of the portfolio and the contribution from projects in their late stages in the prior year.

Onshore Engineering & Construction headcount stood at 6,900 at 31 December 2015 (2014: 5,900), reflecting the increase in activity levels.

At 31 December 2015, Onshore Engineering & Construction backlog increased to a record year-end level of US$12.5 billion (2014: US$10.8 billion), reflecting the high level of order intake secured during 2015.

Timeline for OEC key projects

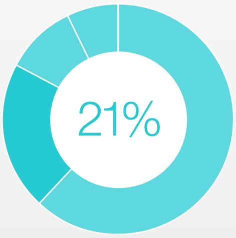


1 Financial performance is reported before exceptional items and certain re-measurements unless stated otherwise. An explanation of exceptional items and certain re-measurements is included in note 5 to the financial statements.

Offshore Projects & Operations

Offshore Projects & Operations (OPO), which includes our Offshore Capital Projects (OCP) service line, specialises in both offshore engineering and construction services for greenfield and brownfield projects, and the provision of operations and maintenance support, onshore and offshore.

Group revenue contribution



Revenue

-26%

US$1,671m	2013
US$2,009m	2014
US$1,484m	**2015**

Net profit

+6%

US$71m	2013
US$64m	2014
US$68m	**2015**

Net profit margin

4.2%	2013
3.2%	2014
4.6%	**2015**

Employees

3,600

(2014: 5,500)

Overall activity levels in 2015 were lower than during 2014. This was primarily due to lower levels of activity on capital projects, such as the Laggan-Tormore gas plant on Shetland in the UK and the upgrade and modification of the FPF1 floating production facility (which will subsequently be deployed on the Greater Stella Area development), and lower levels of brownfield engineering activity.

Activity has remained robust and we continue to make good progress across our portfolio of operations support contracts and offshore capital projects, such as the SARB3 project in Abu Dhabi, which is now over 80% complete, and the BorWin3 project in the German North Sea, where we have completed over 50% of the engineering.

New awards and extensions

We secured the following major new contracts and extensions during the year:

Oranje-Nassau Energie (ONE) UK Limited support contract, Southern North Sea

In June 2015, we secured a contract to support ONE UK Limited, a subsidiary of Amsterdam based oil and gas producer Oranje-Nassau Energie B.V., as the company became the operator of the Sean gas field in the Southern North Sea on 1 June 2015. The contract is for Duty Holder support services and is worth US$45 million over three years, with the option of two one-year extensions.

Gas dehydration facility, Kingdom of Bahrain

In September 2015, we announced our first contract in Bahrain, to supply a new gas dehydration facility. The scope of the contract includes the installation of a new 500 MMSCFD gas dehydration facility, which is the first of a series of planned gas capacity projects scheduled for the next three to five years. The project is a significant part of Tatweer Petroleum's commitment to secure the delivery of natural gas needed to meet the growing demands of the Kingdom of Bahrain.

Galloper wind farm, UK

In November 2015, we were awarded a contract worth more than £100 million in consortium with GE, split approximately 50/50 between the consortium parties. The scope of work covers provision of an offshore substation as well as a receiving onshore substation, which will transmit high voltage alternating current from the offshore wind farm. Petrofac and GE have also undertaken the front end engineering and design and accompanying pre-construction works.

Contract extensions

We were successful in securing contract extensions with a range of clients in the UK North Sea during the year, including CNR International, Eni, Centrica and EnQuest, totalling approximately US$800 million. The extension with CNR International includes the provision of operations and maintenance teams across its North Sea assets – the three platforms in the Ninian complex; Murchison; and Tiffany – for the next five years. For Eni, our services cover operations and maintenance services in the East Irish Sea for the Douglas fixed platforms, Offshore Storage Installation and Point of Ayr terminal and Duty Holder responsibility for the Irish Sea Pioneer operations support vessel. During the second half of 2015, we secured a US$100 million one-year extension with SOC to support its Iraq Crude Oil Expansion Project.

