Petrofac Limited

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

CONTENTS

GROUP FINANCIAL HIGHLIGHTS

Revenue

US$1,207 million

Six months ended 30 June 2022 (restated)[9]: US$1,247 million

Backlog[8]

US$6.6 billion

At 31 December 2022: US$3.4 billion

Free cash outflow[7]

US$(225) million

Six months ended 30 June 2022: US$(193) million

Business performance EBIT[1,4]

US$(96) million

Six months ended 30 June 2022 (restated)[9]: US$52 million

Reported EBIT[1,5]

US$(103) million

Six months ended 30 June 2022 (restated)[9]: US$77 million

Net debt

US$584 million

At 31 December 2022: US$349 million

Business performance EBITDA[1,2]

US$(54) million

Six months ended 30 June 2022 (restated)[9]: US$87 million

Reported EBITDA[1,3]

US$(61) million

Six months ended 30 June 2022 (restated)[9]: US$88 million

Business performance net (loss)/profit[1,6]

US$(160) million

Six months ended 30 June 2022 (restated)[9]: US$15 million

Reported net (loss)/profit[6]

US$(165) million

Six months ended 30 June 2022 (restated)[9]: US$39 million

1. Business performance before separately disclosed items. This measures underlying business performance.

2. Business performance earnings before interest, tax, depreciation and amortisation (EBITDA) is calculated as operating profit, including the share of net profit of associates and joint ventures, adjusted to add back charges for depreciation and amortisation (see A3 in Appendix A of the interim condensed consolidated financial statements).

3. Reported earnings before interest, tax, depreciation and amortisation (EBITDA) is calculated as reported operating profit, including the share of net profit of associates and joint ventures, adjusted to add back charges for depreciation and amortisation (see A5 in Appendix A of the interim condensed consolidated financial statements).

4. Business performance earnings before interest and tax (EBIT) is calculated as operating profit, including the share of net profit of associates and joint ventures (see A4 in Appendix A of the interim condensed consolidated financial statements).

5. Reported earnings before interest and tax (EBIT) is calculated as reported operating profit, including the share of net profits of associates and joint ventures (see A6 in Appendix A of the interim condensed consolidated income statements).

6. Attributable to Petrofac Limited shareholders, as reported in the interim condensed consolidated income statement.

7. Free cash flow is defined as net cash flows from operating activities, plus net cash flows from investing activities, less interest paid and the repayment of finance lease principal plus amount received from non-controlling interest (see A9 in Appendix A of the interim condensed consolidated financial statements).

8. Backlog consists of: the estimated revenue attributable to the uncompleted portion of Engineering & Construction division projects; and, for the Asset Solutions division, the estimated revenue attributable to the lesser of the remaining term of the contract and five years.

9. The prior year numbers are restated; see note 2.6.

BUSINESS REVIEW
At 30 June 2023

Financial results

The Group made significant progress in the first half of 2023, re-building backlog with strong order intake in both Engineering and Construction (E&C) and Asset Solutions, resulting in closing backlog of US$6.6 billion (31 December 2022: US$3.4 billion).

Business performance for the Group in the first half of 2023 reflected continued strong performance in both Asset Solutions and Integrated Energy Services (IES). Whilst E&C made further progress towards closing out and completing legacy contracts, an EBIT loss resulted from a combination of low levels of activity, no margin recognition on onerous contracts and write-downs in contract settlements resulting from measures taken to protect full year cash flows.

Net debt increased to US$584 million (31 December 2022: US$349m), with settlement collections and new award advances expected to be collected in the second half of the year.

	Six months ended 30 June 2023			Six months ended 30 June 2022 (restated)[3]		
	Business performance [2] US$m	Separately disclosed items US$m	Reported US$m	Business performance [2] US$m	Separately disclosed items US$m	Reported US$m
Revenue	1,207	–	1,207	1,247	–	1,247
EBITDA	(54)	(7)	(61)	87	1	88
EBIT	(96)	(7)	(103)	52	25	77
Net (loss)/profit [1]	(160)	(5)	(165)	15	24	39

	30 June 2023	31 December 2022
Backlog (US$bn)	6.6	3.4
Net debt (US$m)	584	349

Income statement

Revenue

Revenue for the first half of the year was broadly in line with the prior year at US$1.2 billion, largely reflecting the low levels of activity in E&C offset by growth in Asset Solutions.

E&C revenue decreased 32% to US$469 million as legacy contracts near completion. Asset Solutions delivered a 34% increase in revenue in the first half to US$679 million supported by strong order intake in 2022 and the first six months of 2023. Revenue in IES increased 13% led by higher period-on-period production and sales.

Earnings Before Interest and Tax (EBIT)[2]

The Group reported business performance EBIT loss of US$96 million during the first half of the year (2022 restated[3]: profit of US$52 million) largely driven by a US$122 million EBIT loss in E&C.

E&C results continue to reflect the impact of onerous contracts with no margin recognition, adverse operating leverage due to low levels of activity, operating losses associated with the closing out of projects in the legacy portfolio which include one-off write-downs of approximately US$67 million to protect full year cash flows. Asset Solutions EBIT of US$14 million (2022: US$33 million) was impacted by changes in the contract mix across the service lines and with the completion of historic high-margin contracts during the first half of 2022 coupled with a higher contribution from pass-through revenue. EBIT in IES decreased to US$19 million (2022 restated[3]: US$23 million) due to lower realised oil prices and higher depreciation in the period.

Six months ended 30 June 2023

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Business performance US$m
Revenue	469	679	63	3	(7)	1,207
EBITDA[2]	(117)	19	48	(4)	-	(54)
Depreciation & Amortisation	(5)	(5)	(29)	(3)	-	(42)
EBIT[2]	(122)	14	19	(7)	-	(96)
EBIT margin[2]	(26.0)%	2.1%	30.2%	n/a	n/a	(8.0)%

BUSINESS REVIEW
At 30 June 2023

Six months ended 30 June 2022 (restated)[3]

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Business performance US$m
Revenue	692	508	56	-	(9)	1,247
EBITDA[2]	10	38	44	(5)	-	87
Depreciation & Amortisation	(6)	(5)	(21)	(3)	-	(35)
EBIT[2]	4	33	23	(8)	-	52
EBIT margin[2]	0.6%	6.5%	41.1%	n/a	n/a	4.2%

Finance income/(expense)
Business performance finance income remained flat at US$4 million (2022 restated[3]: US$4 million). Finance expense increased to US$63 million (2022 restated[3]: US$47 million), largely reflecting a modification loss resulting from the amendment and extension of the facilities completed in April 2023, the higher utilisation of the revolving credit facility and the increase in interest rates during the period.

Finance income	30 June 2023 US$m	30 June 2022 US$m (restated)[3]
Bank interest	1	1
Interest income from joint operation partners in respect of leases	3	3
Separately disclosed items	2	-
Finance income	6	4

Finance expense	30 June 2023 US$m	30 June 2022 US$m (restated)[3]
Group borrowings	(57)	(40)
Lease liabilities	(5)	(6)
Unwinding of discount on provisions	(1)	(1)
Finance expense	(63)	(47)

Taxation
The reported income tax income expense was US$12 million for the six months ended 30 June 2023 (2022: US$nil). Business performance income tax expense was US$12 million (2022: credit of US$1 million), reflecting a change in the mix of profits in the jurisdictions in which they were generated. The prior period also included the release of uncertain tax treatment items in territories for which no tax relief was available.

The Group's business performance effective tax rate for the six months ended 30 June 2023 was negative 7.7% (2022 restated[3]: negative 11.1%).

Net profit
Business performance net loss attributable to Petrofac Limited shareholders for the first half of the year was US$160 million (2022 restated[3]: profit of US$15 million), primarily due to the operating loss for the period, interest and tax. The reported net loss attributable to Petrofac Limited shareholders was US$165 million (2022 restated[3]: profit of US$39 million).

Separately disclosed items
During the first half of the year, the Group incurred US$5 million of net separately disclosed costs (2022 restated[3]: net income of US$24 million), comprising cloud ERP software implementation costs (US$3 million); a loss on sale of investments in associates (US$5 million), and a net credit on other separately disclosed items of US$3 million. The prior period included a reversal of impairment on the carrying amount of the investment in the Block PM304 asset.

Cash flow

Operating cash flow
Net cash flows used in operating activities was US$164 million in the first half of the year (2022: US$220 million), primarily reflecting the operating loss and net working capital outflow during the first half.

The net working capital outflow of US$63 million (2022 restated[3]: US$114 million) was principally due to an increase in trade and other receivables due to delayed payments from clients in the E&C operating segment, which are largely expected to unwind during the second half of the year. Days sales outstanding (DSO) was higher at 247 days (31 December 2022: 238 days) due to a decline in revenue in the period.

	Six months ended 30 June 2023 US$m	Six months ended 30 June 2022 US$m (restated)[3]
EBITDA	**(54)**	87
Operating profit adjustments	**(20)**	(46)
Cash generated from operations before working capital adjustments and other items	**(74)**	**41**
Net working capital adjustments	**(63)**	(114)
Separately disclosed items paid	**(6)**	(110)
Net income taxes paid	**(21)**	(37)
Net cash flows used in operating activities	**(164)**	(220)

Free cash flow[4]

The free cash outflow for the first half of the year was US$225 million (2022: US$193 million), principally reflecting lower operating cash flow and higher interest payments.

	Six months ended 30 June 2023 US$m	Six months ended 30 June 2022 US$m (restated)[3]
Net cash flows used in operating activities	**(164)**	(220)
Capital expenditure	**(4)**	(22)
Proceeds from disposals	**-**	98
Dividends received from associates and JV's	**4**	3
Other investing activities	**15**	15
Net cash flows generated from investing activities	**15**	94
Repayment of lease liabilities	**(29)**	(26)
Net interest paid	**(47)**	(41)
Free cash flow	**(225)**	(193)

Balance sheet

IES carrying amount

The carrying amount of the IES portfolio was US$69 million at 30 June 2023 (31 December 2022: US$86 million), solely comprising the Group's interests in Block PM304 in Malaysia.

Leases

Net lease liabilities, calculated as gross lease liabilities less 64.7% of leases relating to Block PM304 in Malaysia for the amount receivable from joint operation partners (this treatment is necessary to reflect the legal position of the Group as the contracting counterparty for such leases), decreased to US$87 million at 30 June 2023 (31 December 2022: US$116 million) (see A12 in Appendix A to the interim condensed consolidated financial statements).

Total equity

Total equity at 30 June 2023 decreased to US$(66) million (31 December 2022: US$112 million), reflecting the operational losses in the period. No dividends were paid in the period.

Of the total equity of US$(66) million at 30 June 2023, US$(42) million (31 December 2022: US$129 million) was attributable to Petrofac Limited shareholders and US$(24) million was attributable to non-controlling interests (31 December 2022: US$(17) million).

Net debt and liquidity

Net debt

Net debt, excluding net finance leases, increased to US$584 million at 30 June 2023 (31 December 2022: US$349 million), largely reflecting the US$225 million free cash outflow in the period.

Total gross borrowings less associated debt acquisition costs were US$837 million at 30 June 2023 (31 December 2022: US$799 million). This consisted of US$585 million senior secured notes (net of debt acquisition costs), US$162 million drawn on the revolving credit facility and US$90 million of term loans.

BUSINESS REVIEW
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	30 June 2023 US$m	30 December 2022 US$m
Interest-bearing loans and borrowings	**837**	799
Less: Cash and short-term deposits	**(253)**	(450)
Net debt	**584**	349

Liquidity
Following the extension of the debt facilities in April 2023, the Group's total available borrowing facilities, excluding bank overdrafts and before debt acquisition costs, was US$852 million at 30 June 2023 (31 December 2022: US$880 million). Details of the Group's borrowing facilities are contained in note 17 to the interim condensed consolidated financial statements.

The facilities were fully drawn at 30 June 2023 (31 December 2022: US$56 million undrawn). With the Group's cash and short-term deposits of US$253 million (31 December 2022: US$450 million), the Group had US$253 million of gross liquidity available at 30 June 2023 (31 December 2022: US$506 million).

