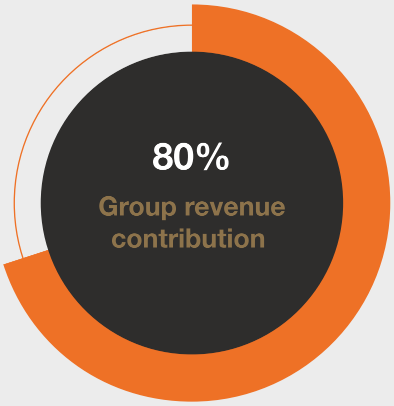
SEGMENTAL OVERVIEW

ENGINEERING & CONSTRUCTION

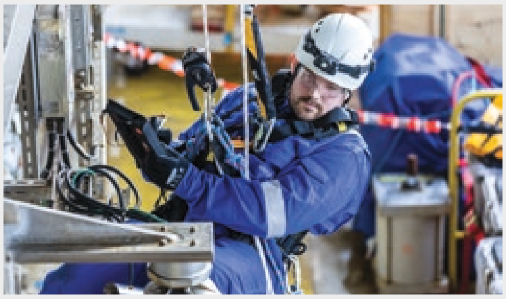


Revenue

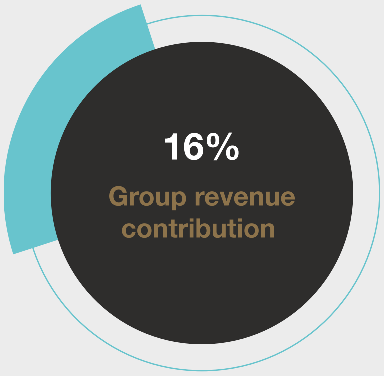
US$4,475m

Business performance net profit

US$278m



ENGINEERING & PRODUCTION SERVICES



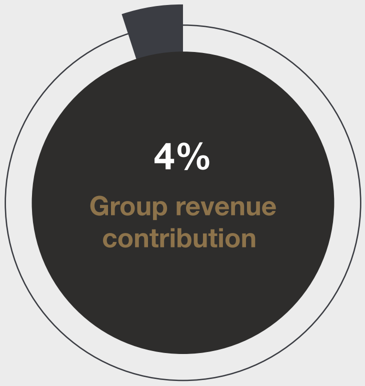
Revenue

US$889m

Business performance net profit

US$32m

INTEGRATED ENERGY SERVICES



Revenue

US$195m

Business performance net profit

US$12m

US$ million	Revenue		Business performance net profit[1]		EBITDA	
For the year ended 31 December	2019	2018	2019	2018	2019	2018
Engineering & Construction[2]	4,475	4,713	278	338	412	458
Engineering & Production Services[2]	889	853	32	43	51	68
Integrated Energy Services	195	282	12	39	99	160
Corporate, others, consolidation adjustments & eliminations	(29)	(19)	(46)	(67)	(3)	(15)
Group	5,530	5,829	276	353	559	671

%	Revenue growth		Business performance net margin		EBITDA margin	
For the year ended 31 December	2019	2018	2019	2018	2019	2018
Engineering & Construction[2]	(5.0)	(11.4)	6.2	7.2	9.2	9.7
Engineering & Production Services[2]	4.2	(2.4)	3.6	5.0	5.7	8.0
Integrated Energy Services	(30.9)	23.7	6.2	13.8	50.8	56.7
Group	(5.1)	(8.9)	5.0	6.1	10.1	11.5

1 Attributable to Petrofac Limited shareholders
2 On 1 January 2019, the Engineering, Procurement and Construction management (EPCm) business was reclassified from the EPS operating segment to the E&C operating segment. The EPCm business is presented within E&C in prior year comparative figures

PLATFORM FOR GROWTH IN THE US PERMIAN BASIN

US growth has been a strategic aim for EPS for several years.

The Permian Basin offers Petrofac a unique opportunity as major operators increase their production and are looking for service companies that understand their specific requirements around safety and the integration of engineering, construction, maintenance and operations. Petrofac can drive value throughout this asset value chain. Our acquisition of W&W Energy Services ("W&W"), a maintenance business with its roots in the Permian since 1982, provides a low-risk entry position and will act as a platform for growth.

W&W has an excellent track-record and reputation across the Permian for the delivery of maintenance, pipeline tie-in and project construction services. Operating out of three bases in Texas, and Carlsbad, New Mexico, the company has Master Services Agreements with more than 100 operators, typically working under a reimbursable services contract model.