McDermott marketing alliance

In February 2015, we entered into an agreement with offshore engineering, procurement, construction and installation (EPCI) company, McDermott, to form a strategic marketing alliance. Under the terms of the five year alliance, we will jointly pursue opportunities in the deepwater subsea, umbilicals, risers and flowlines (SURF) sector.

JSD6000

In October 2015, we announced that we had terminated the contract with the shipyard for the construction of the proprietary design Petrofac JSD6000 deepwater multi-purpose offshore vessel due to issues with the shipyard's performance and the Board is reviewing its options.

Financial performance[2]

Revenue for the year was substantially lower at US$1,484 million (2014: US$2,009 million), predominantly reflecting lower levels of activity on capital projects, such as the Laggan-Tormore gas plant on Shetland in the UK and the upgrade and modification of the FPF1 floating production facility, and lower levels of brownfield engineering activity. In addition, cost savings achieved in the supply chain, particularly in the UK, enabled the delivery of services to clients at a lower cost.

Net profit for the year increased to US$68 million (2014: US$64 million), representing a net margin of 4.6% (2014: 3.2%). The lower net margin in 2014 was due to the recognition of a loss of US$27 million in relation to Offshore Projects & Operations' scope of work on the Laggan-Tormore project. Adjusting for the Laggan-Tormore loss in 2014, net margins were broadly unchanged.

The Group recognised exceptional items and certain re-measurements in the OPO reporting segment primarily reflecting reorganisation and redundancy costs together with provisions for leases on vacant offices in the Aberdeen area.

Headcount stood at 3,600 at 31 December 2015 (2014: 5,500), reflecting the decrease in activity, particularly on the Laggan-Tormore project where we substantially de-manned our direct construction workforce as we handed over care and custody of the plant to our client before the end of the year.

OPO's backlog was marginally lower at US$3.2 billion at 31 December 2015 (2014: US$3.4 billion), with new awards and contract extensions more than offset by progress delivered on existing contracts.

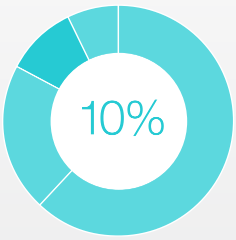
2 Financial performance is reported before exceptional items and certain re-measurements unless stated otherwise. An explanation of exceptional items and certain re-measurements is included in note 5 to the financial statements.

Engineering & Consulting Services

Engineering & Consulting Services

Engineering & Consulting Services (ECS) operates as our centre of technical engineering excellence. From offices across the Middle East and North Africa, CIS, Asia-Pacific, Europe and the Americas, we provide engineering services across the life cycle of oil and gas assets. Our teams execute all aspects of engineering, including conceptual studies, front-end engineering and design (FEED) and detailed design work, for onshore and offshore oil and gas fields and facilities.

Group revenue contribution



Revenue

+64%

US$362m	2013
US$437m	2014
US$715m	**2015**

Net profit

+52%

US$32m	2013
US$33m	2014
US$50m	**2015**

Net profit margin

8.8%	2013
7.6%	2014
7.0%	**2015**

Employees

5,500

(2014: 4,900)

We are making good progress on our engineering, procurement and construction management (EPCm) contracts for Petroleum Development Oman (PDO) (the Rabab Harweel Integrated Project (RHIP) and Yibal Khuff, see below) and the Al Taweelah Alumina refinery in Abu Dhabi. Utilisation remains high across our engineering offices, particularly in our engineering centres in India, which predominantly support Onshore Engineering & Construction's activities.

As well as supporting the rest of the Group, we have secured and undertaken a wide range of projects during 2015 for a number of our external customers. Engineering & Consulting Services' larger awards won over the course of the year included:

Yibal Khuff Project, Oman

In June 2015, we were awarded an engineering and procurement contract by PDO to provide services for its Yibal Khuff project, a field located approximately 350 km south west of Muscat. Under the terms of the four and a half year contract, we will provide reimbursable engineering, and construction and commissioning management support services and procurement on an incentivised pass-through basis. This will extend throughout construction and during start-up of the integrated oil and sour gas facility. The total contract value is expected to be around US$900 million with around one-quarter of the revenues relating to professional services (engineering, construction and commissioning management).
Development of the field will add to PDO's future oil production, whilst the associated gas will be utilised for power generation and enhanced oil recovery developments.

