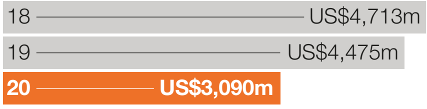
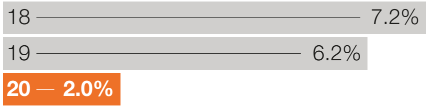
Segmental overview

Engineering & Construction

Revenue



Business performance net margin



Business performance net profit

Group revenue contribution (FY20)

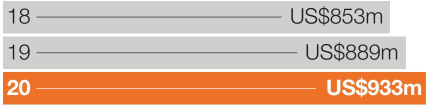
75%

Headcount at 31 Dec 20

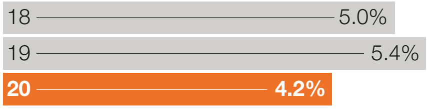
4,760

Engineering & Production Services

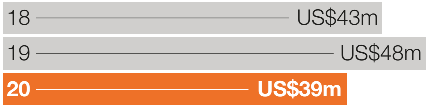
Revenue



Business performance net margin



Business performance net profit



Group revenue contribution (FY20)

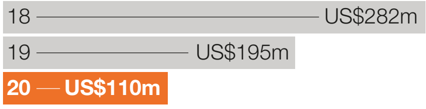
22%

Headcount at 31 Dec 20

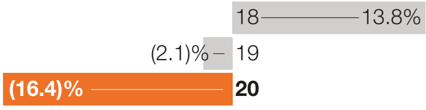
4,135

Integrated Energy Services

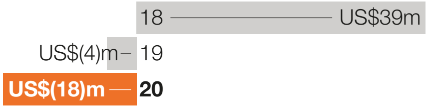
Revenue



Business performance net margin



Business performance net profit



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.

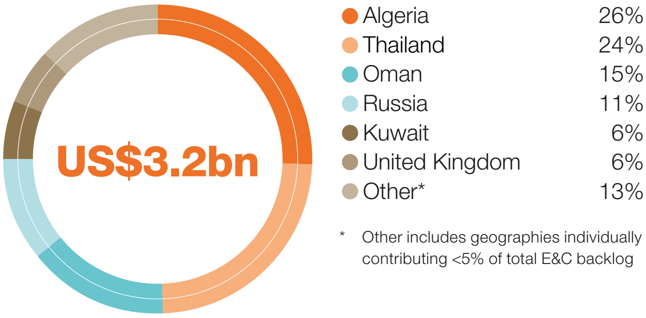
New orders

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

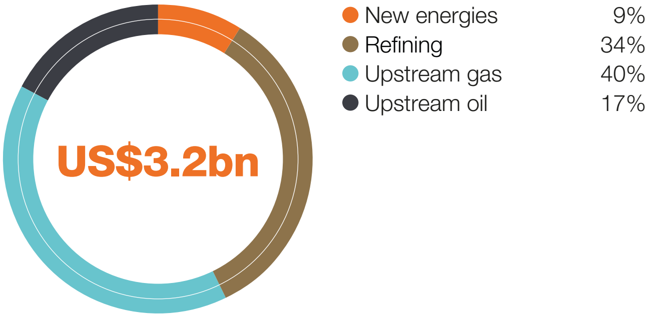
In January 2020, we entered into a Preferred Supplier Agreement with SSE Renewables to design, supply and install the HVAC onshore and offshore substations for the Seagreen wind farm project. The contract was confirmed in June following the completion of the final investment decision. The Seagreen wind 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



