Segmental overview

Engineering & Construction

Revenue

18 — US$4,713m
19 — US$4,475m
20 — US$3,090m

Business performance net margin

18 — 7.2%
19 — 6.2%
20 — 2.0%

Business performance net profit

18 — US$338m
19 — US$278m
20 — US$62m

Group revenue contribution (FY20)

75%

Headcount at 31 Dec 20

4,760

Engineering & Production Services

Revenue

18 — US$853m
19 — US$889m
20 — US$933m

Business performance net margin

18 — 5.0%
19 — 5.4%
20 — 4.2%

Business performance net profit

18 — US$43m
19 — US$48m
20 — US$39m

Group revenue contribution (FY20)

22%

Headcount at 31 Dec 20

4,135

Integrated Energy Services

Revenue

18 — US$282m
19 — US$195m
20 — US$110m

Business performance net margin

18 — 13.8%
19 — (2.1)%
20 — (16.4)%

Business performance net profit

18 — US$39m
19 — US$(4)m
20 — US$(18)m

Group revenue contribution (FY20)

3%

Headcount at 31 Dec 20

254

US$ million	Revenue		Business performance net profit[1]		EBITDA	
For the year ended 31 December	**2020**	2019	**2020**	2019	**2020**	2019
Engineering & Construction	**3,090**	4,475	**62**	278	**113**	412
Engineering & Production Services[2]	**933**	889	**39**	48	**59**	67
Integrated Energy Services[2]	**110**	195	**(18)**	(4)	**39**	83
Corporate, others, consolidation adjustments & eliminations	**(52)**	(29)	**(35)**	(46)	**0**	(3)
Group	**4,081**	5,530	**48**	276	**211**	559

%	Revenue growth		Business performance net margin		EBITDA margin	
For the year ended 31 December	**2020**	2019	**2020**	2019	**2020**	2019
Engineering & Construction	**(30.9)**	(5.0)	**2.0**	6.2	**3.7**	9.2
Engineering & Production Services[2]	**4.9**	4.2	**4.2**	5.4	**6.3**	7.5
Integrated Energy Services[2]	**(43.6)**	(30.9)	**(16.4)**	(2.1)	**35.5**	42.6
Group	**(26.2)**	(5.1)	**1.2**	5.0	**5.2**	10.1

1 Attributable to Petrofac Limited shareholders
2 On 1 January 2020, associate income from the Group's investment in PetroFirst Infrastructure Limited entities was reclassified from IES to EPS. 2019 comparables have been restated

Engineering & Construction

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 a 39-year track record in designing and building major oil, gas, refining, petrochemicals and new energies projects.

Elie Lahoud
E&C Chief Operating Officer

Operational performance

The COVID-19 pandemic significantly impacted E&C's operational performance in 2020, with stringent health protocols, travel restrictions, national lockdowns and supply chain disruption reducing productivity and extending project schedules.

Engineering and procurement progress recovered reasonably quickly from the initial impact of the pandemic, thanks to the rapid transition to remote working and the use of digital technologies to complete tasks, as well as the gradual reopening of equipment manufacturers in major supplier countries such as China and Italy. However, construction activity was significantly impeded for much of the year, resulting in material project delays and additional costs.

Nonetheless, despite the challenging environment, progress was made on all projects in 2020, with a number of major milestones successfully reached, such as the mechanical completion of bp's upstream gas Ghazeer project in Oman (see page 25 for more detail) and the start-up of the Crude Distillation Unit on KNPC's Clean Fuels Project in Kuwait.

Financial performance

The COVID-19 pandemic, as well as the decline in oil prices, significantly impacted E&C's financial performance in 2020. Nonetheless, swift management action to reduce costs, and lower tax, has partly mitigated the decline in profitability.

Revenue for the year decreased 31% to US$3.1 billion, (2019: US$4.5 billion), driven by a decline in project activity, COVID-19 related project delays and lower variation orders. Business performance net profit decreased 78% to US$62 million (2019: US$278 million), with business performance net profit margin declining 4.2ppts to 2.0% (2019: 6.2%), largely reflecting COVID-19 related cost increases, changes in project mix and the recognition of losses on a small number of contracts.