Borrowing facilities	US$ million	Maturity date
Senior secured notes	600	Nov-26
Revolving credit facility	162	Oct-24
Term loan 1	45	Oct-24
Term loan 2	45	Oct-24
Total	**852**	

The revolving credit facility and the term loans are subject to financial covenants relating to minimum liquidity and minimum EBITDA. The Group was compliant with its covenants throughout the period to 30 June 2023 (see note 17 to the interim condensed consolidated income statements), following an amendment to the calculation of EBITDA for covenant purposes as a result of the write-downs in E&C as described further in note 2.4 to the interim condensed consolidated income statements.

Backlog

The Group's backlog increased substantially to US$6.6 billion at 30 June 2023 (31 December 2022: US$3.4 billion), reflecting significant order intake in E&C (US$3.4 billion), with three major contract awards in the first half of the year, which also included the first project under a six-project framework agreement, and continued backlog growth in Asset Solutions.

	30 June 2023 US$bn	31 December 2022 US$bn
Engineering & Construction	**4.5**	1.6
Asset Solutions	**2.1**	1.8
Group	**6.6**	3.4

Dividends

The Board recognises the importance of dividends to shareholders and expects to reinstate a dividend policy in due course, once the company's performance has improved.

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 interim condensed consolidated financial statements

3 The prior year numbers are restated; see note 2.6

4 Free cash flow is defined as net cash flows from operating activities, plus net cash flows from investing activities, less interest paid and the repayment of finance lease principal plus amount received from non-controlling interest (see A9 in Appendix A to the interim condensed consolidated financial statements).

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At 30 June 2023

Segmental analysis

The Group's business performance operating segment results were as follows:

US$ million	Revenue		EBITDA[2]		EBIT[2]		Net profit[1,2]	
For the six months ended 30 June	**2023**	2022 (restated)[3]	**2023**	**2022** (restated)[3]	**2023**	2022 (restated)[3]	**2023**	2022 (restated)[3]
Engineering & Construction	**469**	692	**(117)**	10	**(122)**	4	**(123)**	13
Asset Solutions	**679**	508	**19**	38	**14**	33	**8**	30
Integrated Energy Services	**63**	56	**48**	44	**19**	23	**17**	21
Corporate, others, consolidation adjustments & eliminations	**(4)**	(9)	**(4)**	(5)	**(7)**	(8)	**(62)**	(49)
Group	**1,207**	1,247	**(54)**	87	**(96)**	52	**(160)**	15

%	Revenue growth		EBITDA margin		EBIT margin		Net margin	
For the six months ended 30 June	**2023**	2022 (restated)[3]	**2023**	2022 (restated)[3]	**2023**	2022 (restated)[3]	**2023**	2022 (restated)[3]
Engineering & Construction	**(32.2)**	(37.8)	**(24.9)**	1.4	**(26.0)**	0.6	**(26.2)**	1.9
Asset Solutions	**33.7**	(3.4)	**2.8**	7.5	**2.1**	6.5	**1.2**	5.9
Integrated Energy Services	**12.5**	273.3	**76.2**	78.6	**30.2**	41.1	**27.0**	37.5
Group	**(3.2)**	(21.8)	**(4.5)**	7.0	**(8.0)**	4.2	**(13.3)**	1.2

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 interim condensed consolidated financial statements

3 The prior year numbers are restated; see note 2.6

BUSINESS REVIEW
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Engineering & Construction

The Engineering & Construction (E&C) division delivers onshore and offshore engineering, procurement, construction, installation and commissioning services (EPC). Lump-sum turnkey is the predominant commercial model used, but we also offer our clients the flexibility of other models. The division has more than 40 years' track record in designing and building major oil, gas, refining, petrochemicals and new energies infrastructure projects.

Operational performance

E&C made significant progress in the first half in securing new awards and rebuilding backlog, both in our core markets and in new energies.

In two of our core markets, the UAE and Algeria, Petrofac was selected for two major projects, including one petrochemical project, broadening our portfolio within this sector in partnership with a petrochemicals technical specialist.

TenneT awarded the Petrofac-Hitachi Energy partnership a multi-year framework agreement covering six projects worth approximately €13 billion as it works to expand offshore wind capacity in the Dutch-German North Sea. Each project will be executed under a standalone contract valued at over €2 billion split between the partnership, with the first of these contracts having been awarded in March 2023.

We also made progress towards closing out legacy contracts, with five of the remaining eight contracts expected to be completed during the second half of the year or in early 2024. On the Thai Oil Clean Fuels contract, good progress is being made on the construction phases of the project and the execution plan remains in line with the update provided with the 2022 year end results and operational and commercial discussions with the client are ongoing.

Results

E&C financial performance in the first half reflected progress made on the legacy portfolio of contracts, with new awards contributing to backlog but not other financial metrics in the period.

Revenue in the first half of the year decreased 32% to US$0.5 billion (2022: US$0.7 billion) reflecting the expected lower levels of activity from the lower opening backlog compared with the prior period.

E&C reported a first half EBIT loss of US$122 million (2022 restated[3]: profit of US$4 million) including approximately US$67 million of one-off write-downs on legacy contracts to protect full year cash flows. E&C results continue to reflect the impact of onerous contracts with no margin recognition and adverse operating leverage due to low levels of activity.

New awards

E&C secured US$3.4 billion of awards and variation orders in the first half of the year (2022: US$0.2 billion), representing a nearly tripling of backlog. Awards comprise:

- The first platform contract under the multi-year framework agreement with TenneT to deliver 2GW offshore wind transmission systems in partnership with Hitachi Energy
- A major petrochemical project for Sonatrach in Algeria in partnership with China Huanqiu Contracting & Engineering Corporation
- A significant new EPC contract for ADNOC at its Habshan Complex in the UAE
- A follow-on EPC contract with ORLEN Lietuva on the existing project site in Lithuania

E&C backlog increased to US$4.5 billion at 30 June 2023 (31 December 2022: US$1.6 billion) resulting from new contract wins in the first half. US$0.5 billion of backlog is scheduled for execution in the second half of 2023.

Bidding activity remains high with a total pipeline scheduled for award by December 2024 of US$44 billion, of which US$8 billion is scheduled for award in 2023. The E&C pipeline includes US$7 billion of opportunities relating to new energies. Approximately 62% of this relates to Petrofac's share of the offshore wind projects in the multi-year framework agreement with TenneT to deliver 2GW offshore wind transmission systems that are expected to be awarded in the period.

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Asset Solutions

The Asset Solutions division provides services across the full life-cycle of energy infrastructure. It manages and maintains client assets, both onshore and offshore, delivers small to medium scale EPC projects and provides concept, feasibility and front-end engineering design (FEED) services. The division is also home to market-leading well engineering, decommissioning and training capabilities. The majority of services are executed on a reimbursable basis, but we are responsive to clients' preferred commercial models to deliver our expertise. Asset Solutions has three service lines: Asset Operations, Asset Development and Wells and Decommissioning.

Operational performance
Asset Solutions first half performance reflected increased levels of activity, following on from an increasing backlog in 2022 and the first half of 2023. We maintained our core 40% market share in the UK, and a renewal rate of over 80% for operations and maintenance contracts.

In mature basins, clients continued to have an increased focus on late-life and end-of-life asset management, as we secured renewals in the Gulf of Thailand and expanded the decommissioning scope in the Gulf of Mexico.

In new energies, we have continued to secure further early-stage awards and strategic alliances with technology providers in the first half. We remain well positioned over the medium-term to secure engineering, procurement and construction scopes of work, as well as other execution phase project work, as projects reach final investment decision.

Results
Asset Solutions delivered a robust financial performance in the first half, with further backlog growth, generating revenue growth with revenues of US$0.7 billion (2022: US$0.5 billion), bolstered by the strong order intake in 2022 and the year to date.

EBIT margin decreased to 2.1% (2022: 6.5%), in line with expectations due to contract mix across the service lines, with the completion of historic high margin contracts in the first half of 2022, and a higher contribution of pass-through revenue.

New awards
Asset Solutions secured US$0.9 billion of awards and extensions in the first half of the year (2022: US$0.9 billion), representing a book-to-bill of 1.4x:

- Late life asset management renewal in the Gulf of Thailand
- Expanded decommissioning scope in the Gulf of Mexico
- Integrated services renewal to 2026 with NEO Energy
- In new energies, Petrofac secured a partnership with OCI Global for their gasification based green methanol projects

AS backlog was US$2.1 billion at 30 June 2023 (31 December 2022: US$1.8 billion) reflecting strong order intake during the first half of the year. Asset Solutions has a US$16 billion pipeline of opportunities scheduled for award by December 2024, with US$7 billion scheduled for award by the end of 2023. There are attractive near-term opportunities for all service lines, both in the UK and internationally, as we continue to successfully leverage our market-leading UK integrated services capability to support clients around the globe.

Integrated Energy Services

Integrated Energy Services (IES) is Petrofac's upstream oil and gas business. Our interest in the Production Sharing Contract (PSC) for Block PM304, Malaysia's offshore Cendor field, is the sole asset in the portfolio.

Results
IES delivered another strong financial performance in the first half with revenue of US$63 million (2022: US$56 million), higher year-on-year due to an increase in production compared to the prior period.

Net production for the first half of the year was 640 thousand barrels of oil (kboe) (2022: 553 kboe).

Business performance EBITDA was US$48 million (2022: US$44 million) driven by higher revenue and production during the period.

Going Concern

The Directors have performed a robust going concern assessment in preparing the financial statements, which has taken into account the Group's liquidity position and a range of severe but plausible downside scenarios, which are described in note 2.4 to the interim condensed consolidated financial statements.

Based on this comprehensive assessment, the directors concluded that the continued use of the going concern basis of accounting in preparing the Group's interim financial statements for the six-month period ended 30 June 2023 remained appropriate. In their assessment, the Directors noted that, in the short term, the Group remains reliant on a small number of relatively high value collections in respect of the conclusion of legacy contracts, settlements and new awards. Based on the recent progress made, the Directors expect that the timing and realisation of these collections in the Group's forecasts are reasonable and reflect their assessment of the most likely outcome. However, as the resolution of these matters is not wholly within Petrofac's control, there remains a level of uncertainty which is disclosed within note 2.4 to the interim condensed consolidated financial statements.

Principal risks and uncertainties

We manage our principal risks and our emerging risks through our systems of risk management and internal control, which are founded upon deployment of our Enterprise Risk Management Framework (based upon BS ISO 31000/2018) and our Internal Control Framework, details of which are included in the 2022 Annual Report and Accounts. The Board maintains oversight over these systems, including identifying and conducting a robust assessment of the principal risks facing the company and their connection to viability. Responsibility for monitoring and reviewing the integrity and effectiveness of the Group's overall systems of risk management and internal controls is delegated to the Audit Committee.

In 2023, we continued to monitor and manage our principal and emerging risks in line with the practices described above. Accordingly, they are reviewed on a quarterly basis by the Group Risk Committee, which is responsible for establishing and maintaining effective risk management and internal control systems. These risks are detailed in the table below with reference to how they have changed in 2023 relative to what was reported in the 2022 annual report.

Principal/ Emerging Risk		Change in 2023	Details
1	Adverse geo-political and macroeconomic changes in key geographies	No change	Petrofac no longer has ongoing operations in Russia and therefore the Group no longer has direct exposure to the geopolitical risks arising from the Russia-Ukraine conflict. As the Group continues to rebuild its backlog in core and other international markets, the exposure to uncertainty with regards to the geopolitical climate will expand accordingly.
2	Low order intake	Reduced	In the first six months of 2023 the Group has secured over US$4.3 billion in new awards in our core and other international markets and in the new energy sector. These major awards, including a six-project framework agreement, and the continued strength of our pipeline of opportunities, particularly in core markets, led to a reduction in order intake risk.
3	Failure to deliver strategic initiatives	No change	We remain on track to deliver on our strategic initiatives, with significant progress made on rebuilding the backlog in the first half.
4	Failure to deliver new energies strategy	Reduced	We have been awarded a multi-year framework agreement by TenneT, covering six HVDC transmission projects each valued at over €2 billion to the partnership. The first of these contracts has been awarded in period, providing a clear line of sight towards achieving the new energies ambition of at least US$1 billion revenue in the medium term.
5	Operational and project performance	Increased	We are making progress towards closing out the legacy contracts in our E&C portfolio which, due to execution challenges experienced during the Covid-19 pandemic and beyond, continue to pose risk to operating and project performance in E&C. Asset Solutions and IES continued to maintain strong performance in the first half.