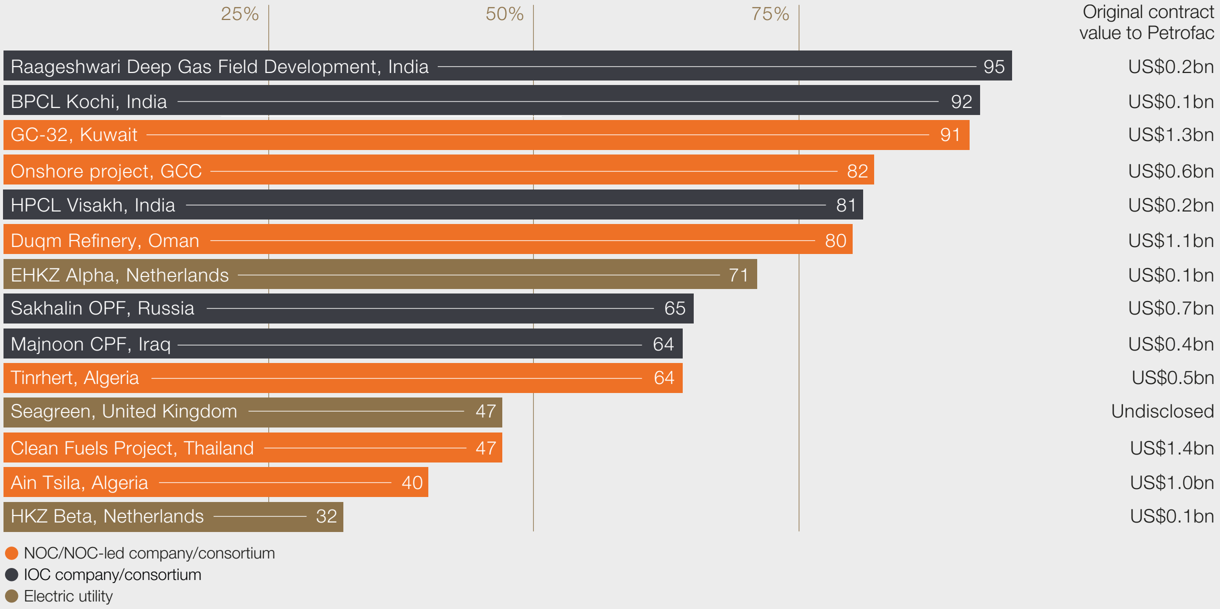
* Other includes geographies individually contributing <5% of total E&C backlog

Backlog at 31 Dec 20 by market



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.

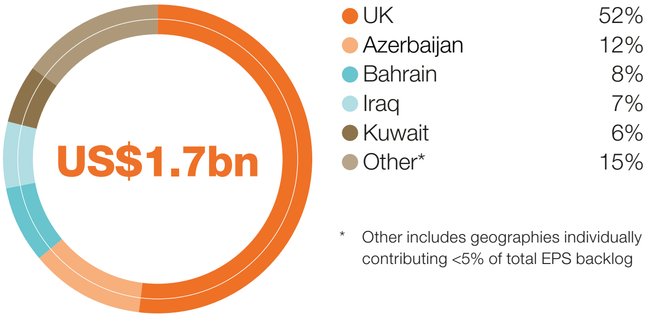
Revenue for the year increased 5% to US$0.9 billion (2019: US$0.9 billion) with growth in Projects largely offsetting lower activity from Operations. Business performance net profit decreased 19% to US$39 million (2019: US$48 million, restated[1]), with business performance net profit margin declining 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:

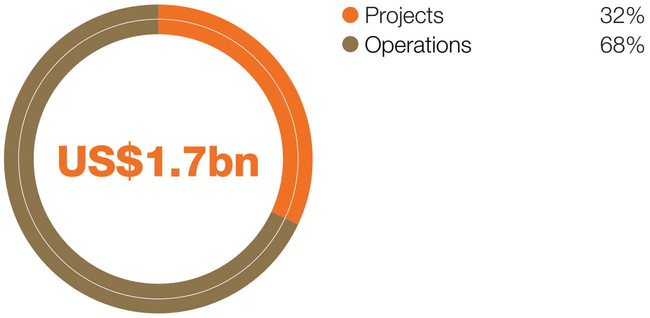
- In Projects, we secured a number of EPCC contracts for new upstream oil and gas facilities in the UAE, Bahrain and Kazakhstan
- In Operations, we extended our contract to operate the Iraq Crude Oil Export Expansion Project (ICOEEP), as well as securing a number of contract renewals with major Independent 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



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

Backlog at 31 Dec 20 by service line



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."**

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[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.