38
Year Permian track-record

100
Master Services Agreement

1st
A one-stop-shop in the world's largest producing basin

CONNECTED CONSTRUCTION

Best-in-class delivery is a key strategic priority for Petrofac and, to help meet this goal, we see huge potential for our digital initiatives in our site operations. A perfect example is the US$600 million Salalah Liquified Petroleum Gas (SLPG) project in Oman, where we have been working with Microsoft to test and implement our new Connected Construction tool.

The tool provides real time visibility of people, materials and equipment which, in turn, helps us to work safer, smarter and faster.

For example, workers have personalised identifier tags, which keep track of their onsite movements, flag any potentially hazardous situations, and manage access to restricted areas. Using an SOS button, they can also raise the alarm if they get into trouble, and provide immediate access to essential information, such as their blood type or next of kin.

Similar tags also help us monitor materials and equipment, and helps ensure that key project milestones and KPIs are met. Thanks to this seamless flow of data, we believe the tool enabled a productivity uplift at SLPG.

Project value
US$600m

Productivity uplift
5%

Used in the trial
1,000 tags

SOLID EXECUTION DELIVERING OUR PROJECT PORTFOLIO

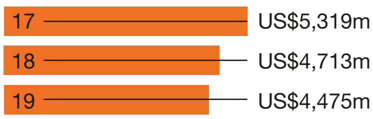
The Engineering & Construction (E&C) division delivers onshore and offshore engineering, procurement, construction, installation and commissioning services. Lump-sum turnkey is the predominant commercial model used, but we also offer our clients the flexibility of other models, such as services on a reimbursable basis, through our engineering, procurement and construction management (EPCm) business. We have more than 38 years' expertise in engineering and construction and our services encompass both greenfield and brownfield developments.

George Salibi
E&C Chief Operating Officer

Overview

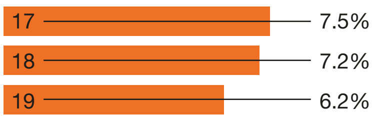
Revenue

US$4,475m



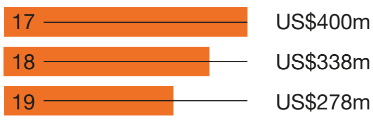
Business performance net margin

6.2%



Business performance net profit

US$278m



Group revenue contribution

80%

E&C headcount at 31 December

6,650

Backlog

- 1. Algeria 23%
- 2. Thailand 23%
- 3. Oman 21%
- 4. Russia 9%
- 5. Kuwait 8%
- 6. United Arab Emirates 5%
- 7. Other 11%

We made steady progress delivering our portfolio of projects in 2019. Power transmission commenced from the BorWin3 offshore grid connection project in the German North Sea, while the RAPID project in Malaysia is now ready for start up. We delivered a major milestone on the Upper Zakum Field Development in the UAE and with handover of the central island, the project is now substantially complete. In Saudi Arabia, the Jazan South tank farm is mechanically complete, whilst the Jazan North tank farm and Fadhili projects are nearing mechanical completion. In Kuwait, the KNPC Clean Fuels project is substantially complete (see case study on page 13) and we achieved a major milestone on the Lower Fars Heavy Oil plant in Kuwait with the commencement of steam injection. The Khazzan Phase 2 (Ghazeer) gas development in Oman remains ahead of schedule.

Our EPCm projects are also progressing well. The Al Taweelah Alumina Refinery in the UAE has started up (see case study on page 10), the Rabab Harweel Integrated Project in Oman has commenced production, and gas has recently been introduced into TurkStream in Turkey (see case study on page 14)

New awards

New order intake for the year totalled US$2.1 billion. Specific awards included:

Ain Tsila Development Project, Algeria

In March 2019, we were awarded a contract worth around US$1 billion with Groupement Isarene, the joint operating group set up by Sonatrach, Petroceltic and Enel, for the Ain Tsila Development Project in Algeria. Located around 1,100 kilometres south-east of Algiers, the Ain Tsila field will produce gas, LPG and condensate for the local Algerian market and for export.

Mabrouk North East Line Pipe Procurement Project, Oman

In June 2019, we secured our third project under a 10-year Framework Agreement with Petroleum Development Oman (PDO) with the award of a procurement services project for the Mabrouk North East Line Pipe Procurement Project in Oman, valued at approximately US$75 million. The 19-month project scope includes management of line pipe material from sourcing, technical and commercial evaluation, planning and control services with management and co-ordination of interfaces with all parties involved.