6	HSE incidents	No change	The health and well-being of our people, suppliers and communities is and remains our top priority. Our HSE performance is in line with our expectations and better than industry averages, and we continue to improve our controls in accordance with our risk mitigation programme.
7	Insufficient IT resilience	No change	We continue monitoring cyber risks and effectiveness of relevant controls.
8	Loss of financial capacity	No change	The Group is making progress in strengthening its financial position through: securing an extension of its banking facilities in April 2023; a significant increase in order intake in the first half of the year, which will lead to cash advances in the second half; and, the resolution of open settlement items to unwind working capital balances. The Group remains reliant on a small number of relatively high value collections in respect of the conclusion of historical contracts, settlements and new awards. See note 2.4 for further detail.
9	Misstatement of financial information	Increased	The risk level has increased during the first half of 2023 due to the prior year restatements identified in the 2022 financial statements. We continue monitoring relevant risks and effectiveness of our financial controls.
10	Breaches of laws, regulations and ethical standards	No change	The risk level remained stable during the period. We continue to improve our compliance controls and enhancing our compliance programme across the organisation.
11	Inability to maintain an effective organisation and workforce	Reduced	Good progress on recruitment during the first half of 2023, to support the new awards secured in the period and the implementation of various risk mitigation plans coupled with softening job market dynamics lead to a reduced risk profile for maintaining an effective organisation.

Notes to the interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

	Notes	**Business performance[1] US$m**	**Separately disclosed items[2] US$m**	**Reported six months ended 30 June 2023 Unaudited US$m**	Business performance[1] (restated)[3] US$m	Separately disclosed items[2] (restated)[3] US$m	Reported six months ended 30 June 2022 (restated)[3] Unaudited US$m
Revenue	3	**1,207**	**–**	**1,207**	1,247	–	1,247
Cost of sales		**(1,201)**	**–**	**(1,201)**	(1,148)	–	(1,148)
Gross profit		**6**	**–**	**6**	99	–	99
Selling, general and administration expenses		**(102)**	**(7)**	**(109)**	(84)	25	(59)
Expected credit loss (allowance)/reversal	6	**(6)**	**–**	**(6)**	22	–	22
Other operating income		**4**	**–**	**4**	18	–	18
Other operating expense		**(2)**	**–**	**(2)**	(6)	–	(6)
Operating (loss)/profit		**(100)**	**(7)**	**(107)**	49	25	74
Finance income	7	**4**	**2**	**6**	4	–	4
Finance expense	7	**(63)**	**–**	**(63)**	(47)	–	(47)
Share of net profit of associates and joint ventures		**4**	**–**	**4**	3	–	3
(Loss)/profit before tax		**(155)**	**(5)**	**(160)**	9	25	34
Income tax (expense)/credit	8	**(12)**	**–**	**(12)**	1	(1)	–
Net (loss)/profit		**(167)**	**(5)**	**(172)**	10	24	34
Attributable to:							
Petrofac Limited shareholders		**(160)**	**(5)**	**(165)**	15	24	39
Non-controlling interests		**(7)**	**–**	**(7)**	(5)	–	(5)
		(167)	**(5)**	**(172)**	10	24	34
(Loss)/earnings per share (US cents)							
Basic	9	**(30.9)**	**(1.0)**	**(31.9)**	2.9	4.7	7.6
Diluted	9	**(30.9)**	**(1.0)**	**(31.9)**	2.9	4.6	7.5

(1) This measurement is shown by the Group as a means of measuring underlying business performance, see note 2 and Appendix A.

(2) See note 5.

(3) The prior period numbers are restated; see note 2.6.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	**Six months ended 30 June 2023 Unaudited US$m**	Six months ended 30 June 2022 (restated)[1] Unaudited US$m
Reported net (loss)/profit		**(172)**	34
Other comprehensive (loss)/income to be reclassified to the interim condensed consolidated income statement in subsequent periods (post-tax)			
Net changes in fair value of derivatives designated as cash flow hedges	16	**5**	(11)
Foreign currency translation (losses)/gains	16	**(8)**	19
Other comprehensive income to be reclassified to the interim condensed consolidated income statement in subsequent periods		**(3)**	8
Other comprehensive income reclassified to the interim condensed consolidated income statement (post-tax)			
Hedging (gains)/losses reclassified to the interim condensed consolidated income statement	16	**(5)**	5
Other comprehensive income reclassified to the interim condensed consolidated income statement		**(5)**	5
Total comprehensive (loss)/profit for the period		**(180)**	47
Attributable to:			
Petrofac Limited shareholders		**(173)**	52
Non-controlling interests		**(7)**	(5)
		(180)	47

(1) The prior period numbers are restated; see note 2.6.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2023

	Notes	30 June 2023 Unaudited US$m	31 December 2022 US$m
Assets			
Non-current assets			
Property, plant and equipment	10	**195**	244
Goodwill		**97**	96
Intangible assets		**24**	25
Investments in associates and joint ventures	11	**13**	30
Other financial assets	12	**135**	151
Deferred consideration	12	**56**	56
Deferred tax assets		**–**	1
		520	603
Current assets			
Inventories		**12**	17
Trade and other receivables	13	**788**	739
Contract assets	14	**1,278**	1,329
Other financial assets	12	**115**	103
Income tax receivable		**26**	26
Cash and short-term deposits	15	**253**	450
		2,472	2,664
Total assets		**2,992**	3,267

	Notes	30 June 2023 Unaudited US$m	31 December 2022 US$m
Equity and liabilities			
Equity			
Share capital		**10**	10
Share premium		**251**	251
Capital redemption reserve		**11**	11
Employee Benefit Trust shares		**(46)**	(56)
Other reserves	16	**40**	56
Retained earnings		**(308)**	(143)
Equity attributable to Petrofac Limited shareholders		**(42)**	129
Non-controlling interests		**(24)**	(17)
Total equity		**(66)**	112
Non-current liabilities			
Provisions	18	**139**	135
Other financial liabilities	12	**100**	146
Deferred tax liabilities		**22**	28
		261	309
Current liabilities			
Trade and other payables	19	**876**	865
Contract liabilities	20	**71**	136
Interest-bearing loans and borrowings	17	**837**	799
Other financial liabilities	12	**111**	114
Income tax payable		**75**	79
Accrued contract expenses	21	**741**	759
Provisions	18	**86**	94
		2,797	2,846
Total liabilities		**3,058**	3,155
Total equity and liabilities		**2,992**	3,267

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)[1] Unaudited US$m
Operating activities			
(Loss)/profit before tax		**(160)**	34
Separately disclosed items		**5**	(25)
(Loss)/profit before tax and separately disclosed items		**(155)**	9
Adjustments to reconcile (loss)/profit before tax and separately disclosed items to net cash flows:			
Depreciation and amortisation		**42**	35
Expected credit loss charge/(reversal) recognised		**6**	(22)
Share-based payments		**2**	3
Difference between other long-term employment benefits paid & amounts recognised in the interim condensed consolidated income statement		**2**	(5)
Net finance expense before separately disclosed finance expense		**59**	43
Net movement in other provisions		**(7)**	(18)
Share of net profit of associates and joint ventures		**(4)**	(3)
Net foreign exchange gains and losses		**(20)**	-
Net other non-cash items		**1**	(1)
		(74)	41
Working capital adjustments:			
Inventories		**5**	4
Trade and other receivables		**(50)**	(71)
Contract assets		**52**	108
Restricted cash[2]		**–**	28
Net derivative contracts – designated and undesignated[2]		**(1)**	(9)
Trade and other payables		**12**	(119)
Contract liabilities		**(64)**	77
Accrued contract expenses		**(17)**	(132)
Net working capital adjustments		**(63)**	(114)
Cash used in from operations		**(137)**	(73)
Separately disclosed items paid – operating costs		**(6)**	(110)
Net income taxes paid		**(21)**	(37)
Net cash flows used in operating activities		**(164)**	(220)

	Notes	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)[1] Unaudited US$m
Investing activities			
Purchase of property, plant and equipment		**(2)**	(19)
Payments for intangible assets		**(2)**	(3)
Contingent consideration paid	12	**(4)**	(2)
Dividends received from associates and joint ventures		**4**	3
Receipts from joint operation partners in respect of leases		**16**	13
Net proceeds from disposal of subsidiaries including deferred and contingent consideration received		**–**	98
Interest received		**3**	4
Net cash flows generated from investing activities		**15**	94
Financing activities			
Proceeds from interest-bearing loans and borrowings, net		**34**	37
Repayment of interest-bearing loans and borrowings		**(10)**	(36)
Repayment of lease liabilities		**(29)**	(26)
Interest paid		**(47)**	(41)
Net cash flows used in financing activities		**(52)**	(66)
Net decrease in cash and cash equivalents		**(201)**	(192)
Net foreign exchange difference		**4**	1
Cash and cash equivalents at 1 January		**450**	621
Cash and cash equivalents 30 June	15	**253**	430

(1) The prior period numbers are restated; see note 2.9

(2) Working capital movements in respect of restricted cash and net derivative contracts were previously reported cumulatively as movement in other net current financial assets.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to Petrofac Limited shareholders								
	Issued share capital US$m	Share premium US$m	Capital redemption reserve US$m	Employee Benefit Trust shares[1] US$m	Other reserves (note 16) US$m	Retained earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
At 1 January 2023	10	251	11	(56)	56	(143)	129	(17)	112
Reported net loss	–	–	–	–	–	(165)	(165)	(7)	(172)
Other comprehensive loss	–	–	–	–	(8)	–	(8)	–	(8)
Total comprehensive income	–	–	–	–	**(8)**	**(165)**	**(173)**	**(7)**	**(180)**
Issue of Company's shares by EBT	–	–	–	10	(10)	–	–	–	–
Credit to equity for share-based payments charge	–	–	–	–	2	–	2	–	2
At 30 June 2023 (unaudited)	**10**	**251**	**11**	**(46)**	**40**	**(308)**	**(42)**	**(24)**	**(66)**

For the six months ended 30 June 2022

	Attributable to Petrofac Limited shareholders								
	Issued share capital US$m	Share premium US$m	Capital redemption reserve US$m	Employee Benefit Trust shares[1] US$m	Other reserves (note 16) US$m	Retained Earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
At 1 January 2022 (restated)[2]	10	251	11	(69)	42	168	413	10	423
Reported net profit/(loss)[3]	–	–	–	–	–	39	39	(5)	34
Other comprehensive income	–	–	–	–	13	–	13	–	13
Total comprehensive income	–	–	–	–	13	39	52	(5)	47
Issue of Company's shares by EBT	–	–	–	4	(4)	–	–	–	–
Credit to equity for share-based payments charge	–	–	–	–	3	–	3	–	3
At 30 June 2022 (unaudited)	10	251	11	(65)	54	207	468	5	473

For the six months ended 31 December 2022

	Attributable to Petrofac Limited shareholders								
	Issued share capital US$m	Share premium US$m	Capital redemption reserve US$m	Employee Benefit Trust shares[1] US$m	Other reserves (note 16) US$m	Retained Earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
At 30 June 2022	10	251	11	(65)	54	207	468	5	473
Reported net loss	–	–	–	–	–	(349)	(349)	(22)	(371)
Other comprehensive income	–	–	–	–	7	–	7	–	7
Total comprehensive income/(loss)	–	–	–	–	7	(349)	(342)	(22)	(364)
Issue of Company's shares by EBT	–	–	–	9	(8)	(1)	–	–	–
Credit to equity for share-based payments	–	–	–	–	3	–	3	–	3
At 31 December 2022	10	251	11	(56)	56	(143)	129	(17)	112

(1) Shares held by Petrofac Employee Benefit Trust.