At a glance

- Revenue down 26% to US$4.1 billion
- EBITDA down 62% to US$211 million[1]
- Business performance net profit down 83% to US$48 million[1,2]
- Reported net loss of US$180 million[1]
- Fully diluted EPS of 14.2 cents[1,2]
- Group backlog down 32% to US$5.0 billion
- Net debt of US$116 million

Financial Review

The Group's financial performance in 2020 reflected the deterioration in market conditions triggered by the COVID-19 pandemic and subsequent decline in oil prices. Overall, revenue and profitability declined, as these unprecedented market conditions disrupted project schedules, increased project costs, delayed tender awards and impacted commercial settlement discussions. In response, management took swift and decisive action to structurally reduce costs and conserve cash, which partly mitigated the impact of challenging market conditions on profitability and cash flow.

	Year ended 31 December 2020			Year ended 31 December 2019		
	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	**4,081**	**–**	**4,081**	5,530	–	5,530
EBITDA[1]	**211**	**n/a**	**n/a**	559	n/a	n/a
Net profit/(loss)[1]	**48**	**(228)**	**(180)**	276	(203)	73

In unprecedented and challenging market conditions, swift management action has protected margins and conserved cash

Alastair Cochran
Chief Financial Officer

Income statement

Revenue

Group revenue decreased 26% to US$4.1 billion (2019: US$5.5 billion). This was principally due to a decline in revenue in the Engineering & Construction (E&C) operating segment, which decreased 31% due to a decline in project activity, COVID-19 related project delays and lower variation orders. Engineering & Production Services (EPS) operating segment revenue grew 5%, with growth in Projects largely offsetting lower activity from Operations. Revenue in the Integrated Energy Services (IES) operating segment decreased 43%, reflecting the fall in average realised prices, lower equity production, and lower tariff income and cost recovery in Mexico.

The Group generated revenue from a broad range of geographic markets in 2020 with Oman, Thailand and Algeria generating 47% of Group revenue (2019: top three markets – Oman, Kuwait and the UAE – generated 50% of revenue).

Revenue by Geography: FY20

● Oman	18%
● Thailand	14%
● Algeria	14%
● United Kingdom	13%
● Kuwait	8%
● United Arab Emirates	7%
● Iraq	6%
● Netherlands	6%
● Russia	5%
● Other	9%

> **“Oman, Thailand and Algeria were the top three markets in 2020.”**

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)[1,2,3]

Business performance EBITDA decreased 62% to US$211 million (2019: US$559 million), reflecting lower revenue and margins. The decline in E&C margins was driven by cost increases, a change in project mix and the recognition of losses on a small number of contracts. IES margins also contracted as revenues fell at a faster rate than operating and other costs. Consequently, Group EBITDA margin declined to 5.2% (2019: 10.1%). Overall, lower EBITDA was partly mitigated by management actions to reduce overhead and project support costs.

Year ended 31 December 2020

	Engineering & Construction US$m	Engineering & Production Services US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Business performance US$m
Total revenue	3,090	933	110	–	(52)	4,081
EBITDA (1)	113	59	39	–		211
EBITDA margin	3.7%	6.3%	35.5%			5.2%

Year ended 31 December 2019

	Engineering & Construction US$m	Engineering & Production Services US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Business performance US$m
Total revenue	4,475	889	195	–	(29)	5,530
EBITDA (1)	412	67	83	(3)	–	559
EBITDA margin	9.2%	7.5%	42.6%	–		10.1%

Finance income/(expense)[4]

Finance income decreased to US$9 million (2019: US$13 million), reflecting lower bank interest and a reduction in the unwinding of discounts on receivables. Finance expense decreased 36% to US$37 million (2019: US$58 million) as debt maturities reduced average gross debt for the year and reflecting lower interest on lease liabilities. In aggregate, net finance expense decreased by 38% to US$28 million (2019: US$45 million).

	2020 US$m	2019 US$m
Finance income		
Bank interest	**3**	5
Unwinding of discount on receivables (note 18 and note 21)	**6**	8
Total finance income	**9**	13
Finance expense		
Group borrowings	**(27)**	(42)
Lease liabilities	**(9)**	(12)
Unwinding of discount on provisions (note 28)	**(1)**	(4)
Total finance expense	**(37)**	(58)

Taxation

The Group's business performance effective tax rate (ETR) for the year was 32.8% (2019: 29.4%), reflecting the change in mix of profits in the jurisdictions in which the profits are earned.

Reported ETR was (10.5)% (2019: 65.6%) driven by the realisation of impairments without tax benefits and certain fair value re-measurements that are not subject to tax. As in prior years, the reported ETR is also driven by tax laws in jurisdictions where the Group operates and generates profits.