New orders

The decline in oil prices resulted in a contraction in capital spending by clients, resulting in delays to tender awards and the termination of our Dalma contracts in the UAE in April 2020. As a result, new order intake in the year declined to US$0.7 billion (2019: US$2.1 billion), comprising the EPC contract for the Seagreen offshore wind project and net variation orders.

Seagreen offshore wind project, United Kingdom

In January 2020, we entered into a Preferred Supplier Agreement with SSE Renewables to design, supply and install the HVAC onshore and offshore substations for the Seagreen wind farm project. The contract was confirmed in June following the completion of the final investment decision. The Seagreen wind farm will be located 27 kilometres off the coast of Angus and once constructed will be the largest in Scotland, providing around one million homes with low carbon energy.

Backlog at 31 Dec 20 by geography

Algeria	26%
Thailand	24%
Oman	15%
Russia	11%
Kuwait	6%
United Kingdom	6%
Other*	13%

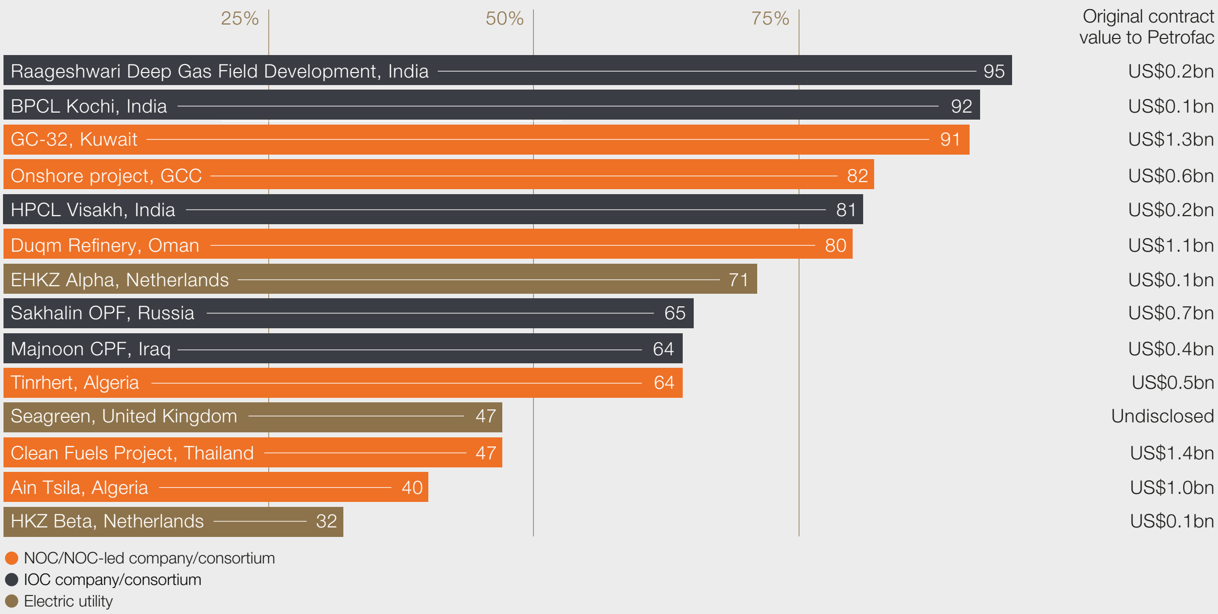
* Other includes geographies individually contributing <5% of total E&C backlog

Backlog at 31 Dec 20 by market

New energies	9%
Refining	34%
Upstream gas	40%
Upstream oil	17%

Engineering & Construction – Key project progress

Value of Work Done (VOWD) at 31 December 2020[1]



1 Excludes projects that are >95% complete or reimbursable (EPCm)

"Despite the challenging conditions, we continued to safely deliver our projects for clients."

Engineering & Production Services

The Engineering & Production Services (EPS) division manages and maintains client operations, 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, decommissioning and training capabilities. The majority of EPS' services are executed on a reimbursable basis.