HKZ Beta wind farm platform, The Netherlands
In June 2019, we confirmed the award of the Hollandse Kust Zuid (HKZ) offshore grid connection Beta HVAC platform (substation) in the North Sea by TenneT, the Dutch-German transmission grid operator. This follows the award of the contract for HKZ platform Alpha in July 2018 and subsequent confirmation of HKZ platform Beta option. The engineering, procurement, construction and installation (EPCI) of both substations has a total contract value of approximately US$200 million.

Mabrouk North East Development Project, Oman
In December 2019, we received an additional award under PDO's 10-year Framework for an Engineering, Procurement and Construction Management (EPCm) services contract for the Mabrouk North East Development Project in Oman. The 34-month project scope awarded involves the development of 16 gas producing wells and export of the production to the Saih Rawl Central Processing Plant. The project will be integrated with the Mabrouk North East Line Pipe Procurement Project (see previous page), which was awarded to Petrofac in June 2019.

Additional scope of work on the Yibal Khuff project, Oman
Also in December 2019, we were awarded a 20-month contract to provide further services for PDO's Yibal Khuff Project, including detailed Engineering, Procurement, and support for Construction and Commissioning of nine additional wells to improve overall plant production, and laying of gas pipeline from Yibal "A" to the main processing facility. The additional Yibal Khuff scope of work and the Mabrouk North East Line Pipe Procurement Project contract are worth a combined value of approximately US$130 million.

Results

Revenue for the year decreased 5% to US$4,475 million (2018: US$4,713 million) reflecting project phasing and mix.

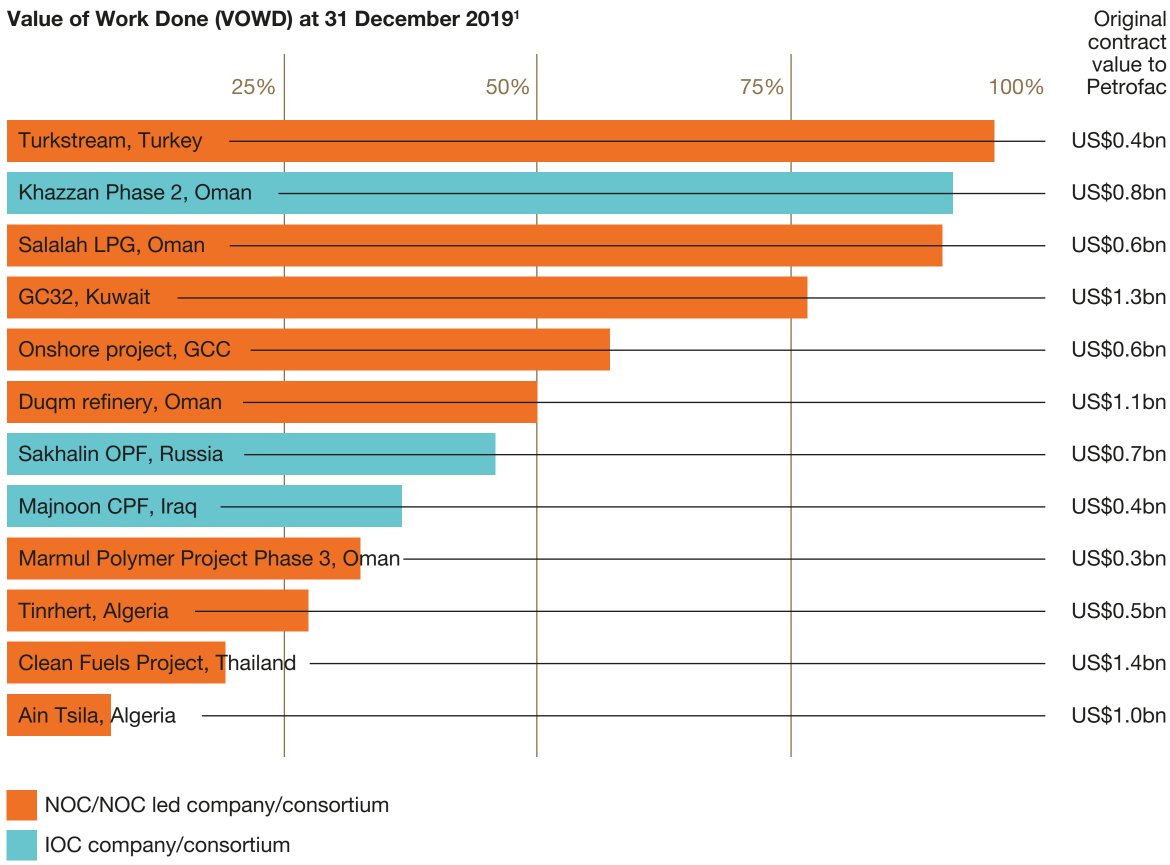
Business performance net margin decreased to 6.2% (2018: 7.2%), reflecting project mix and higher tax. Business performance net profit decreased 18% to US$278 million (2018: US$338 million), reflecting the decline in revenue and margin.