Plant Asset Management (PAM), various

Throughout the year, we were awarded a number of contracts in our PAM business, our asset performance management consultancy. The awards included an Integrity and Maintenance Programme Development contract by INPEX for the Ichthys LNG Project in Australia. This is one of the largest global projects awarded to PAM, involving an integrated gas chain covering both upstream and midstream assets. In addition, PAM has won a number of awards in the UK North Sea during the year.

Financial performance

Revenue for the year increased 64% to US$715 million (2014: US$437 million), reflecting the ramp up of activity on the Rabab Harweel project awarded in March 2014, and high utilisation across our Indian engineering offices. Net profit for the year increased 52% to US$50 million (2014: US$33 million), representing a net margin of 7.0% (2014: 7.6%).

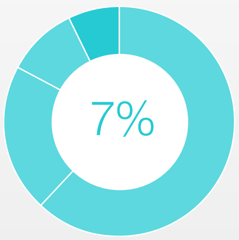
Headcount increased to 5,500 at 31 December 2015 (2014: 4,900), reflecting the increase in activity levels.

ECS' backlog increased to US$1.9 billion at 31 December 2015 (2014: US$1.4 billion), following the award of the Yibal Khuff contract in June 2015.

Integrated Energy Services

Integrated Energy Services (IES) provides an integrated service for hydrocarbon resource holders under flexible commercial models that are aligned with their requirements. Projects cover upstream developments, both greenfield and brownfield, and related energy infrastructure projects, and can include investment.

Group revenue contribution



Revenue

-32%

US$934m	2013
US$782m	2014
US$531m	**2015**

Net profit

-96%

US$125m	2013
US$131m	2014
US$5m	**2015**

Net profit margin

13.4%	2013
16.8%	2014
0.9%	**2015**

Employees

2,900

(2014: 3,300)

IES deploys the Group's capabilities to meet the individual needs of customers using a range of commercial frameworks, including:

- Production Enhancement Contracts (PECs)
- Risk Service Contracts (RSCs)
- Traditional Equity Upstream Investment models, including Production Sharing Contracts (PSCs) and concession agreements

Production Enhancement Contracts

As part of the ongoing energy reforms in Mexico, we continue to work towards migration of our PECs to PSCs.

We have agreed with OMV Petrom to exit the Ticleni PEC in Romania in the second quarter of 2016.

We earn a tariff per barrel on PECs for an agreed level of baseline production and an enhanced tariff per barrel on incremental production. During the year we earned tariff income on a total of 7.5 million barrels of oil equivalent (mboe) (2014: 9.2mboe), reflecting lower investment as we exit the Ticleni field and prepare for migration of the Mexican PECs into PSCs.

Risk Service Contracts

The Berantai RSC continues to operate in line with expectations and has experienced high uptime during the year.

Equity Upstream Investments

Through OPO, we are making good progress with the topside systems on the FPF1 floating production facility and onshore topsides commissioning is expected to be completed before the end of the first quarter of 2016. The marine work on the FPF1 floating production facility is expected to be completed to enable sailaway during the second quarter of 2016, with first production from the Greater Stella Area development expected in summer 2016.

On Block PM304 in Malaysia, production levels improved during the second half of the year as we drilled and tied back further wells on the field. Following periods of civil unrest during March and April, production from the Chergui gas concession in Tunisia has been steady through the second half of the year.

Our net entitlement from production for 2015 from Block PM304 and the Chergui gas concession was 2.4 mboe (2014: 2.1 mboe).