Net profit

Business performance net profit attributable to Petrofac Limited shareholders for the year decreased 83% to US$48 million (2019: US$276 million) driven by lower EBITDA, partially offset by lower net finance expense, lower tax expense, and lower depreciation and amortisation. Business performance net margin decreased to 1.2% (2019: 5.0%).

A reported net loss of US$180 million(1) (2019: US$73 million net profit) was negatively impacted by separately disclosed items of US$228 million (2019: US$203 million), of which approximately US$209 million were non-cash items. These related to:

- A non-cash impairment of US$79 million and a fair value adjustment of US$42 million (both post-tax) as a result of the fair value of the consideration received for the sale of our remaining 51% interest in our Mexican operations in November 2020 being lower than expected
- A non-cash impairment charge of US$64 million (post-tax) following a review of the carrying amount of the investment in Block PM304 in Malaysia
- A loss of US$6 million (post-tax) recognised on early settlement of deferred consideration from Ithaca Energy in April 2020 and a non-cash impairment charge of contingent consideration of US$9 million (post-tax), both relating to the sale of the Greater Stella Area in the UK in December 2018
- A non-cash downward fair value remeasurement of US$8 million (post-tax) due to uncertainty concerning the timing and outcome of migration of the Pánuco PEC to a PSC and consequently whether contingent consideration pay out conditions will be achieved
- Other net separately disclosed items of US$20 million (post-tax), including Group reorganisation and redundancy costs, other fair value adjustments and legal fees

Earnings per share

Business performance diluted earnings per share decreased 82% to 14.2 cents per share (2019: 80.4 cents per share), broadly in line with the decrease in business performance net profit. Reported diluted loss per share decreased to (53.4) cents per share (2019: 21.3 cents earnings per share), reflecting lower business performance profit and an increase in separately disclosed items (refer to note 9 to the consolidated financial statements).

Cash Flow

Operating cash flow

Operating activities generated a net cash outflow of US$16 million (2019: US$238 million inflow), principally reflecting the decline in EBITDA and a working capital outflow during the year. Net income taxes paid decreased to US$74 million (2019: US$133 million).

	Year ended 31 December 2020 US$m	Year ended 31 December 2019 US$m
EBITDA	211	559
Operating profit adjustments	26	18
Operating profit before changes in working capital and other items	237	577
Net working capital movement	(160)	(179)
Net other non-current items	-	1
Restructuring, redundancy and other separately disclosed cash costs	(19)	(28)
Net income taxes paid	(74)	(133)
Net cash flows (used in)/generated from operating activities	(16)	238

The net working capital outflow of US$160 million (2019: US$179 million outflow) was due to:

- An inflow of US$122 million reflecting a decrease in trade and other receivables
- An inflow of US$409 million reflecting a decrease in contract assets
- An outflow of US$309 million reflecting a decrease in trade and other payables and contract liabilities
- An outflow of US$369 million reflecting a decrease in accrued contract expenses, largely due to higher payment milestones relating to vendors and subcontractors achieved during the period in the Engineering & Construction operating segment

Free cash flow

The free cash outflow for the year of US$73 million (2019: US$138 million inflow) reflects the net cash outflow generated from operating activities, partly mitigated by divestment proceeds and management actions to reduce capital expenditure. US$57 million was received from the Greater Stella Area (GSA) disposal in deferred consideration, of which US$13 million was recognised as divestment proceeds in IES and US$44 million was recognised as a reduction in contract assets in EPS. The divestment of our 51% interest in the Mexico operations increased free cash flow by US$18 million, with US$83 million in gross consideration being offset by the deconsolidation of US$65 million of cash. Group capital expenditure decreased by 38% to US$57 million (2019: US$92 million), reflecting a deferral of expenditure on Block PM304 in Malaysia and lower capex in E&C. Free cash flow also benefited from the decline in average gross debt and consequently interest paid.