Backlog in the E&C division stood at US$5.7 billion at 31 December 2019 (2018: US$8.0 billion), reflecting low new order intake and progress delivered on the existing project portfolio.

Headcount in the E&C division was 6,650 at 31 December 2019 (2018: 6,500).

KEY PROJECT PROGRESS

Value of Work Done (VOWD) at 31 December 2019[1]



1. Excludes projects > 95% complete and projects < US$250m.

DELIVERING GOOD OPERATIONAL PERFORMANCE

The Engineering & Production Services (EPS) division brings together our services' capability across brownfield projects and operations, greenfield projects through concept, feasibility and front-end engineering and full project delivery as well as a range of operations, maintenance and engineering services for onshore and offshore projects.

John Pearson
EPS Chief Operating Officer and Chief Corporate Development Officer

Overview

Revenue

US$889m

17	US$874m
18	US$853m
19	US$889m

Business performance net margin

3.6%

17	5.7%
18	5.0%
19	3.6%

Business performance net profit

US$32m

17	US$50m
18	US$43m
19	US$32m

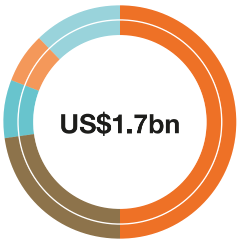
Group revenue contribution

16%

EPS headcount at 31 December

4,050

Backlog



- 1. UK 50%
- 2. MENA 23%
- 3. CIS 8%
- 4. South East Asia 7%
- 5. Other 12%

In 2019, a recovery in market conditions led to an acceleration of project awards and contract extensions, particularly in brownfield projects and wells, two of our target growth markets. This led to a subsequent expansion in EPS' backlog. Our operations business remains resilient, despite lower activity in the year. We completed a bolt-on acquisition of W&W Energy Services providing a low risk, entry-level platform for growth in the attractive Permian basin in the US.

New awards and extensions

During the year, EPS secured awards and extensions with new and existing clients worth approximately US$1.0billion, predominantly in the UK North Sea, the Middle East, South East Asia and CIS. Many of the contracts awarded delivered against EPS' growth strategy of diversifying into new markets and geographies:

- In brownfield projects, we secured several framework agreements and extensions in the North Sea, while we were awarded contracts for two small scale EPC projects in Malaysia and the UAE
- In well engineering, we won two contracts for well plug and abandonment work in the North Sea, while we were announced as a well management services provider to a global well drilling campaign being undertaken by Maersk Drilling
- In operations and maintenance, we secured extensions to existing contracts in Iraq, while we were also selected by Petrogas NEO UK to provide integrated services to its North Sea operations following its asset acquisition during the year from Total
- We also secured new awards related to the provision of project management services, including a contract, won through our joint venture with the State Oil Company of the Republic of Azerbaijan (SOCAR), to support BP's operations in Azerbaijan and Georgia

Results

Revenue increased 4% to US$889 million (2018: US$853 million), with growth in Projects more than offsetting lower Operations' activity.

Business performance net margin decreased to 3.6% (2018: 5.0%), reflecting lower contract margins and higher overheads. Business performance net profit decreased 26% to US$32 million (2018: US$43 million) driven by the roll-off of high margin contracts and lower margins on new contracts.

Backlog in the EPS division increased to US$1.7 billion at 31 December 2019 (2018: US$1.6 billion) reflecting the level of order intake.

Headcount in the EPS division was 4,050 at 31 December 2019 (2018: 4,250).

DELIVERING UNDERLYING GROWTH

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) and traditional equity upstream investment models including both Production Sharing Contracts (PSCs) and concession agreements. Our projects cover upstream developments – both greenfield and brownfield – and related energy infrastructure projects.