Segmental performance continued

Summary of IES* key projects

	End date
Production Enhancement Contracts*	
Magallanes and Santuario, Mexico	2037
Pánuco, Mexico**	2043
Arenque, Mexico	2043
Risk Service Contracts***	
Berantai development, Malaysia	2020
Equity Upstream Investments	
Block PM304, Malaysia	2026
Chergui gas plant, Tunisia	2031
Greater Stella Area, UK	Life of field

* Ticleni PEC in Romania excluded following decision to exit.
** In joint venture with Schlumberger.
*** OML119 not included, as Field Development Plan not yet defined.

Financial Performance[1]

IES' revenue decreased 32% to US$531 million (2014: US$782 million), predominantly reflecting the lower oil price environment and lower investment in our PECs in Mexico as we work through the contract migration process.

IES made a net profit of US$5 million (2014: US$131 million), reflecting the lower oil price environment, lower investment in our PECs in Mexico and a gain in the prior year of US$56 million from the sale of floating production facilities to PetroFirst Infrastructure Limited ('PetroFirst').

The Group recognised exceptional items and re-measurements in respect of the IES reporting segment of US$330 million post-tax (2014: US$461 million), predominantly in relation to impairment of assets and fair value re-measurements. The Group revalued its loan receivable from Ithaca Energy in respect of the Greater Stella Area development in the UK, primarily as a result of a re-assessment of oil and gas forward prices. This resulted in a post-tax reduction in fair value of the Greater Stella Area receivable of US$214 million (2014: US$207 million). As a result of significantly lower commodity price expectations, the Group reviewed the carrying value of its PM304 oil and gas asset. This resulted in a post-tax impairment of US$33 million (2014: nil). The Group has reviewed the carrying value of goodwill allocated to the IES portfolio in light of revised commodity price expectations and underlying asset performance during the year. As a result of this review, a further post-tax impairment charge of US$33 million has been recognised in respect of IES goodwill (2014: US$18 million). See note 5 to the financial statements for further details.

Headcount decreased to 2,900 at 31 December 2015 (2014: 3,300), with the largest reductions in our projects in Malaysia and in Petrofac Training.

Backlog decreased marginally to US$3.1 billion at 31 December 2015 (31 December 2014: US$3.3 billion). Of this balance, US$2.8 billion relates to our Mexican PEC portfolio, which we will cease to recognise as backlog in the event we are successful in migrating the contracts to PSCs.

1 Financial performance is reported before exceptional items and certain re-measurements unless stated otherwise. An explanation of exceptional items and certain re-measurements is included in note 5 to the financial statements.

We delivered net profit for the year of US$9 million[1], EBITDA of US$312[1] million and backlog increased 10% to a record year-end level at US$20.7 billion."

At a glance

- Revenue up 10% to US$6.8 billion
- Net profit[1] of US$9 million, after Laggan-Tormore post-tax loss of US$431 million
- Group backlog up 10% to record year-end levels of US$20.7 billion at 31 December 2015, giving excellent revenue visibility for 2016 and beyond, with embedded margins consistent with guidance
- Net debt improved over the second half of 2015 to stand at US$0.7 billion at 31 December 2015, reflecting strong cash collection during the fourth quarter of 2015
- Full year dividend maintained at 65.80 cents per share, reflecting confidence in the Group's future prospects

Revenue

Group revenue increased 9.7% to US$6,844 million (2014: US$6,241 million). We delivered strong revenue growth in Onshore Engineering & Construction, reflecting an increase in activity levels as we moved into the execution phase on a number of projects, and in Engineering & Consulting Services, following several engineering, procurement and construction management (EPCm) contract wins over the past two years. Strong growth in these areas more than offset substantial declines in revenue in Offshore Projects & Operations, due to a lower level of activity on capital projects and brownfield engineering and cost deflation in the supply chain, and in Integrated Energy Services (IES), predominantly reflecting the lower oil price environment and lower investment in our Production Enhancement Contracts (PECs) in Mexico.

Net profit

The net profit for the year attributable to Petrofac Limited shareholders before exceptional items and certain re-measurements was US$9 million (2014: US$581 million), predominantly due to the recognition of a post-tax loss on the Laggan-Tormore project of US$431 million (see page 37 in the Segmental Review). The net loss for the year attributable to Petrofac Limited shareholders after exceptional items and certain re-measurements of US$358 million (2014: US$461 million; see note 5 to the financial statements) was US$349 million (2014: US$120 million net profit).