(2) Opening equity position as of 1 January 2022 has been restated to reflect the prior year adjustments reported in the Group's consolidated financial statements for the year ended 31 December 2022.

(3) The prior period numbers are restated; see note 2.6.

1 Corporate information

Petrofac Limited (the 'Company') is a limited liability company registered and domiciled in Jersey under the Companies (Jersey) Law 1991 and is the ultimate holding company for the international group of Petrofac subsidiaries. Petrofac Limited and its subsidiaries at 30 June 2023 comprised the Petrofac Group (the 'Group'). The Group's principal activity is to design, build, manage and maintain infrastructure for the energy industries.

The Group's interim condensed consolidated financial statements for the six months ended 30 June 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 10 August 2023.

2 Summary of significant accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Jersey law. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022. The annual consolidated financial statements for the year ending 31 December 2023 will be prepared under International Financial Reporting Standards as issued by the IASB.

The interim condensed consolidated financial statements are presented in United States dollars and all values are rounded to the nearest million (US$m), except where otherwise indicated.

The financial information for the six months ended 30 June 2023 and the comparative financial information for the six months ended 30 June 2022 was not audited or reviewed by the Group's external auditor.

2.2 Presentation of results

The Group uses Alternative Performance Measures (APMs) when assessing and discussing the Group's financial performance, financial position and cash flows that are not defined or specified under IFRS. The Group uses these APMs, which are not considered to be a substitute for or superior to IFRS measures, to provide stakeholders with additional useful information by adjusting for separately disclosed items which impact upon IFRS measures or, by defining new measures, to aid the understanding of the Group's financial performance, financial position and cash flows (see note 5 and Appendix A for details).

2.3 Adoption of new financial reporting standards, amendments and interpretations

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022. There are no accounting pronouncements which have become effective from 1 January 2023 that have a significant impact on the Group's interim condensed consolidated financial statements.

Impact of standards issued but not yet applied by the entity

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective and the impact of these standards is not expected to be material for the Group.

On 23 May 2023, the IASB issued amendments to IAS 12 titled 'International Tax Reform - Pillar Two Model Rules'. These amendments introduced a temporary mandatory relief from accounting for deferred tax resulting from legislation implementing OECD Pillar Two. The amendments became effective immediately and received approval for adoption from all members of the UK Endorsement Board on 19 July 2023. On 20 June 2023, legislation was substantively enacted in the UK to introduce the OECD Pillar Two global minimum tax rules, along with a UK qualified domestic minimum top-up tax. The effective date for these changes is 1 January 2024. In accordance with the amendments to IAS 12, the Group has applied the IAS 12 exception from recognising and disclosing information on associated deferred tax assets and liabilities related to Pillar Two income taxes.

2.4 Going concern

Introduction

The Directors have performed a robust going concern assessment for the period to 31 December 2024, to validate the continued application of the going concern basis in the preparation of the financial statements of the Group. This included reviewing and challenging downside scenarios considered to be severe but plausible based on the principal risks and uncertainties, as set out on pages 78 to 87 of the Group's annual report and accounts for the year ended 31 December 2022.

The Directors evaluated the Group's funding position, liquidity and covenant headroom to assess the Group's ability to meet its obligations as they fall due for a period of at least 12 months from the date of signing the Group's consolidated financial statements on 10 August 2023. The going concern assessment period is for the 17-month period from 11 August 2023 to 31 December 2024 (the Assessment Period). The Directors concluded that the disclosures contained herein sufficiently address relevant events and conditions in the Assessment Period.

Approach

In evaluating whether the going concern assumption is appropriate, the Directors performed the following procedures:

- Set the Assessment Period to 17 months to take it beyond the maturity of its existing bank loan facilities.
- Reviewed the Group's forecast cash flows, liquidity and covenant compliance over the Assessment Period. Cash flow and liquidity projections were based on management's best estimates of new order intake, project and contract schedules and costs, collections, commercial settlements, future commodity prices, oil and gas production and capital expenditure.
- Modelled a range of severe but plausible downside scenarios to reflect uncertainties inherent in forecasting future operational and financial performance, including changes in geo-political or macro-economic environments. These included, but were not limited to, lower order intake, cost overruns, adverse commercial settlements, and a deterioration in net working capital and adverse outcomes on contingent liabilities.
- Evaluated the mitigation actions deemed to be in the control of management, including, but not limited to, reducing costs through further headcount, salary and third-party cost reductions, and conserving cash through working capital management and reductions in uncommitted capital expenditure. Additional mitigations, such as the disposal of non-core assets, are available, but have not been included as the outcome of such actions are not entirely in the control of management.
- Performed a stress test analysis which extended the severe but plausible downside scenario analysis by modelling the impact of no new orders being secured in the Assessment Period.

Key risks

As a result of the significant increase in the E&C backlog, which more than doubled in the first half of 2023, the sensitivity to new contract awards has reduced for the Assessment Period.

Therefore, the risks to which forecast cash flows are most sensitive over the Assessment Period are: (i) working capital movements, in particular the timing of receipt of cash advances and other relatively high value collections, (ii) contract cost overruns and (iii) adverse commercial settlements.

The Group is required to provide bank guarantees in favour of its clients, a standard industry requirement. Performance guarantees are contractually required, and advance payment guarantees are required to collect the associated cash advances. Banking and surety market appetite for the provision of guarantees has reduced across the industry, and delays in obtaining guarantees for new contracts could therefore affect the timing of the receipt of cash advances.

The Directors noted that the impact of any identified cost increases on the mature E&C portfolio of contracts was reflected in the Group's financial performance to 30 June 2023 and in future margin forecasts. With seven contracts completed or substantially completed[1] in 2022, a further five of the remaining eight legacy contracts scheduled for completion in 2023 and early 2024 and the actions taken in the first half of 2023 to resolve some of the open items on historic contracts, the Directors have concluded that the risk of cost increases during the Assessment Period is lower than in prior periods.

Nevertheless, together with relatively high working capital balances in the E&C operating segment, in aggregate these risks could have a significant impact on the Group's ability to maintain positive liquidity and covenant compliance over the Assessment Period.

(1) Completed and substantially completed contracts: contracts where (i) a Provisional Acceptance Certificate (PAC) has been issued by the client, or (ii) transfer of care and custody (TCC) to the client has taken place, or (iii) PAC or TCC are imminent, and no substantive work remains to be performed by Petrofac.

Compliance with financial covenants

The Group complied with its financial covenant obligations throughout the period to 30 June 2023, with the support of its lending banks in adjusting the EBITDA covenant definition. This adjustment was required to exclude the impact of write-downs taken in the E&C operating segment in the first half of 2023, associated with resolution of open items on historic contracts. With this adjustment, the Group is projected to continue to comply with its minimum EBITDA covenant in the base case forecasts and with the liquidity covenant both the base case and in the mitigated severe but plausible downside scenario.

If financial performance deteriorates significantly below the base case for EBITDA or the mitigated severe but plausible downside scenario for liquidity, the Group may have difficulty complying with the financial covenants in their current form and further amendments or waivers may be required. In their assessment of the Group's going concern position, the Directors have made a significant judgement that the Group will remain in compliance with its minimum EBITDA financial covenant or, alternatively, if a covenant breach became likely, that the Group would be able to secure appropriate amendments or waivers to the covenant. The factors that supported this judgement include:

- The Group's lenders have been supportive over a number of years.
- The Group continues to forecast positive liquidity throughout the Assessment Period even under the mitigated severe but plausible downside scenario.
- The Group's financial prospects have strengthened materially with the high level of new orders in both the E&C and Asset Solutions operating segments in the first half of 2023, a strong bidding pipeline of a further US$60 billion in the period to December 2024, and the expectation of five further contract awards under the TenneT framework agreement.

In the operating context of a relatively small number of historic contracts currently in execution in E&C, the maturity of that portfolio and the new awards being at an early stage in their contract life cycle, the near-term liquidity forecasts are reliant on a small number of relatively high value collections, the timing of which are not wholly within the control of management.

Whilst the liquidity forecasts, on a mitigated severe but plausible scenario, show that the Group maintains positive liquidity and remains in compliance with the minimum liquidity financial covenant throughout the Assessment Period, delays in these collections could pose a risk to covenant compliance and to the Group's liquidity.

Until such time as these near-term collections have been secured, therefore, there is a material uncertainty that the Group can maintain covenant compliance and positive liquidity throughout the Assessment Period.

Assessment

Notwithstanding the material uncertainty noted above, the Directors considered the following factors in their going concern assessment:

- The Group retains sufficient liquidity to support operations, and settle debt as it becomes due, throughout the Assessment Period, in the mitigated severe but plausible downside scenario.
- The Group remains compliant with its liquidity financial covenant throughout the Assessment Period in the mitigated severe but plausible downside scenario and with its EBITDA financial covenant in the base case scenario.
- The Group's strengthened financial prospects given the new awards in the first half of 2023, a strong bidding pipeline, and the expectation of five further contract awards under the TenneT framework agreement.
- The Group has a proven track record of taking timely actions to effectively mitigate downside risks, including cutting costs, conserving cash and divesting assets.
- The collections for which there is timing uncertainty relate primarily to existing contractual entitlements of the Group or to new awards for which we are currently in the process of seeking bank guarantees.

Conclusion

The Directors concluded, after rigorously evaluating relevant, available information, that, they expect the Group to retain sufficient liquidity even in a severe but plausible downside scenario. Furthermore, they expect the Group to maintain compliance with its financial covenants in the base case.

This conclusion required a significant judgement with respect to the possibility of requiring assistance from lenders to adhere to the EBITDA financial covenant over the period to 31 December 2024, as described above. In addition, the Group's liquidity position is reliant on a small number of relatively high value collections from clients which are not entirely within the direct control of the Group. Consequently, in accordance with accounting standards, the Directors have concluded that there is a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern during the Assessment Period for the Group's financial statements for the six months ended 30 June 2023 relating to the timing of receipt of these collections from clients.

Based on this comprehensive assessment, the Directors concluded that the continued use of the going concern basis of accounting in preparing the Group's consolidated condensed financial statements for the six months ended 30 June 2023 remains appropriate.

2.5 Significant judgements and estimates

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in an outcome that requires a material adjustment to the carrying amount of assets and liabilities in future periods. The Group's material judgements and estimates were disclosed in note 2 within the Group's consolidated financial statements for the year ended 31 December 2022.

See note 5 for significant judgement in respect of the sale of investment in associate in the period.

2.6 Prior year adjustments

As previously disclosed in the Group's consolidated financial statements for the year ended 31 December 2022, the Group has identified errors in previously reported financial information and therefore, the prior period comparatives have been adjusted for the following restatements:

1. The Group reassessed its impairment methodology and identified inconsistencies between the carrying value of Block PM304's assets and liabilities and the associated recoverable amount, which resulted in a mismatch in the impairment analysis. The Group has deemed the impact of this error as material to the Group financial statements and restated the comparative figures. As a result, an additional reversal of impairment charge of US$3m and a reduction in depreciation expense of US$2m has been recognised for the period ended 30 June 2022.

2. A review of the Thai Oil Clean Fuels contract was conducted by the Group's Internal Audit function as part of its 2022 audit programme. This detected that indications of a material growth in the bills of quantities volumes had been identified during a periodic engineering scope review prior to the approval of the Group's consolidated financial statements for the year ended 31 December 2021. These should have been evaluated and reflected in the 2021 financial statements. This data was identified and available to the project management team but was not shared with the E&C divisional senior management team, the Group's Executive team nor the Group's external auditors until after the approval of the Group's consolidated financial statements, in contravention of the Group's established policies and procedures. A thorough investigation concluded this reflected poor judgement rather than any intent to mislead.