Rob Jewkes
IES Chief Operating Officer

Overview

Revenue

US$195m

17	US$228m
18	US$282m
19	US$195m

Business performance net margin

6.2%

17	-9.2%
18	13.8%
19	6.2%

Business performance net profit

US$12m

17	-US$21m
18	US$39m
19	US$12m

Group revenue contribution

4%

IES headcount at 31 December

550

On 31 December 2019, Rob Jewkes stepped down as IES Chief Operating Officer as part of his retirement. On 1 January 2020, Engineering & Production Services (EPS) assumed the management of the remaining IES asset portfolio. The performance of these assets will be reported as part of EPS in future reports.

Managing the IES portfolio to maximise value

As part of our strategic commitment to reduce capital intensity by focusing on our core E&C and EPS businesses, we continue to manage the IES portfolio to maximise value.

In 2019, we signed an agreement with Perenco to sell our remaining 51% interest in our operations in Mexico. The transaction is subject to regulatory approval and is expected to complete in 2020. This followed the sale of a 49% non-controlling interest in our Mexico operations to Perenco in 2018, which was completed in addition to the sales of our interests in the Greater Stella Area (GSA) development in the UK North Sea and the Chergui gas concession in Tunisia.

When the sale of our 51% interest in our Mexico operations completes, Block PM304 in Malaysia's offshore Cendor field will be our single remaining material IES asset.

Equity Upstream Investments

Net entitlement production for the year from our equity interests decreased to 2.1 million barrels of oil equivalent (mboe) (2018: 3.7 mboe), reflecting prior year asset sales. Excluding asset sales, net entitlement production increased 7%, reflecting strong growth in production from the Santuario PSC in Mexico.

Production Enhancement Contracts

Petrofac earns a tariff per barrel on PECs for an agreed level of baseline production and an enhanced tariff per barrel on incremental production. We earned tariff income on a total of 2.2 mboe (2018: 2.5 mboe) driven by a decline in production from the Magallanes PEC.

Results

Revenue decreased 31% to US$195 million (2018: US$282 million) driven by prior year asset sales. Excluding asset sales, revenue was down 1%. The average realised price (net of royalties) for the year was US$67 per barrel (2018: US$59).

EBITDA decreased 38% to US$99 million (2018: US$160 million). Excluding asset sales, EBITDA was down 4%, reflecting higher operating costs and lower cost recovery on PECs, partially offset by higher production from PSCs and higher net profit from associates.

IES generated a business performance net profit of US$12 million (2018: US$39 million), reflecting prior year asset sales, partially offset by lower tax and depreciation.

IES headcount stood at 550 at 31 December 2019 (2018: 600).

Alastair Cochran
Chief Financial Officer

GOOD RESULTS, STRONG BALANCE SHEET AND RETURN TO AN ASSET-LIGHT BUSINESS MODEL

At a glance

- Revenue down 5% to US$5.5 billion
- EBITDA down 17% to US$559 million[1]
- Business performance net profit down 22% to US$276 million[1,2]
- Reported net profit of US$73 million[2]
- Fully diluted EPS of 80.4 cents[1,2]
- Group backlog down 23% to US$7.4 billion
- Net cash of US$15 million
- Full year dividend unchanged at 38.0 cents per share

Financial Review

Financial performance in 2019 reflects lower activity and the impact of a decline in margins, as illustrated in the table below.

	Year ended 31 December 2019			Year ended 31 December 2018		
	Business performance[1] US$m	Exceptional items and certain remeasure-ments US$m	Reported US$m	Business performance[1] US$m	Exceptional items and certain remeasure-ments US$m	Reported US$m
Revenue	5,530	–	5,530	5,829	–	5,829
EBITDA	559	n/a	n/a	671	n/a	n/a
Net profit/(loss)	276	(203)	73	353	(289)	64

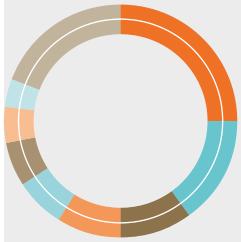
1 Business performance before exceptional items and certain re-measurements. This measure is shown by Petrofac as a means of measuring underlying business performance (see note 4 to the consolidated financial statements).
2 Attributable to Petrofac Limited shareholders.

“OMAN, KUWAIT AND THE UAE WERE THE TOP THREE MARKETS IN 2019.”

Revenue

Group revenue decreased 5% to US$5.5 billion (2018: US$5.8 billion). Revenue in the Engineering & Construction (E&C) operating segment decreased 5% due to project phasing as several large projects neared – or reached – completion. Engineering & Production Services (EPS) operating segment revenue grew 4%, driven by growth in brownfield projects and wells activity. Revenue in the Integrated Energy Services (IES) operating segment decreased 31%, driven by prior year asset divestments of the Greater Stella Area (GSA) development in the UK and the Chergui gas concession in Tunisia.