John Pearson
EPS Chief Operating Officer

Operational performance

EPS' operational performance in 2020 was relatively resilient, despite the impact of the COVID-19 pandemic. Engineering, procurement and construction activity on our projects portfolio continued, with some notable milestones successfully reached, including the completion of Sharjah National Oil Corporation's gas storage project, on time and on budget. Despite the obstacles of reduced manning and enforced travel restrictions, we maintained safe, round the clock delivery on our operations in the UK North Sea and the Middle East, helped by the innovative use of digital technologies, such as the PetrofacGo app (see page 30 for more details).

Financial performance

Financial performance in the year benefited from solid order intake and lower overhead costs, which helped mitigate the impact of weaker market conditions caused by the COVID-19 pandemic and the decline in oil prices.

Revenue for the year increased 5% to US$0.9 billion (2019: US$0.9 billion) with growth in Projects largely offsetting lower activity from Operations. Business performance net profit decreased 19% to US$39 million (2019: US$48 million, restated[1]), with business performance net profit margin declining 1.2ppts to 4.2% (2019: 5.4%, restated[1]) reflecting the expected year-on-year decline in contract margins and contribution from associates, partly mitigated by overhead cost reductions and lower tax.

New orders

EPS secured US$0.9 billion of awards and extensions in the year (2019: US$1.0 billion), marginally increasing backlog despite tightening market conditions:

- In Projects, we secured a number of EPCC contracts for new upstream oil and gas facilities in the UAE, Bahrain and Kazakhstan
- In Operations, we extended our contract to operate the Iraq Crude Oil Export Expansion Project (ICOEEP), as well as securing a number of contract renewals with major Independent Oil Companies, such as bp and Eni, in the UK North Sea
- We secured two major Integrated Services Contracts in the UK North Sea with Ithaca and Petrogas NEO, which combine our operations, projects and well engineering services across the companies' asset bases
- In well engineering, we announced a number of well management and well operator support contracts in the UK North Sea, including with NEO Energy, which doubled our UK wells portfolio
- We expanded our new energies track record by securing a contract to support the Acorn CCUS and blue hydrogen project in the UK and a Front End Engineering Design (FEED) contract for the Arrowsmith green hydrogen project in Australia

Backlog at 31 Dec 20 by geography

UK	52%
Azerbaijan	12%
Bahrain	8%
Iraq	7%
Kuwait	6%
Other*	15%

* Other includes geographies individually contributing <5% of total EPS backlog

Backlog at 31 Dec 20 by service line

Projects	32%
Operations	68%

Integrated Energy Services

Integrated Energy Services (IES) is Petrofac's upstream oil and gas business, providing an integrated service for clients under flexible commercial models that are aligned with their requirements. These range from Production Enhancement Contracts (PECs) to traditional Production Sharing Contracts (PSCs).

Portfolio optimisation

Our priority continues to be to manage the IES portfolio to maximise value. Following the completion in November 2020 of the sale of our 51% interest in our Mexico operations, Block PM304 in Malaysia's offshore Cendor field is our single remaining material IES asset.

Operational performance

Net production for the year from our equity interests declined by 10% to 1.9 million barrels of oil equivalent (mmboe) (2019: 2.1mmboe), driven by lower PM304 production from the deferral of the East Cendor development to 2021 and the decline in base production, offset by strong production from the Santuario field in Mexico. For our PEC in Mexico, Magallanes and Arenque, we earned tariff income on a total of 1.9 mmboe (2019: 2.2 mmboe), with the reduction largely due to completion in Q4 2020 of the sale of these assets.

Production was also impacted by an unplanned outage at Cendor in PM304 in December, which is ongoing.

Financial performance

Revenue for the year decreased 43% to US$110 million (2019: US$195 million) reflecting a lower average realised price of US$39/boe (2019: US$67/boe), the decrease in net equity production and lower PEC tariff income and cost recovery.

EBITDA declined 54% to US$39 million (2019: US$83 million, restated[1]), reflecting the lower contribution from equity production in Malaysia and lower cost recovery from the Mexico PECs, mitigated by reduced operating and overhead costs.

IES generated a business performance net loss of US$18 million (2019: US$4 million loss, restated[1]), with lower EBITDA partly mitigated by lower interest, tax and depreciation.

"Our priority continues to be to manage the IES portfolio to maximise value."

1 On 1 January 2020, associate income from the Group's investment in PetroFirst Infrastructure Limited entities was reclassified from IES to EPS. 2019 comparables have been restated.