Whilst these volumes were not fully costed and evaluated until after the Group's 2021 consolidated financial statements had been approved, the indications available prior to signing should have resulted in an adjusting post balance sheet event reflecting an additional pre-tax loss of US$48m. This represents the total additional cost in respect of these volume increases, as the contract was onerous at this time, as well as an associated impact on revenue as a result of the change in percentage of completion on the contract. The Group has assessed the impact of this error as material to the Group's interim consolidated financial statements and consequently restated the comparative figures included in the 2022 interim financial statements. This restatement affected the consolidated income statement and the consolidated statement of cash flows for the period ended 30 June 2022, as shown on the table of affected financial statement line items.

3. During 2022, the FRC's Corporate Reporting Review Team (CRRT) reviewed the Group's 2021 financial statements. Following this review, the Group reassessed the accounting in respect of certain leases entered into by the Group on behalf of joint operation partners and concluded that the lease payments made to the lessor should be presented separately from the associated sublease payments received from the joint operation partners. As a result, the Group restated the presentation of finance lease income and finance lease expense in the consolidated income statement and the associated cash flows related to lease receivables and lease payments (including interest received and interest paid) in the consolidated statement of cash flows. The change did not have an impact on consolidated net profit, consolidated net change in cash and cash equivalents nor the consolidated balance sheet.

	30 June 2022 As reported US$m	Restatement 1 US$m	Restatement 2 US$m	Restatement 3 US$m	30 June 2022 Restated US$m
Income statement and statement of comprehensive income impact					
Revenue (note 3)	1,228	–	19	–	1,247
Cost of sales	(1,177)	–	29	–	(1,148)
Gross profit	51	–	48	–	99
Selling, general and administration expenses - separately disclosed items (note 5)	22	3	–	–	25
Selling, general and administration expenses - business performance	(86)	2	–	–	(84)
Operating profit	21	5	48	–	74
Finance income (note 7)	1	–	–	3	4
Finance expense (note 7)	(44)	–	–	(3)	(47)
(Loss)/profit before tax	(19)	5	48	–	34
Net (loss)/profit	(19)	5	48	–	34
Net (loss)/profit attributable to Petrofac Limited shareholders	(14)	5	48	–	39
Comprehensive (loss)/profit for the year	(6)	5	48	–	47
Loss per share (US cents)					
Loss per share – basic (note 9)	(2.7)	0.9	9.4	–	7.6
Loss per share –diluted (note 9)	(2.7)	0.9	9.3	–	7.5

	30 June 2022 As reported US$m	Restatement 1 US$m	Restatement 2 US$m	Restatement 3 US$m	30 June 2022 Restated US$m
Statement of cash flows impact					
(Loss)/profit before tax	(19)	5	48	–	34
Separately disclosed items	(22)	(3)	–	–	(25)
(Loss)/profit before tax and separately disclosed items	(41)	2	48	–	9
Adjustments to reconcile (loss)/profit before tax and separately disclosed items to net cash flows:					
Depreciation, amortisation, business performance impairment and write-offs	37	(2)	–	–	35
Working capital adjustments:					
Contract liabilities	96	–	(19)	–	77
Accrued contract expenses	(103)	–	(29)	–	(132)
Net working capital adjustments	(66)	–	(48)	–	(114)
Cash used in operations	(73)	–	–	–	(73)
Net cash flows used in operating activities	(220)	–	–	–	(220)
Receipts from joint operation partners	–	–	–	13	13
Interest received	1	–	–	3	4
Net cash flows generated from investing activities	78	–	–	16	94
Repayment of lease liabilities	(13)	–	–	(13)	(26)
Interest paid	(38)	–	–	(3)	(41)
Net cash flows used in financing activities	(50)	–	–	(16)	(66)
Net decrease in cash and cash equivalents	(192)	–	–	–	(192)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3 Revenue from contracts with customers

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)[1] Unaudited US$m
Rendering of services	**1,145**	1,192
Sale of crude oil and gas	**62**	55
	1,207	1,247

(1) The prior period numbers are restated; see note 2.6.

Included in revenue is Engineering & Construction and Asset Solutions revenue of a 'pass through' nature with zero or low margins amounting to US$238m (six months ended 30 June 2022: US$152m).

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Six months ended 30 June 2023 (unaudited)				Six months ended 30 June 2022 (unaudited)			
	Engineering & Construction US$m	**Asset Solutions US$m**	**Integrated Energy Services US$m**	**Six months ended 30 June 2023 US$m**	Engineering & Construction (restated)[1] US$m	Asset Solutions US$m	Integrated Energy Services US$m	Six months ended 30 June 2022 (restated)[1] US$m
Geographical markets								
United Kingdom	(8)	386	–	378	42	295	–	337
Thailand	117	14	–	131	137	12	–	149
Malaysia	–	43	63	106	1	9	56	66
Algeria	93	–	–	93	191	–	–	191
Lithuania	90	–	–	90	–	–	–	–
United States of America	–	71	–	71	–	32	–	32
Oman	59	9	–	68	139	8	–	147
Australia	–	51	–	51	–	5	–	5
Netherlands	25	7	–	32	8	9	–	17
Iraq	18	13	–	31	29	49	–	78
Libya	26	–	–	26				
United Arab Emirates	11	14	–	25	39	25	–	64
India	14	9	–	23	12	2	–	14
Bahrain	–	22	–	22	–	26	–	26
Kazakhstan	8	4	–	12	–	12	–	12
Kuwait	8	2	–	10	66	3	–	69
Saudi Arabia	3	–	–	3	4	–	–	4
Russia	2	1	–	3	(2)	1	–	(1)
New Zealand	–	2	–	2	–	–	–	–
Turkey	–	2	–	2	–	2	–	2
Germany	–	–	–	-	3	–	–	3
Others	–	28	–	28	20	12	–	32

	Six months ended 30 June 2023 (unaudited)				Six months ended 30 June 2022 (unaudited)			
	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Six months ended 30 June 2023 US$m	Engineering & Construction (restated)[1] US$m	Asset Solutions US$m	Integrated Energy Services US$m	Six months ended 30 June 2022 (restated)[1] US$m
Total revenue from contracts with customers	**466**	**678**	**63**	**1,207**	689	502	56	1,247
Type of goods or service								
Fixed-price	422	78	–	494	619	98	–	717
Reimbursable	44	600	1	651	70	404	1	475
Sale of crude oil and gas	–	–	62	62	–	–	55	55
Total revenue from contracts with customers	**466**	**678**	**63**	**1,207**	689	502	56	1,247
Customer type								
Government	332	47	6	385	427	97	8	532
Non-government	134	631	57	822	262	405	48	715
Total revenue from contracts with customers	**466**	**678**	**63**	**1,207**	689	502	56	1,247
Timing of revenue recognition								
Services transferred over time	466	678	1	1,145	689	502	1	1,192
Goods transferred at a point in time	–	–	62	62	–	–	55	55
Total revenue from contracts with customers	**466**	**678**	**63**	**1,207**	689	502	56	1,247

(1) The prior period numbers are restated; see note 2.6.

Revenue disclosed in the tables above is based on where the services or goods are delivered. For the six months ended June 2022, the revenue by country was previously based on where the customer was located and has been amended for consistency in presentation; this only impacts the Integrated Energy Services segment.

4 Segment information

The Group organisational structure comprises the following three operating segments:

- Engineering & Construction, which provides fixed-price engineering, procurement and construction project execution services and reimbursable engineering, procurement and construction management services to the onshore and offshore oil and gas industries
- Asset Solutions, which mainly includes reimbursable engineering and production services activities to the oil and gas industry
- Integrated Energy Services, which is focused on delivering value from the existing asset portfolio

The Chief Operating Decision Makers (CODMs) have been identified as the Group's Chief Executive Officer and Chief Financial Officer. The CODMs regularly review the performance of the operating segments to make decisions about resource allocations and to assess financial performance. Finance expense and income arising from borrowings and cash balances, which are not directly attributable to individual operating segments, are allocated to Corporate. The software cost associated with configuration or customisation services are centralised activities not monitored at the segment level, and thus have been allocated to the Corporate segment. In addition, certain shareholder services-related costs, intra-group financing and consolidation adjustments are managed at Corporate and are not allocated to operating segments.

The Group's financial performance presented below also separately identifies the effect of separately disclosed items to provide users of the consolidated financial statements with a clear and consistent presentation of the underlying business performance of the Group; refer to note 5 and appendix A for details. Consequently, the CODMs assess the performance of the operating segments based on a measure of business performance operating profit and profit after tax, excluding the effect of separately disclosed items.

The following tables represent revenue and profit/(loss) information relating to the Group's operating segments for the six months ended 30 June 2023 and the restated information for the six months ended 30 June 2022:

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For the six months ended 30 June 2023

Six months ended 30 June 2023 (unaudited)

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Business performance US$m	Separately disclosed items US$m	Reported US$m
Revenue								
External sales	466	678	63	–	–	1,207	–	1,207
Inter-segment sales	3	1	–	3	(7)	–	–	–
Total revenue	**469**	**679**	**63**	**3**	**(7)**	**1,207**	–	**1,207**
Operating (loss)/profit	(122)	10	19	(7)	–	(100)	(7)	(107)
Finance income	–	–	3	1	–	4	2	6
Finance expense	(1)	(1)	(5)	(56)	–	(63)	–	(63)
Share of net profit of associates and joint ventures	–	4	–	–	–	4	–	4
(Loss)/profit before tax	(123)	13	17	(62)	–	(155)	(5)	(160)
Income tax expense	(7)	(5)	–	–	–	(12)	–	(12)
Net (loss)/profit	(130)	8	17	(62)	–	(167)	(5)	(172)
Attributable to:								
Petrofac Limited shareholders	(123)	8	17	(62)	–	(160)	(5)	(165)
Non-controlling interests	(7)	–	–	–	–	(7)	–	(7)
Net (loss)/profit	(130)	8	17	(62)	–	(167)	(5)	(172)
EBIT	**(122)**	**14**	**19**	**(7)**	–	**(96)**	**(7)**	**(103)**
EBITDA	**(117)**	**19**	**48**	**(4)**	–	**(54)**	**(7)**	**(61)**

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Total US$m
Other segment information					
Depreciation	5	5	29	1	40
Amortisation, business performance impairment and write off	–	–	–	2	2
Separately disclosed items, pre-tax (note 5)	–	2	–	3	5
Expected credit loss allowance charge	–	6	–	–	6
Other long-term employment benefits	–	–	–	–	–
Share-based payments	1	1	–	–	2

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For the six months ended 30 June 2023

Six months ended 30 June 2022 (unaudited and restated[(1)])

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Business performance US$m	Separately disclosed items[(1)] US$m	Reported US$m
Revenue								
External sales (restated)[(1)]	689	502	56	–	–	1,247	–	1,247
Inter-segment sales	3	6	–	–	(9)	–	–	–
Total revenue (restated)[(1)]	692	508	56	–	(9)	1,247	–	1,247
Operating profit/(loss) (restated)[(1)]	4	30	23	(8)	–	49	25	74
Finance income (restated)[(1)]	–	–	3	1	–	4	–	4
Finance expense (restated)[(1)]	(1)	–	(5)	(41)	–	(47)	–	(47)
Share of net profit of associates and joint ventures	–	3	–	–	–	3	–	3
Profit/(loss) before tax (restated)[(1)]	3	33	21	(48)	–	9	25	34
Income tax credit/(expense)	5	(3)	–	(1)	–	1	(1)	–
Net profit/(loss) (restated)[(1)]	8	30	21	(49)	–	10	24	34
Attributable to:								
Petrofac Limited shareholders	13	30	21	(49)	–	15	24	39
Non-controlling interests	(5)	–	–	–	–	(5)	–	(5)
Net profit/(loss)	8	30	21	(49)	–	10	24	34
EBIT (restated)[(1)]	4	33	23	(8)	–	52	25	77
EBITDA (restated)[(1)]	10	38	44	(5)	–	87	1	88

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Total US$m
Other segment information					
Depreciation (restated)[(1)]	6	4	21	1	32
Amortisation, business performance impairment and write off	–	1	–	2	3
Separately disclosed items, pre-tax (note 5) (restated)[(1)]	–	(1)	31	(5)	25
Expected credit loss allowance reversal	(18)	(2)	–	(2)	(22)
Other long-term employment benefits	1	1	–	–	2
Share-based payments	1	1	–	1	3

(1) The prior period numbers are restated; see note 2.6.