Revenue by Geography: FY19



Oman, Kuwait and the UAE were the top three markets in 2019, generating 50% of Group revenue (2018: the top three markets – Kuwait, Oman and Saudi Arabia – generated 58% of revenue). The proportion of revenue generated in countries considered to be the Group’s growth markets increased in 2019 to 34% (2018: 29%).

Backlog[1]

The Group’s backlog decreased 23% to US$7.4 billion at 31 December 2019 (2018: US$9.6 billion), reflecting low new order intake in E&C and progress delivered on the existing project portfolio. The most significant new award in 2019 was Ain Tsila in Algeria, where the Group has an extensive track record of good project execution. This 42-month, lump-sum EPC project is worth around US$1 billion and was awarded by a joint operating group set up by Sonatrach, Petroceltic and Enel. EPS’ backlog grew by 10% in 2019 reflecting an increase in project awards.

	31 December 2019 US$bn	31 December[1] 2018 US$bn
Engineering & Construction	5.7	8.0
Engineering & Production Services	1.7	1.6
Group	7.4	9.6

	31 December 2019 US$bn	31 December 2018 US$bn
Opening Backlog	9.6	10.2
New awards	2.2	4.4
Net variation orders	1.0	0.6
New order intake	3.2	5.0
Revenue	(5.5)	5.8
FX impact	0.1	0.2
Closing Backlog	7.4	9.6
Book-to-bill ratio	0.6x	0.9x

Net variation orders increased backlog by US$1.0 billion in the year. US$4.5 billion of the closing 2019 backlog is expected to be executed in 2020.

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

Business performance EBITDA decreased 17% to US$559 million (2018: US$671 million). Approximately 50% of the decline (US$58 million) was due to prior year asset divestments in IES, with the remainder due to lower revenues and contract margins. Overall, Group EBITDA margin declined to 10.1% (2018: 11.5%).

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	412	51	99	(3)	–	559
EBITDA margin	9.2%	5.7%	50.8%		–	10.1%

Year ended 31 December 2018[1]

	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	4,713	853	282	–	(19)	5,829
EBITDA	458	68	160	(15)	–	671
EBITDA margin	9.7%	8.0%	56.7%		–	11.5%

1 On 1 January 2019, the engineering, procurement and construction management (EPCm) business was reclassified from the EPS operating segment to the E&C operating segment. The EPCm business is presented within E&C in the prior year comparative figures.
2 See A3 in Appendix A to the consolidated financial statements.

Finance income/(expense)[1]

Finance income decreased to US$13 million (2018: US$14 million), reflecting a reduction in the unwinding of discounts on receivables. Finance expense decreased 28% to US$58 million (2018: US$81 million) as debt maturities, including the repayment of US$677 million of senior notes in October 2018, reduced the average gross debt for the year. In aggregate, the net finance expense decreased by US$22 million to US$45 million (2018: US$67 million). It is a strategic objective of the Group to reduce average gross debt further and thereby reduce the net finance expense.

	2019 US$m	2018 US$m
Finance income		
Bank interest	5	5
Unwinding of discount on receivables (note 18 and note 21)	8	9
Total finance income	13	14
Finance expense		
Group borrowings	(42)	(60)
Lease liabilities	(12)	(11)
Unwinding of discount on non-current contract assets	–	(4)
Unwinding of discount on provisions (note 28)	(4)	(6)
Total finance expense	(58)	(81)

1 See note 7 to the consolidated financial statements

Taxation

The Group's business performance effective tax rate ("ETR") for the year was 29.4% (2018: 24.4%), reflecting the change in mix of profits in the jurisdictions in which profits are earned.

Reported ETR increased to 65.6% (2018: 43.0%) due to several factors: the realisation of impairments without tax benefits and certain re-measurements that are not subject to tax; and, expenditure which is not deductible for tax purposes. 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 22% to US$276 million (2018: US$353 million) due to lower revenues, higher tax, a decline in contract margins and prior year non-core asset sales. Business performance net margin decreased to 5.0% (2018: 6.1%).