The largest component of exceptional items and certain re-measurements relates to IES. As part of our normal year-end process, we review the carrying value of the IES portfolio for potential impairment. The Group revalued its loan receivable from Ithaca Energy in respect of the Greater Stella Area development in the UK, primarily as a result of a re-assessment of oil and gas forward prices. This resulted in a post-tax reduction in fair value of the Greater Stella Area receivable of US$214 million (2014: US$207 million). As a result of significantly lower commodity price expectations, the Group reviewed the carrying value of its PM304 oil and gas asset. This resulted in a post-tax impairment of US$33 million (2014: nil). The Group has reviewed the carrying value of goodwill allocated to the IES portfolio in light of revised commodity price expectations and underlying asset performance during the year. As a result of this review, a further post-tax impairment charge of US$33 million has been recognised in respect of IES goodwill (2014: US$18 million).

1 Before exceptional items and certain re-measurements.

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Excluding exceptional items and certain re-measurements ("business performance"), reported profit for the year attributable to Petrofac Limited shareholders was lower at US$9 million (2014: US$581 million) predominantly due to:

- A post-tax loss of US$431 million incurred on the Laggan-Tormore project (2014: US$227 million, but mitigated by the net release of tax provisions, accounting for previously unrecognised tax losses, and other financial outperformance on late-life contracts)
- Lower net profit from IES, predominantly reflecting the lower oil price environment, lower investment in our PECs in Mexico and a gain in the prior year of US$56 million from the sale of floating production facilities to PetroFirst

The net margin[1] for the Group decreased to 0.1% (2014: 9.3%), predominantly due to the lower profitability of Onshore Engineering & Construction and IES as noted above. Net margins improved in Offshore Projects & Operations, as a US$27 million loss was recognised in this reporting segment in 2014 on the Laggan-Tormore project.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)[3, 4]

EBITDA was lower at US$312 million (2014: US$935 million), representing an EBITDA margin of 4.6% (2014: 15.0%). EBITDA margins were substantially lower in Onshore Engineering & Construction, due to the recognition of a pre-tax loss on the Laggan-Tormore project of US$480 million, and in IES, predominantly reflecting the lower oil price environment, lower investment in our PECs in Mexico and a gain in the prior year of US$56 million from the sale of floating production facilities to PetroFirst.

Backlog

The Group's backlog increased 10% to a record year-end level of US$20.7 billion at 31 December 2015 (2014: US$18.9 billion). ECOM backlog increased 13% to a record year-end level of US$17.6 billion, reflecting a strong intake of new orders in Onshore Engineering & Construction, Offshore Projects & Operations and Engineering & Consulting Services.

It should be noted that US$2.8 billion of the IES backlog relates to our Mexican PEC portfolio, which we will cease to recognise as backlog in the event we are successful in migrating the contracts to PSCs.

3 Before exceptional items and certain re-measurements.
4 Including our share of results of associates.

	31 December 2015 US$ billion	31 December 2014 US$ billion
Onshore Engineering & Construction	12.5	10.8
Offshore Projects & Operations	3.2	3.4
Engineering & Consulting Services	1.9	1.4
ECOM	**17.6**	**15.6**
Integrated Energy Services	3.1	3.3
Group	**20.7**	**18.9**

Exchange rates

The Group's reporting currency is US dollars. A significant proportion of Offshore Projects & Operations' revenue is generated in the UK (around 60%) and those revenues and associated costs are generally denominated in sterling, as are the reported results in respect of the Laggan-Tormore project The table below sets out the average and year-end exchange rates for the US dollar and sterling as used by the Group for financial reporting purposes.