5 Separately disclosed items

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)[1] Unaudited US$m
Cloud ERP software implementation costs	**3**	4
Loss on sale of investment in associates	**5**	–
Reversal of impairment of assets	**–**	(25)
Impairment of assets	**–**	1
Fair value re-measurements (note 12)	**–**	(9)
Other separately disclosed items	**(1)**	4
Total separately disclosed items as reported within selling, general and administrative expenses	**7**	(25)
Separately disclosed items as reported within finance income (note 7)	**(2)**	–
Income tax charge on separately disclosed items	**–**	1
Total separately disclosed expense/(credit), post-tax	**5**	(24)

See note 2 and appendix A for further details on APMs.

(1) The prior period numbers are restated; see note 2.6.

Loss on sale of investment in associates

During 2023, the Group sold its investment in two associate entities and as a result, recognised a net gain on sale of US$3m in respect of the sale of PetroFirst Infrastructure 2 Limited and a loss of US$9m in respect of PetroFirst Infrastructure Limited, both in the Asset Solutions operating segment. Furthermore, the Group derecognised the right-of-use asset in respect of the West Desaru mobile offshore production unit (MOPU) of US$16m and the associated lease liability of US$17m, resulting in a gain of US$1m.

Whilst the receipts from the sale of Group's investments in associate entities was received on 7 July 2023, the disposal was substantively agreed and completed on 17 June, before the end of the period, and hence the investment in associates was derecognised as at 30 June 2023.

Software implementation costs

Following IFRIC's agenda decision published in April 2021, the Group has revised its accounting policy regarding the customisation and configuration costs incurred when implementing a SaaS arrangement. The Group is currently undertaking a major systems implementation for a new cloud computing software, resulting in costs of US$3m being recognised as an expense in the current period (six months ended 30 June 2022: US$4m). Due to the size, nature and incidence of these costs, they are presented as a separately disclosed item, as they are not reflective of underlying performance. Additionally, as this is a large and complex implementation, it is expected that it will be completed over the next 18 months.

Reversal of impairment of assets

At 30 June 2022, internal and external indicators of reversal of impairment existed, predominantly due to the volatility in global oil prices. Consequently, the Group performed an impairment review of the carrying value amount of its Block PM304 oil and gas assets on a fair value less cost of disposal basis (Level 3 of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement') using a post-tax discount rate of 10.0%. These reviews involved assessing the field operational performance, robustness of the future development plans and oil price and licence extension assumptions. This assessment resulted in a restated impairment reversal of US$25m for the six months ended 30 June 2022 allocated to property, plant and equipment in the Integrated Energy Services operating segment. The equivalent review and assessment for the six months ended 30 June 2023 resulted in no further impairment.

Impairment of assets

At 30 June 2022, management identified impairment indicators for one of the Group's subsidiaries in the United Kingdom and as a result reviewed the carrying amount of property, plant and equipment including right-of-use assets relating to that subsidiary using the value-in-use basis. This review resulted in an impairment charge of US$1m for the six months ended 30 June 2022 in the Asset Solutions operating segment relating to the right-of-use asset associated with a facility in the UK.

Fair value re-measurements

During 2022, the Group reached an agreement in respect of the contingent consideration receivable arising from the 2020 disposal of the Group's operations in Mexico and received a final settlement amounting to US$47m, of which US$46m was allocated to the contingent consideration receivable (with the remaining US$1m allocated to other receivables). As a result, the Group recognised a fair value gain of US$9m in the Integrated Energy Services operating segment for the six months ended 30 June 2022.

Other separately disclosed items

During 2023, the Group incurred US$3m of professional services fees relating to the Corporate reporting segment (six months ended 30 June 2022: US$1m).

Additionally, one of the Group's subsidiaries in the United Kingdom served notice on their office lease (to effect the break clause) due to uncertainty over the continued use of office space in future periods for the remaining lease period. As the related right of use asset had been fully impaired in prior periods, the reduction in lease liability generated a one-off gain of US$4m.

In the prior year, the Group sold the remaining deferred consideration receivable from Ithaca Energy UK Ltd amounting to US$43m and recognised a loss of US$3m in the Integrated Energy Services operating segment.

Separately disclosed finance income

The terms of the Revolving Credit Facility provides for the Group to pay a certain proportion of losses incurred by an original lender to facilitate any transfer of its commitment under the facility to another lender. This has been classified as an embedded derivative on initial recognition and re-measured at fair value through profit or loss. The fair value of the embedded derivative as at 30 June 2023 was estimated at US$20m (31 December 2022: US$22m) (Level 2 of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement') resulting in a fair value gain of US$2m (six months ended 30 June 2022: US$nil) in the Corporate reporting segment.

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For the six months ended 30 June 2023

6 Expected credit loss (ECL) allowance

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 Unaudited US$m
ECL on trade receivables (note 13)	**6**	(1)
ECL on contract assets (note 14)	**–**	(19)
ECL on other financial assets (note 12)	**–**	(1)
ECL on cash and bank balances (note 15)	**–**	(1)
Total ECL credit	**6**	(22)

The ECL provision is mainly due to the increase in the probability of default for certain customers in the Asset Solutions segment. This probability of default represents management's best estimate of the percentage of outstanding receivables that may not be recovered.

7 Finance income/(expense)

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)(1) Unaudited US$m
Finance income		
Bank interest	**1**	1
Interest income from joint operation partners in respect of leases	**3**	3
Business performance finance income (before separately disclosed items)	**4**	4
Separately disclosed items – finance income (note 5)	**2**	–
Total finance income	**6**	4
Finance expense		
Group borrowings	**(57)**	(40)
Lease liabilities	**(5)**	(6)
Unwinding of discount on provisions (note 18)	**(1)**	(1)
Total finance expense	**(63)**	(47)

(1) The prior period numbers are restated; see note 2.6.

Group borrowing costs have increased during the period due to the increase in market interest rates, impacting the interest cost in respect of the floating rate term loans and the RCF facility. In addition, Group borrowing costs include a modification loss of US$11m in accordance with IFRS 9 *financial instruments* (six months ended 30 June 2022: US$nil) arising as a result of the external debt amendment and extension completed during the period which extended the maturity of the RCF and terms loans.

8 Income tax

	Business Performance(1) US$m	**Separately disclosed items US$m**	**Reported six months ended 30 June 2023 Unaudited US$m**	Business performance(1) US$m	Separately disclosed items US$m	Reported six months ended 30 June 2022 Unaudited US$m
Current income tax						
Current income tax expense	**17**	**–**	**17**	13	–	13
Adjustments in respect of previous periods	**(1)**	**–**	**(1)**	(16)	1	(15)
Deferred tax						
Relating to origination and reversal of temporary differences	**(5)**	**–**	**(5)**	2	–	2
Adjustments in respect of deferred tax of previous years	**1**	**–**	**1**	–	–	–
Income tax expense/(credit) reported in the interim condensed consolidated income statement	**12**	**–**	**12**	(1)	1	–

(1) This measurement is shown by the Group as a means of measuring underlying business performance, see note 2 and appendix A.

The Group's business performance effective tax rate for the six months ended 30 June 2023 was negative 7.7% (six months ended 30 June 2022: restated negative 11.1%) and reported effective tax rate was negative 7.5% (six months ended 30 June 2022: nil%). The change from the prior period was mainly due to the change in the profit mix, along with a reduction in the release of uncertain tax treatment items and losses in territories for which no tax relief was available.

9 Earnings/(loss) per share

Basic earnings per share is calculated by dividing the profit for the period attributable to Petrofac Limited shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit attributable to Petrofac Limited shareholders, after adjusting for any dilutive effect, by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of ordinary shares granted under the share-based payment plans which are held in Employee Benefit Trust.

The following reflects the profit and share data used in calculating basic and diluted earnings per share:

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)[1] Unaudited US$m
Business performance net (loss)/profit attributable to Petrofac Limited shareholders for basic and diluted earnings per share	**(160)**	15
Separately disclosed items attributable to Petrofac Limited shareholders for basic and diluted earnings per share	**(5)**	24
Reported net (loss)/profit attributable to Petrofac Limited shareholders for basic and diluted earnings per share	**(165)**	39

	30 June 2023 Shares Unaudited Million	30 June 2022 Shares Unaudited Million
Weighted average number of ordinary shares for basic earnings per share[2]	**517**	514
Effect of dilutive potential ordinary shares granted under share-based payment plans[3]	**–**	3
Adjusted weighted average number of ordinary shares for diluted earnings per share	**517**	517

	Six months ended 30 June 2023 Unaudited US cents	Six months ended 30 June 2022 (restated)[1] Unaudited US cents
Basic earnings per share		
Business performance	**(30.9)**	2.9
Separately disclosed items	**(1.0)**	4.7
Reported	**(31.9)**	7.6
Diluted earnings per share[3]		
Business performance	**(30.9)**	2.9
Separately disclosed items	**(1.0)**	4.6
Reported	**(31.9)**	7.5

(1) The prior period numbers are restated; see note 2.6.
(2) The weighted number of issued ordinary shares excludes those held by the Employee Benefit Trust.
(3) For the six months ended 30 June 2023, potentially issuable ordinary shares under the share-based payment plans are excluded from the diluted earnings per ordinary share calculation, as their inclusion would decrease the loss per ordinary share.

10 Property, plant and equipment

The decrease in property, plant and equipment of US$49m for the six months ended 30 June 2023 was due to a depreciation charge of US$40m and derecognition of the right-of-use asset in respect of the West Desaru mobile offshore production unit (MOPU) of US$16m offset by additions of US$6m and foreign currency translation adjustments of US$1m.

Total additions of US$6m relate principally to US$5m of right of use assets from new lease agreements and extensions of existing lease agreements.

11 Investments in associate and joint ventures

	Associates US$m	Joint Ventures US$m	Total US$m
Balance at 1 January 2022	21	13	34
Share of net profit/(loss)	6	–	6
Dividends received	(10)	–	(10)
As at 1 January 2023	17	13	30
Share of net profit/(loss)	4	–	4
Dividends received	(2)	–	(2)
Disposal of associates at carrying value	(19)	–	(19)
As at 30 June 2023	**–**	**13**	**13**

Dividends received of US$2m during the six months ended 30 June 2023 were from PetroFirst Infrastructure Limited (six months ended 30 June 2022: US$8m received from PetroFirst Infrastructure Limited and US$2m received from PetroFirst Infrastructure 2 Limited).

During 2023, the Group sold its investment in these two associates and as a result, recognised a gain on sale of US$3m in respect of the sale of PetroFirst Infrastructure 2 Limited and a loss of US$9m in respect of PetroFirst Infrastructure Limited, both in the Asset Solutions operating segment.

12 Other financial assets and other financial liabilities

	30 June 2023 Unaudited US$m	31 December 2022 US$m
Other financial assets		
Non-current		
Receivable from joint operation partners for leases	**46**	60
Advances relating to provision for decommissioning	**38**	40
Restricted cash	**51**	51
	135	151
Current		
Receivable from joint operation partners for leases	**36**	34
Restricted cash	**60**	60
Derivative contracts not designated as hedges	**1**	4
Derivative contracts designated as cash flow hedges	**5**	5
Purchase consideration receivable in respect of sale of associates	**13**	–
	115	103
Other financial liabilities		
Non-current		
Lease liabilities	**100**	144
Contingent consideration payable arising from acquisition of W&W Energy Services Inc	**–**	2
	100	146
Current		
Lease liabilities	**69**	66
Contingent consideration payable arising from acquisition of W&W Energy Services Inc	**2**	4
Interest payable	**11**	9
Derivative contracts not designated as hedges	**9**	12
Derivative contracts designated as cash flow hedges	**–**	1
Embedded derivative in respect of the revolving credit facility	**20**	22
	111	114

Receivable from joint operation partners for leases

The current and non-current receivable from joint operation partners represented 64.7% of the lease liability. These lease liabilities are recognised at 100% in the consolidated balance sheet. This treatment is necessary to reflect the legal position of the Group as the contracting counterparty for such leases.