Reported net profit increased to US$73 million (2018: US$64 million), reflecting lower exceptional items and certain re-measurements of US$203 million in the year (2018: US$289 million). These predominantly related to:

- Non-cash impairment charges of US$86 million (post-tax) following a review of the carrying amount of the Group's investment in Block PM304 in Malaysia and US$49 million (post-tax) triggered by the pending sale of our remaining 51% interest in our Mexican operations (2018: US$196 million);
- A non-cash fair value re-measurement of US$37 million (post-tax) in relation to the carrying value of Pánuco contingent consideration, given the increasing uncertainty concerning the timing and outcome of the migration of the Pánuco Production Enhancement Contract to a Production Sharing Contract and whether the contingent pay out conditions will be achieved (2018: US$43 million); and,
- Other exceptional net items of US$31 million (post-tax), including Group reorganisation and redundancy costs, SFO related legal fees and JSD6000 installation vessel divestment costs (2018: US$50 million)

Earnings per share

Business performance diluted earnings per share decreased 21% to 80.4 cents per share (2018: 102.3 cents per share), broadly in line with the decrease in business performance net profit. Reported diluted earnings per share increased to 21.3 cents per share (2018: 18.6 cents per share), reflecting a significant decrease in exceptional items and certain re-measurements (refer to note 9 to the consolidated financial statements).

Operating cash flow

The net cash flow generated from operating activities decreased to US$238 million (2018 re-presented[2]: US$553 million).

	Year ended 31 December 2019 US$m	Year ended 31 December 2018 US$m
EBITDA	559	671
Operating profit adjustments	18	22
Operating profit before changes in working capital and other non-current items	577	693
Net working capital movement	(179)	(15)
Net other non-current items	1	3
Restructuring, redundancy, migration costs and other exceptional cash costs	(28)	(24)
Net income taxes paid	(133)	(104)
Net cash flows generated from operating activities	238	553

The net working capital outflow of US$179 million (2018: US$15 million) was due to:

- An outflow of US$231 million reflecting a decrease in contract liabilities (see note 21 to the consolidated financial statements).
- An outflow of US$184 million from an increase in contract assets, principally due to an increase in work in progress, including an increase in variation orders pending customer approval of US$106 million (see note 21 to the consolidated financial statements); and,
- An inflow of US$161 million from an increase in trade and other payables (see note 29 to the consolidated financial statements).

2 Interest paid of US$69m previously reported within operating activities for year ended 31 December 2018 was reclassified to financing activities as this presentation provides better comparability with Petrofac's peer group and more faithfully represents the nature of the item in accordance with IAS 7 'Statement of Cash Flows'. Consequently, net cash flows used in operating activities reduced by US$69m and net cash flows used in financing activities increased by US$69m.

Free cash flow

	Year ended 31 December 2019 US$m	* Year ended 31 December 2018 US$m
Net cash flows generated from operating activities	238	553
Group capital expenditure	(92)	(98)
Acquisitions	(21)	0
Divestments	40	282
Dividends received from associates and joint ventures and other investing activities	14	29
Net cash flows (used in)/generated from investing activities	(59)	213
Interest paid	(51)	(69)
Amounts received from non-controlling interest	10	224
Free cash flow	138	921

* Net cash flows used in operating activities re-presented as per footnote 2 above.

The Group generated free cash flow for the year of US$138 million (2018: US$921 million) reflecting a net working capital outflow (as described above) and lower divestment proceeds. Free cash flow in 2018 benefited from US$224 million proceeds from the divestment of 49% of the Group's operations in Mexico, classed as a non-controlling interest. Group capital expenditure also decreased to US$92 million (2018: US$98 million), reflecting prior year asset sales (JSD6000 and Greater Stella Area developments) partially offset by an increase in expenditure on Block PM304 in Malaysia and investment in IT infrastructure and digital initiatives (see A5 in Appendix A to the consolidated financial statements).

Balance sheet

IES carrying amount

The carrying amount[1] of the IES portfolio stood at US$420 million at 31 December 2019 (2018: US$536 million), largely comprising the Group's interests in its operations in Mexico and Malaysia. The sale of the Group's remaining 51% interest in Mexico is subject to regulatory and other approvals, which are expected in mid-2020.

		31 December 2019 US$m	31 December 2018 US$m
Santuario, Magallanes, Arenque[1,2]	Mexico	242	282
PM304	Malaysia	150	230
Other (including investment in associates)		28	24
Total		420	536

1 Share of net assets attributable to Petrofac Limited shareholders.
2 Included in assets held for sale (see note 15 to the consolidated financial statements).

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). A total receivable balance of US$123 million has been recognised out of a total potential consideration receivable of US$350 million.