	Year ended 31 December 2020 US$m	Year ended 31 December 2019 US$m
Net cash flows generated from operating activities	**(16)**	238
Capital expenditure	**(57)**	(92)
Acquisitions	**–**	(21)
Divestments	**28**	40
Dividends received from associates and JVs and other investing activities	**8**	14
Net cash flows (used in)/generated from investing activities	**(21)**	(59)
Interest paid	**(36)**	(51)
Amounts received from non-controlling interest	**–**	10
Free cash flow	**(73)**	138

Balance sheet

IES carrying amount

The carrying amount[5] of the IES portfolio stood at US$116 million at 31 December 2020 (2019: US$420 million), largely comprising the Group's interests in its operations in Malaysia following the sale of the Group's remaining 51% controlling interest in Mexican operations in November 2020.

		31 December 2020 US$m	31 December 2019 US$m
Santuario, Magallanes, Arenque[6]	Mexico	**0**	242
PM304	Malaysia	**116**	150
Other (including investment in associates)		**0**	28
Total		**116**	420

Deferred and contingent consideration associated with the sale of non-core assets in prior years is excluded from the IES carrying amount disclosed above as it is included in other financial assets (see note 18 to the consolidated financial statements).

Leases

Net lease liabilities, calculated as gross lease liabilities minus 70% of leases in respect of right-of-use assets relating to Block PM304 in Malaysia, decreased 24% to US$136 million (31 December 2019: US$179 million) as a result of lease payments made in the period (see notes 2, 30 and A10 in Appendix A to the consolidated financial statements). Net lease liabilities attributable to PM304 amounted to US$76 million (31 December 2019: US$111 million).

Total equity

Total equity at 31 December 2020 decreased to US$440 million (2019: US$914 million), reflecting the reported loss for the year of US$189 million and the purchase of the Company's shares by the Petrofac Employees Benefit Trust (which are held for the purpose of making awards under the Group's share plans) of US$11 million. No dividends were paid in the period (2019: US$129 million) following the decision by the Board to suspend the 2019 final dividend payment in response to the COVID-19 pandemic.

Of the US$440 million total equity at 31 December 2020, US$433 million (2019: US$633 million) was attributable to Petrofac Limited shareholders and US$7 million (2019: US$281 million) was attributable to non-controlling interests.

Net debt and liquidity

Net debt

Net debt, excluding net finance leases, increased to US$116 million at 31 December 2020 (2019: US$15 million net cash), predominantly reflecting lower cash conversion (see A11 in Appendix A to the consolidated financial statements).

Total gross borrowings less associated debt acquisition costs were US$800 million at 31 December 2020 (2019: US$1,010 million). This consists of US$505 million drawn on a revolving credit facility, US$250 million of term loans and US$45 million of accessed overdraft facilities.

	31 December 2020 US$m	31 December 2019 US$m
Cash and short-term deposits	684	1,025
Interest-bearing loans and borrowings	(800)	(1,010)
Net (debt)/cash	(116)	15

Liquidity

The Group's total available borrowing facilities, excluding bank overdrafts, were US$1,250 million at 31 December 2020 (2019: US$1,500 million), following the repayment of US$100 million of term loans, the retirement of US$200 million of undrawn facilities and the addition and extension of US$250 million of new liquidity secured during the year. Details of the Group's borrowing facilities are contained in note 27 to the consolidated financial statements.

Of these facilities, US$495 million was undrawn at 31 December 2020 (2019: US$600 million). Combined with the Group's cash and cash equivalents of US$639 million (2019: US$914 million), excluding US$45 million cash from bank overdrafts, the Group had US$1,133 million of liquidity available at 31 December 2020 (2019: US$1,514 million(7)).

Borrowing facilities - 31 December 2020	Maturity date
Revolving credit facility – US$1,000 million	June 2021
Term loan 1 – US$150 million	August 2022
Term loan 2 – US$50 million	February 2021
Term loan 3 – US$50 million	October 2023

The revolving credit facility and the term loans are subject to two financial covenants relating to leverage (net debt to EBITDA) and interest cover (EBITDA to net interest). At 31 December 2020, both covenants were in compliance, each with significant headroom to covenant limits:

	Leverage	Interest cover
Covenant	<3.0x	>3.0x
Ratio at 31 December 2020	1.2x	7.6x

Post balance sheet event – COVID Corporate Finance Facility

On 1 February 2020, the Group increased its short-term liquidity position through issuing £300 million in commercial paper with a maturity of 12 months under the UK Government's Covid Corporate Financing Facility, the maximum amount it was eligible to issue under this facility. Accessing additional liquidity headroom was considered to be a prudent step in this uncertain market environment.