12 Other financial assets and other financial liabilities continued

The Group's 35.3% share of this liability at 30 June 2023 was US$45m (31 December 2022: US$52m). At 30 June 2023, management concluded that no expected credit loss allowance against the receivable from joint operation partners for leases was necessary, since under the joint operating agreement any default by the joint arrangement partners is fully recoverable through a recourse available to the non-defaulting partner through a transfer or an assignment of the defaulting partner's equity interest.

Advances relating to provision for decommissioning
Advances relating to decommissioning provisions represent advance payments to a regulator for future decommissioning liabilities relating to the Group's assets in Malaysia. The carrying value was adjusted by US$2m for foreign currency translation losses.

Restricted cash
The Group had outstanding letters of guarantee, including performance, advance payments and bid bonds against which the Group had pledged or restricted cash balances.

Purchase consideration receivable in respect of sale of associates
During 2023, the Group sold its investment in the two associate entities for a purchase consideration of US$13m, which was received on 7 July 2023 (note 5).

Contingent consideration payable arising from acquisition of W&W Energy Services Inc
A reconciliation of the fair value movement of contingent consideration payable arising from acquisition of W&W Energy Services Inc is presented below:

	30 June 2023 Unaudited US$m	31 December 2022 US$m
Opening balance	6	7
Fair value loss (note 5)	–	1
Payments	(4)	(2)
As at end of the reporting period	2	6

Fair value measurement
The following financial instruments in comparison to the carrying amounts are measured at fair value using the hierarchy below:

Level 1: Unadjusted quoted prices in active markets for identical financial assets or liabilities
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

	Level	Carrying amount		Fair value	
		30 June 2023 Unaudited US$m	31 December 2022 US$m	30 June 2023 Unaudited US$m	31 December 2022 US$m
Financial assets					
Measured at amortised cost					
Restricted cash	Level 2	111	111	111	111
Receivable from joint operation partners for leases	Level 2	82	94	82	94
Advances relating to provision for decommissioning	Level 2	38	40	38	40
Purchase consideration receivable in respect of sale of associates	Level 2	13	–	13	–
Measured at fair value through profit and loss					
Contingent consideration arising from the disposal of the JSD6000 vessel	Level 3	56	56	56	56
Derivative contracts – undesignated	Level 2	1	4	1	4
Measured at fair value through other comprehensive income					
Derivative contracts – designated for hedge accounting	Level 2	5	5	5	5
Financial liabilities					
Measured at amortised cost					
Senior secured notes (note 17)	Level 1	585	583	463	334
Term loans	Level 2	90	99	90	99
Revolving credit facility	Level 2	162	117	162	117
Interest payable	Level 2	11	9	11	9
Measured at fair value through profit and loss					
Contingent consideration payable	Level 3	2	6	2	6
Derivative contracts – undesignated	Level 2	9	12	9	12
Embedded derivative in respect of the revolving credit facility (note 5)	Level 3	20	22	20	22
Measured at fair value through other comprehensive income					
Derivative contracts – designated for hedge accounting	Level 3	–	1	–	1

12 Other financial assets and other financial liabilities continued

When the fair values of financial assets and financial liabilities recognised in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable sources where possible, but where such information is not available, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the recognised fair value of financial instruments. The following methods and assumptions were used to estimate the fair values for material financial instruments:

- The fair value of long-term interest-bearing loans and borrowings (excluding senior secured notes) and receivable from joint operation partners for leases are equivalent to their amortised costs determined as the present value of discounted future cash flows using the effective interest rate.
- The contingent consideration payable of US$2m (31 December 2022: US$6m) arising from acquisition of W&W Energy Services Inc, calculated using expected value pay-out approach using a discount rate of 16.0% (Level 3 of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement'), represented management's best estimate based on the expected financial performance targets that will be achieved by W&W, over the remaining evaluation period.
- The fair value of the embedded derivative in respect of the Revolving Credit Facility is estimated using option pricing models based on observable market yields on senior notes as the closest comparable debt instruments issued by the Group.
- The fair value of the deferred consideration arising from the disposal of the JSD6000 installation vessel is estimated using a discounted cash flow considering input from an independent broker's valuation of the vessel (a Level 3 measurement of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement'). The key assumption in respect of the valuation is the market value of comparable vessels.

13 Trade and other receivables

	30 June 2023 Unaudited US$m	31 December 2022 US$m
Trade receivables	**522**	499
Advances to vendors and sub-contractors	**122**	105
Prepayments and deposits	**33**	29
Receivables from joint operation partners	**15**	18
Related party receivables	**1**	1
VAT receivable	**46**	49
Other receivables	**49**	38
	788	739

The increase in trade receivables of US$23m was mainly due to certain new contracts and extensions of contracts in the Assets Solutions operating segment of US$60m partially offset by a US$37m reduction across several projects in the Engineering & Construction operating segment. At 30 June 2023, the Group had an expected credit loss allowance of US$25m (31 December 2022: US$19m) against a total trade receivable balance of US$547m (31 December 2022: US$518m).

The increase in advances to vendors and sub-contractors of US$17m was mainly due to advances paid to vendors to commence work on recently awarded projects.

14 Contract assets

	30 June 2023 Unaudited US$m	31 December 2022 US$m
Work in progress	**1,121**	1,153
Retention receivables	**135**	133
Accrued income	**22**	43
	1,278	1,329

At 30 June 2023, work in progress included variation orders pending customer's approval of US$282m (31 December 2022: US$372m). At 30 June 2023, the Group had an expected credit loss allowance of US$5m (31 December 2022: US$5m) against a work in progress balance of US$1,126m (31 December 2022: US$1,158m).

At both 30 June 2023 and 31 December 2022, the Group had no expected credit loss allowances against either retention receivables or accrued income.

15 Cash and short-term deposits

	30 June 2023 Unaudited US$m	31 December 2022 US$m
Cash at bank and in hand	**152**	418
Short-term deposits	**102**	33
ECL allowance	**(1)**	(1)
Cash and short-term deposits	**253**	450

For the purposes of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprised the following:

	30 June 2023 Unaudited US$m	31 December 2022 US$m
Cash and short-term deposits	**253**	450

16 Other reserves

	Net unrealised gains/(losses) on derivatives US$m	Foreign currency translation US$m	Reserve for share-based payments US$m	Total US$m
Balance at 1 January 2022	(3)	(18)	63	42
Net changes in fair value of derivatives after reclassification of hedging gains/(losses) to condensed consolidated income statement	6	–	–	6
Foreign currency translation	–	14	–	14
Issue of Company's shares by Employee Benefit Trust	–	–	(12)	(12)
Credit to equity for share-based payments charge	–	–	6	6
As at 31 December 2022	**3**	**(4)**	**57**	**56**
Attributable to:				
Petrofac Limited shareholders	3	(4)	57	56
Non-controlling interests	–	–	–	–
As at 31 December 2022	3	(4)	57	56
Balance at 1 January 2023	**3**	**(4)**	**57**	**56**
Net changes in fair value of derivatives after reclassification of hedging gains/(losses) to condensed consolidated income statement	–	–	–	–
Foreign currency translation	–	(8)	–	(8)
Issue of Company's shares by Employee Benefit Trust	–	–	(10)	(10)
Credit to equity for share-based payments charge	–	–	2	2
As at 30 June 2023 (unaudited)	**3**	**(12)**	**49**	**40**
Attributable to:				
Petrofac Limited shareholders	3	(12)	49	40
Non-controlling interests	–	–	–	–
As at 30 June 2023 (unaudited)	**3**	**(12)**	**49**	**40**

17 Interest-bearing loans and borrowings

	30 June 2023 Unaudited US$m	31 December 2022 US$m
Current		
Senior secured notes	**585**	583
Revolving Credit Facility	**162**	117
Term loans	**90**	99
Total interest-bearing loans and borrowings	**837**	799

Following the capital raise and refinancing completed in 2021, the Group successfully completed an amendment and extension to its existing bank debt facilities in April 2023 with the RCF and term loans now maturing in October 2024.

The Group therefore has facilities consisting of US$600m 9.75% senior secured notes (due 2026), a US$162m revolving credit facility (RCF), a US$45m (denominated as AED167m) bilateral loan facility and a US$45m bilateral loan facility. All facilities are for general corporate purposes.

Details of the Group's interest-bearing loans and borrowings as at 30 June 2023 are as follows:

Senior secured notes
In November 2021, the Group issued US$600m of 9.75% senior secured notes, due November 2026. These are listed on The International Stock Exchange and were issued at a 0.97% discount to the nominal value, resulting in a total 10.0% yield to maturity for the purchasers of the notes. The notes were issued with a rating of BB- from both S&P and Fitch.

The interest coupon is payable semi-annually in arrears and the Company has a call option to redeem the notes with a first call date of November 2023, with a make-whole premium of 4.88%/2.44% of the remaining coupon from November 2023 and 2024 respectively.

Revolving credit facility
On signing the extension, the facility was reduced from US$180m to US$162m. It will amortise in steps over the remaining tenor and is scheduled to mature in October 2024. At 30 June 2023, US$162m was drawn under this facility (31 December 2022: US$117m), net of US$nil of unamortised deferred acquisition costs. Interest is payable on the drawn balance of the facility and in addition, utilisation fees are payable depending on the level of utilisation.

The Group has agreed to pay a certain proportion of losses incurred by the original lenders to facilitate any transfer of their commitment under the facility to another lender. This has been classified as an embedded derivative on initial recognition and remeasured at fair value through profit or loss. The fair value of the embedded derivative as at 30 June 2023 was estimated at US$20m (31 December 2022: US22m) (Level 2 of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement'), as disclosed in note 5.

Term loans
At 30 June 2023, the Group had in place two bilateral term loans with a combined (and drawn) total of US$90m, net of US$nil of unamortised debt acquisition costs (31 December 2022: US$99m). Both facilities amortise in steps over the remaining tenor to October 2024.

17 Interest-bearing loans and borrowings continued

Bank overdrafts

Bank overdrafts are utilised to meet the Group's working capital requirements. These are repayable on demand.

Compliance with covenants

The amended and extended RCF and term loans (together, the 'Senior Loans') are subject to two financial covenants relating to minimum liquidity and minimum EBITDA.

The financial covenants are as follows:

- Liquidity (excluding cash held in joint operations) shall exceed US$75m at each month end.
- EBITDA shall exceed a balance specified for each testing period, which for 2023 is the period commencing on 1 January 2023 and ending on the relevant calendar quarter end and thereafter is the 12 month period ending on the relevant calendar quarter end.

The Group was compliant with its liquidity covenant throughout the period to 30 June 2023 and with its EBITDA covenant for the quarter ended 31 March 2023. However, as noted above, whilst E&C made further progress towards closing out and completing historical contracts, EBITDA in Q2 2023 suffered from a combination of lower levels of activity, no margin recognition on onerous contracts, an adverse operating leverage and write-downs in contract settlements resulting from measures taken to protect full year cash flows. Due to the carryover effect of this result on the subsequent EBITDA financial covenants, Senior Loan lenders granted an amendment such that certain costs were agreed to be excluded from the computation of EBITDA for the quarter ended 30 June 2023 and subsequent testing dates for the purposes of the EBITDA covenant calculations.

However, as this amendment was completed after the period end (of 30 June 2023) and therefore the Group did not have an unconditional right to defer repayment of these facilities for greater than 12 months as at the balance sheet date, the borrowings have been disclosed as current in the balance sheet.