Leases

Net lease liabilities increased 30% to US$179 million at 31 December 2019 (2018: US$138 million) due to the application of IFRS 16 'Leases' on 1 January 2019 (see notes 2, 30 and A10 in Appendix A to the consolidated financial statements). The net lease liability includes an offset of US$259 million receivable from joint operation partners regarding Block PM304 in Malaysia. The application of IFRS 16 had no impact on opening reserves. IFRS 16 primarily impacts the accounting for non-cancellable operating leases for office buildings in the United Kingdom, Malaysia and India.

Total equity

Total equity at 31 December 2019 decreased to US$914 million (2018: US$1,009 million), reflecting: the reported net profit for the year of US$66 million; dividends paid in the year of US$143 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 schemes) of US$33 million.

Of the US$914 million total equity at 31 December 2019, US$633 million (2018: US$707 million) was attributable to Petrofac Limited shareholders and US$281 million (2018: US$302 million) was attributable to non-controlling interests.

Net cash and liquidity

Net cash

Net cash excluding net lease liabilities decreased to US$15 million at 31 December 2019 (2018: US$90 million), predominantly reflecting lower cash conversion due to a net working capital outflow (see A9 and A11 in Appendix A to the consolidated financial statements).

Total gross borrowings less associated debt acquisition costs were US$1,010 million at 31 December 2019 (2018: US$636 million). This consists of US$599 million drawn on a revolving credit facility, US$300 million of term loans and US$111 million of accessed overdraft facilities.

	31 December 2019 US$m	31 December 2018 US$m
Cash and short-term deposits	1,025	726
Interest-bearing loans and borrowings	(1,010)	(636)
Net cash	15	90

Liquidity

The Group's total available borrowing facilities were US$1,500 million at 31 December 2019 (2018: US$1,798 million), excluding bank overdrafts, following the repayment of US$240 million of Export Credit Agency funding and term loans, and the retirement of US$58 million of undrawn facilities during the year. The maturities of the remaining facilities are presented in note 27.

Of these facilities, US$600 million was undrawn as at 31 December 2019 (2018: US$1,178 million). Combined with the Group's cash balances of US$1,025 million (2018: US$726 million), the Group had US$1,625 million of liquidity available at 31 December 2019 (2018: US$1,904 million).

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.

Return on capital employed

The Group's return on capital employed for the year decreased to 23.3% (2018: 26.2%), with the reduction in business performance earnings before interest, tax and amortisation (EBITA) being greater than the reduction in average capital employed in the year (see A8 in Appendix A to the consolidated financial statements).

Dividends

The Group's dividend policy targets a dividend cover over the long term of between 2.0x and 3.0x business performance net profit, with an interim dividend each year of approximately 33% of the prior year total dividend.

In line with this policy, the Board is proposing a final dividend of 25.3 cents per share (2018: 25.3 cents). The final dividend will be paid on 22 May 2020 to eligible shareholders on the register at 24 April 2020 (the 'record date'). Shareholders who have not elected to receive dividends in US dollars will receive a sterling equivalent. Shareholders can elect by close of business on the record date to change their dividend currency election. Together with the interim dividend of 12.7 cents per share (2018: 12.7 cents), this gives a total dividend for the year of 38.0 cents per share (2018: 38.0 cents), which was 2.2x covered by business performance net profit. Dividends paid in 2019 were covered by free cash flow.

The Board takes a long-term view of its dividend and recognises the importance of dividends to shareholders. Consequently, it will take into account a range of factors when setting any future dividend, including: the Company's long-term dividend cover target, historical performance, its long-term outlook, free cash flow, and the position of its balance sheet. At 31 December 2019, Petrofac Limited had distributable reserves of US$558 million (2018: US$512 million) and the total declared dividends in 2019 amounted to US$131 million (2018: US$130 million).

Outlook

We continue to expect a decrease in Group revenue in 2020 reflecting low new order intake in recent years. We currently have c.US$4.5 billion of secured revenue for 2020, comprising US$3.8 billion in E&C and US$0.7 billion in EPS. Net margins in E&C are expected to decline in 2020 reflecting a higher contribution from contract awards in lower margin markets and a c.US$30 million investment in maintaining bench strength and technical capability in 2020. This investment will ensure Petrofac can capitalise on the improving market outlook and best positions the Group for a recovery in new orders in 2020 and to deliver growth thereafter. Net margins in EPS are expected to be within the range of 3.5%-4.5%.

Alastair Cochran
Chief Financial Officer
25 February 2020