US$/sterling	**31 December 2015**	31 December 2014
Average rate for year	**1.53**	1.65
Year-end rate	**1.47**	1.55

Finance costs

Finance costs for the year increased to US$101 million (2014: US$79 million), principally due to the interest cost of finance leases in relation to floating production facilities in Malaysia for Block PM304 and the Berantai Risk Service Contract (RSC) which, prior to the 80% disposal of these vessels to PetroFirst Infrastructure Holdings Limited in August 2014, eliminated on consolidation. Finance income was US$9 million (2014: US$22 million) with the majority of the finance income relating to the unwinding of the long-term receivable in relation to the Berantai RSC.

Taxation

Our policy in respect of tax is to:

- Operate in accordance with the terms of the Petrofac Code of Conduct
- Act with integrity in all tax matters
- Work together with the tax authorities in jurisdictions that we operate in to build positive long-term relationships
- Where disputes occur, to address them promptly
- Manage tax in a pro-active manner to maximise value for our customers and shareholders

Management responsibility and oversight for our tax strategy and responsibility and governance over our tax policy, which is approved by the Board and Audit Committee, rests with the Chief Financial Officer and the Global Head of Tax who monitor our tax activities and report regularly to the Board and the Audit Committee. The Group's tax affairs and the management of tax risk are delegated to a global team of tax professionals.

The Group's effective tax rate for the year ended 31 December 2015 is negative 2.7% (2014: 18.4%). The Group's effective tax rate, excluding the impact of exceptional items and certain re-measurements, for the year ended 31 December 2015 is 30.0% (2014: 5.2% tax charge).

A number of factors have impacted the effective tax rate, excluding the impact of exceptional items and certain re-measurements, this year, principally being the net release of tax provisions held in respect of income taxes which is partially offset by the impact of tax losses created in the year for which the realisation against future taxable profits is not probable.

As with prior years, the effective tax rate is also driven by the mix of profits in the jurisdictions in which profits are earned.

Earnings per share

Fully diluted earnings per share before exceptional items and certain re-measurements was 2.65 cents per share (2014: 168.99 cents), in line with the Group's decrease in profit for the year attributable to Petrofac Limited shareholders predominantly due to the loss recognised on the Laggan-Tormore project.
Fully diluted earnings per share after exceptional items and certain re-measurements was a loss of 102.65 cents per share (2014: profit of 34.81 cents).

Operating cash flow and liquidity

The Group's net debt stood at US$0.7 billion at 31 December 2015 (2014: US$0.7 billion) as the net result of:

- Operating profits before working capital and other non-current changes of US$313 million
- Net working capital inflows of US$602 million, including:
  - a decrease in trade and other receivables of US$605 million following strong cash collection in the second half of the year
  - an increase in accrued contract expenses of US$367 million offset by an increase in work in progress of US$192 million as a number of Onshore Engineering & Construction projects moved into the execution phase
  - a reduction in trade and other payables of US$168 million
- Investing activities of US$361 million, including loans advanced and capital expenditure of US$228 million on IES projects and US$74 million on the Petrofac JSD6000 installation vessel
- Capital proceeds of US$43 million, including further consideration of US$41 million from the PetroFirst transaction (see note 4f to the financial statements)
- Financing activities, in particular, payment of the 2014 final dividend and 2015 interim dividend totalling US$223 million and financing the purchase of shares for US$39 million for the purpose of making awards under the Group's share schemes
- Net taxes paid of US$49 million and interest paid of US$96 million

	31 December 2015	31 December 2014
Gearing ratio	US$ millions (unless otherwise stated)	
Interest-bearing loans and borrowings (A)	**1,790**	1,719
Cash and short-term deposits (B)	**1,104**	986
Net (debt) (C = B – A)	**(686)**	(733)
Equity attributable to Petrofac Limited shareholders (D)	**1,230**	1,861
Gross gearing ratio (A/D)	**146%**	92%
Net gearing ratio (C/D)	**56%**	39%
Net debt/EBITDA	**220%**	78%

The Group's total gross borrowings less associated debt acquisition costs and the discount on senior notes issuance at the end of 2015 were marginally higher at US$1,790 million (2014: US$1,719 million) due to higher drawings on the Group's revolving credit facility (see note 25 to the financial statements). As noted in note 25 to the financial statements, both the Group's term loan and revolving credit facility are subject to a leverage covenant. Prior to 31 December 2015, the term loan and revolving credit facility lenders granted a waiver of the leverage covenant for the year ending 31 December 2015, as a result of which the Group was in compliance with its financial covenant obligations for that period.