Post balance sheet event – extensions of facilities

In April 2021, the Company extended US$700 million of its banking facilities, at its request, with the unanimous support of lenders. These extensions comprised a US$610 million extension of its existing revolving credit facility to 2 June 2022, with an option to extend for a further six months(8), and a US$90 million extension of a bilateral term facility to 1 April 2022(9).

Return on capital employed

The Group's return on capital employed for the year decreased to 7.0% (2019: 23.3%), due to the reduction in business performance earnings before interest, tax and amortisation (EBITA). Details of this alternative performance metric calculation are contained A8 in Appendix A to the consolidated financial statements.

Dividends

In April 2020, the Board suspended the payment of the final dividend in response to the COVID-19 pandemic. The Board recognises the importance of dividends to shareholders, but has decided to continue to suspend dividend payments and therefore will not recommend payment of a final dividend for 2020 (2019: 12.7 US cents per share) to conserve cash.

At 31 December 2020, Petrofac Limited had distributable reserves of US$241 million (2019: US$558 million).

Backlog

The Group's backlog decreased 32% to US$5.0 billion at 31 December 2020 (2019: US$7.4 billion), reflecting low new order intake in E&C as clients deferred awards in response to the COVID-19 pandemic and the fall in oil prices, as well as the termination of the Dalma contracts in the UAE.

Overall, Group order intake for the year was US$1.6 billion, representing a book-to-bill of 0.4x. The most significant new award in 2020 was for the Seagreen offshore wind project in Scotland with SSE for the EPC of the HVAC onshore and offshore substations. EPS' order backlog remained stable in 2020 at US$1.7 billion, reflecting a robust order intake in challenging market conditions, with a book-to-bill of 1.0x.

	31 December 2020 US$bn	31 December 2019 US$bn
Engineering & Construction	**3.3**	5.7
Engineering & Production Services	**1.7**	1.7
Group	**5.0**	7.4

Outlook

Market conditions remain challenging despite a recovery in the oil price, an improvement in the near-term economic outlook and an increase in tendering activity in the first quarter of 2021. Clients are continuing to adopt tough commercial positions and delays in awards remain a risk. In this environment, and with the UAE market currently unavailable to us, our priorities are clear.

Firstly, we are focused on rebuilding our order book, which provides near-term revenue visibility. The Group has US$3.0 billion scheduled for execution in 2021, comprising US$2.2 billion in E&C and US$0.8 billion in EPS. We expect late 2021 to mark the start of a sustained recovery period for the industry, with a return to pre-2020 capex spend levels by 2023. We will seek to capitalise on this recovery in our core addressable markets, whilst also targeting growth in selective new geographies and accelerating our transition to new energies. To support this ambition, the Group has a diverse tendering pipeline of around US$20 billion of opportunities scheduled for award by the end of 2021 and US$34 billion of opportunities due for award in 2022. Notwithstanding this, we are prudently assuming that capital discipline by clients will continue to delay awards in the near term, with new orders likely to remain depressed in E&C in the current year.

Secondly, we are committed to exercising capital discipline, cutting costs and conserving cash. We are taking additional measures to reshape the business, which will reduce overhead and project support costs, whilst preserving core capability.

Finally, we are focused on delivering operational excellence, supported by investment in digitalisation, automation and process efficiency. This unrelenting focus on improving productivity and capability will help mitigate the impact of the challenging market conditions we continue to face, with both E&C and EPS net margins currently forecast to grow modestly in 2021.

Alastair Cochran
Chief Financial Officer
20 April 2021

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 to the consolidated financial statements
3 See A3 in Appendix A to the consolidated financial statements
4 See note 7 to the consolidated financial statements
5 Share of net assets attributable to Petrofac Limited shareholders
6 Included in assets held for sale (see note 15 to the consolidated financial statements)
7 December 2019 liquidity restated from US$1,625 million to remove cash from overdrafts as these amounts are repayable on demand and as such do not meet the definition to be included within liquidity
8 The option to extend the revolving credit facility to 2 December 2022 is subject to the approval of lenders and is up to a maximum of US$550 million
9 The term loan included a prepayment obligation on 31 March 2021