None of the Company's subsidiaries are subject to any material restrictions on their ability to transfer funds in the form of cash dividends, loans or advances to the Company.

Excluding bank overdrafts and Export Credit Agency facilities, the Group's total available borrowing facilities were US$2,450 million at 31 December 2015 (2014: US$2,450 million; see note 25 to the financial statements for further details). Of these facilities, US$660 million was undrawn as at 31 December (2014: US$725 million). Combined with the Group's cash balances of US$1,104 million (2014: US$986 million), the Group has substantial sources of liquidity available.

Capital expenditure

Capital expenditure on property, plant and equipment totalled US$260 million in the year ended 31 December 2015 (see note 10 to the financial statements; 2014: US$668 million), including:

- US$121 million on the Petrofac JSD6000 installation vessel
- US$95 million on oil and gas assets in IES, predominantly in relation to investment in the Group's four production enhancement contracts in Mexico

Capital expenditure on intangible oil and gas assets during the year was US$10 million (2014: US$97 million), predominantly in respect of pre-development activities on Block PM304, offshore Malaysia.

The carrying value of Integrated Energy Services' portfolio (excluding working capital balances) is:

Expenditure on Integrated Energy Services projects

Cost	Oil and gas assets per note 10 (Block PM304, Chergui and PECs) US$m	Oil and gas facilities per note 10 (floating production facilities) US$m	Intangible oil and gas assets per note 13 (Block PM304, and other pre-development costs) US$m	Greater Stella Area development loan per note 16 US$m	Total US$m
At 1 January 2015	1,256	625	161	399	2,441
Additions/(adjustments)	97	(4)	10	182	285
Transfers	73	–	(73)	–	–
At 31 December 2015	**1,426**	**621**	**98**	**581**	**2,726**
Depreciation and impairment/ revaluation					
At 1 January 2015	(415)	(197)	(5)	(207)	(824)
Charge for the year	(78)	(42)	–	–	(120)
Impairment/revaluation	(32)	(15)	(7)	(214)	(268)
At 31 December 2015	**(525)**	**(254)**	**(12)**	**(421)**	**(1,212)**
Net carrying amount:					
At 31 December 2015	**901**	**367**	**86**	**160**	**1,514**
At 31 December 2014	841	428	156	192	1,617

Less floating production facilities held under finance leases within 'oil and gas facilities'	**(346)**
Add Berantai long-term receivable (see note 16 to the financial statements)	**357**
Add investment in Seven Energy International Limited (see note 15 to the financial statements)	**169**
Total IES investment before working capital at 31 December 2015	**1,694**

Total equity

Total equity at 31 December 2015 was US$1,232 million (2014: US$1,871 million). The main elements of the net movement during the year were: loss for the year of US$344 million, less dividends paid in the year of US$228 million and other comprehensive loss of US$74 million.

Return on capital employed

The Group's return on capital employed for the year ended 31 December 2015 was lower at 3% (2014: 18%), reflecting lower EBITA (earnings before interest, tax, amortisation and impairment) predominantly due to the loss on the Laggan-Tormore project.

Dividends

The Company proposes a final dividend of 43.80 cents per share for the year ended 31 December 2015 (2014: 43.80 cents), which, if approved, will be paid to shareholders on 27 May 2016 provided they are on the register on 22 April 2016 (the 'record date'). Shareholders who have not elected to receive dividends in US dollars will receive a sterling equivalent, based on the exchange rate on 27 April 2016. Shareholders have the opportunity to elect by close of business on the record date to change their dividend currency election.

Together with the interim dividend of 22.00 cents per share (2014: 22.00 cents), this gives a total dividend for the year of 65.80 cents per share (2014: 65.80 cents), in line with the prior year.

Tim Weller
Chief Financial Officer