Both the Senior Loans and the Senior Secured Notes are secured obligations of the Company and rank equally in right of payment with each other.

18 Provisions

Non-current

The increase in non-current provisions of US$4m in the period was due to an increase in provisions for decommissioning relating to Block PM304 in Malaysia of US$2m (six months ended 30 June 2022: US$8m) and a net increase long-term employment benefit provision of US$2m (six months ended 30 June 2022: net decrease of US$6m).

Current

The decrease in current provisions of US$8m was due to a net utilisation of an onerous contract provision relating to a contract in the Engineering & Construction operating segment.

19 Trade and other payables

	30 June 2023 Unaudited US$m	31 December 2022 US$m
Trade payables	**532**	458
Accrued expenses	**176**	229
Retentions held against vendors and sub-contractors	**73**	90
Payable to joint operation partners	**31**	28
Other taxes payable	**23**	21
Other payables	**41**	39
	876	865

The increase in trade and other payables of US$11m was primarily in the Engineering & Construction operating segment due to the timing of some larger payments.

20 Contract liabilities

	30 June 2023 Unaudited US$m	31 December 2022 US$m
Billings in excess of costs and estimated earnings	**37**	72
Advances received from customers	**34**	64
	71	136

At 30 June 2023, billings in excess of costs and estimated earnings included an offset for assessed variation orders pending customer approval of US$47m (31 December 2022: US$6m).

The decrease in billings in excess of costs and estimated earnings of US$35m was mainly due to advanced billings to customers of US$137m, primarily relating to four contracts in the Engineering & Construction operating segment, offset by revenue recognised in excess of billings of US$172m on various contracts.

The decrease in advances received from customers of US$30m is due to billings during the period on ongoing contracts in the Engineering and Construction operating segment and no significant new advances in the current period.

21 Accrued contract expenses

Accrued contract expenses represent contract cost accruals associated with the Group's fixed-price engineering, procurement and construction contracts. The decrease in accrued contract expenses of US$18m was mainly due to higher payment milestones relating to vendors and subcontractors achieved during the period in the Engineering & Construction operating segment.

22 Related party transactions

As at 30 June 2023, the Group had receivables from joint ventures and other related parties of US$1m (31 December 2022: US$1m).

All sales to and purchases from related parties are conducted on an arm's length basis and are approved by the operating segment's management. All related party balances will be settled in cash.

In May 2017, the Board of Directors approved a donation of up to US$5m over the course of five years to the American University of Beirut (AUB) to establish the Petrofac Fund for Engineers endowment fund, which will provide scholarships and internships to engineering students in memory of Mr Maroun Semaan, Petrofac's co-founder and AUB alumnus, who was also a significant personal benefactor to AUB.

However, in response to the Covid-19 pandemic and the change in economic circumstances, it has been agreed that the Group will pay for up to 100 Group employees to attend an AUB full-time course instead of making future donations for scholarships. As part of its new commitment, the Group will pay the cost of the course to AUB and an educational stipend to all attendees. For the six months ended 30 June 2023, US$0.2m payments were made to the AUB (six months ended 30 June 2022: US$1m). One of the Group's Non-executive Directors who is also a significant shareholder of the Company is a trustee of the AUB.

23 Commitments and contingent liabilities

Capital commitments

At 30 June 2023 the Group had capital commitments of US$6m (31 December 2022: US$6m):

	30 June 2023 Unaudited US$m	31 December 2022 US$m
Block PM304 in Malaysia	**–**	3
Commitments in respect of development of the Group's digital systems and other information technology equipment	**6**	3
	6	6

Contingent liabilities

National Insurance Contributions to workers in the UK Continental Shelf

A Group subsidiary is subject to challenges by HMRC on the historical application of National Insurance Contributions (NICs) to workers in the UK Continental Shelf. In October 2020, a decision was issued by HMRC against Petrofac Facilities Management Limited (PFML) in respect of the historic application of NICs. PFML has appealed against the decision and no payment has been made to HMRC pending the outcome of the First-tier Tribunal (Tax). Management, taking into consideration advice from independent legal and tax specialists, believes that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and accordingly, no provision has been recognised. The maximum potential exposure to PFML in relation to NICs and interest, should it be unsuccessful in defending its position, is approximately £134m, equivalent to US$171m.

The Group also has a recourse available, in accordance with the contractual indemnity contained in some customer contracts, where it can possibly recover a portion of NICs and interest from its customers in the event the Group is unsuccessful in its appeal. Customers have been notified about HMRC's decision and a possible indemnity claim.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

Appendix A

The Group references Alternative Performance Measures ("APMs") when evaluating the Group's reported financial performance, financial position and cash flows that are not defined or specified under International Financial Reporting Standards ("IFRS"). The Group considers that these APMs, which are not a substitute for or superior to IFRS measures, provide stakeholders with additional useful information by adjusting for certain reported items which impact upon IFRS measures or, by defining new measures, to aid the understanding of the Group's financial performance, financial position and cash flows. These are aligned to measures which are used internally to assess business performance in the Group's processes when determining compensation.

APM	Description	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements	Rationale for adjustments
Group's business performance net profit attributable to Petrofac Limited shareholders (note A1)	Measures net profitability	Group's net profit/(loss)	Petrofac presents business performance APM in the interim condensed consolidated income statement as a means of measuring underlying business performance. The business performance net profit measure excludes Separately Disclosed Items (SDI) (note 5). Business performance diluted earnings per share is calculated only when the reported result is a profit.	The intention of this measure is to provide users of the interim condensed consolidated financial statements with a clear and consistent presentation of underlying business performance and it excludes the impact of certain items to aid comparability
Business performance basic and diluted earnings per share attributable to Petrofac Limited shareholders (note A2)	Measures net profitability	Basic and diluted earnings per share		
Business performance earnings before interest, tax, depreciation and amortisation (EBITDA) (note A3)	Measures operating profitability	Operating profit/(loss)	Excludes (SDI) (note 5), depreciation, amortisation, business performance impairment and write off and includes share of net profits from associates and joint ventures	The intention of this measure is to provide users of the interim condensed consolidated financial statements with a clear and consistent presentation of underlying operating performance
Business performance earnings before interest and tax (EBIT) (note A4)	Measures operating profitability	Operating profit/(loss)	Excludes (SDI) (note 5) and includes share of net profits from associates and joint ventures	The intention of this measure is to provide users of the interim condensed consolidated financial statements with a clear and consistent presentation of underlying operating performance
Reported EBITDA (note A5)	Measures operating profitability	Operating profit/(loss)	Excludes impairment of non-financial assets, depreciation, amortisation and includes share of net profits from associates and joint ventures	The intention of this measure is to provide users of the consolidated financial statements with a clear and consistent presentation of operating performance
Reported EBIT (note A6)	Measures operating profitability	Operating profit/(loss)	Includes share of net profits from associates and joint ventures	The intention of this measure is to provide users of the consolidated financial statements with a clear and consistent presentation of operating performance
Business performance effective tax rate (ETR) (note A7)	Measures tax charge	Income tax expense	Excludes income tax credit related to SDI	The intention of this measure is to provide users of the interim condensed consolidated financial statements with a clear and consistent presentation of underlying business performance ETR
Capital expenditure (note A8)	Measures net cash cost of capital investment	Net cash flows generated from / (used in) investing activities	Excludes dividends received from associates and joint ventures, net loans repaid by/(paid to) associates and joint ventures, proceeds from disposal of property, plant and equipment, proceeds from disposal of subsidiaries and interest received	Excludes items not considered relevant to capital investment

APM	Description	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements	Rationale for adjustments
Free cash flow (note A9)	Measures net cash generated after operating and investing activities to finance returns to shareholders	Net cash flows generated from/(used in) operating activities plus net cash flows (used in)/generated from investing activities less interest paid and the repayment of finance lease principal plus amounts received from non-controlling interest	n/a	n/a
Working capital, balance sheet measure (note A10)	Measures the investment in working capital	No direct equivalent. Calculated as inventories plus trade and other receivables plus contract assets plus restricted cash minus trade and other payables minus contract liabilities minus accrued contract expenses	n/a	n/a
Cash conversion (note A11)	Measures the conversion of EBITDA into cash	No direct equivalent. Calculated as cash generated from operations divided by business performance EBITDA	n/a	n/a
Net lease liabilities (note A12)	Measures net lease liabilities	No direct equivalent. Calculated as gross lease liabilities minus 70% of leases in respect of oil and gas facilities relating to Block PM304 in Malaysia	n/a	n/a
Net debt (note A13)	Measure indebtedness	No direct equivalent. Calculated as interest bearing loans and borrowings minus cash and short-term deposits	n/a	n/a
New order intake (note A14)	Provides visibility of future revenue	No direct equivalent. Calculated as net awards plus net variation orders	n/a	n/a

A1. Business performance net profit attributable to Petrofac Limited shareholders

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)[1] Unaudited US$m
Reported net (loss)/profit (A)	**(172)**	34
Adjustments – separately disclosed items (note 5):		
Cloud ERP implementation costs	**3**	4
Loss on sale of investment in associates	**5**	–
Impairment reversal of assets, net	**–**	(24)
Fair value remeasurements	**–**	(9)
Other separately disclosed items	**(1)**	4
Operating loss separately disclosed items (B1)	**7**	(25)
Finance income separately disclosed items (B2)	**(2)**	–
Income tax charge on separately disclosed items (B3)	**–**	1
Post-tax separately disclosed items (C = B1 + B2 + B3)	**5**	(24)
Group's business performance net (loss)/profit (D = A + C)	**(167)**	10
Loss attributable to non-controlling interest	**(7)**	(5)
Business performance net (loss)/profit attributable to Petrofac Limited shareholders	**(160)**	15

(1) The prior period numbers are restated; see note 2.6.

A2. Business performance basic earnings per share attributable to Petrofac Limited shareholders

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)[1] Unaudited US$m
Reported net (loss)/profit attributable to Petrofac Limited shareholders (E)	**(165)**	39
Add: post-tax separately disclosed items (appendix A, note A1)	**5**	(24)
Business performance net (loss)/profit attributable to Petrofac Limited shareholders (E_1)	**(160)**	15

(1) The prior period numbers are restated; see note 2.6.

	30 June 2023 Unaudited shares Million	30 June 2022 Unaudited shares Million
Weighted average number of ordinary shares for basic earnings per share[2] (F) (note 9)	**517**	514
Weighted average number of ordinary shares for diluted earnings per share[3] (F_1) (note 9)	**517**	517

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)[1] Unaudited US$m
Basic (loss)/earnings per share		
Business performance (E_1 / F x 100)	**(30.9)**	2.9
Reported (E / F x 100)	**(31.9)**	7.6
Diluted (loss)/earnings per share[3]		
Business performance (E_1 / F_1 x 100)	**(30.9)**	2.9
Reported (E / F_1 x 100)	**(31.9)**	7.5

(1) The prior period numbers are restated; see note 2.6.
(2) The weighted number of issued ordinary shares excludes those held by the Employee Benefit Trust.
(3) For the six months ended 30 June 2023, potentially issuable ordinary shares under the share-based payment plans are excluded from the diluted earnings per ordinary share calculation, as their inclusion would decrease the loss per ordinary share.

A3. Business performance EBITDA

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)(1) Unaudited US$m
Reported operating (loss)/profit	**(107)**	74
Adjustments:		
Operating loss separately disclosed items (appendix A, note A1)	**7**	(25)
Share of net profit of associates and joint ventures	**4**	3
Depreciation (note 4)	**40**	32
Amortisation, business performance impairment and write off (note 4)	**2**	3
Business performance EBITDA	**(54)**	87

(1) The prior period numbers are restated; see note 2.6.

A4. Business performance EBIT

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)(1) Unaudited US$m
Reported operating (loss)/profit	**(107)**	74
Adjustments:		
Operating loss separately disclosed items (appendix A, note A1)	**7**	(25)
Share of net profit of associates and joint ventures	**4**	3
Business performance EBIT	**(96)**	52

(1) The prior period numbers are restated; see note 2.6.

A5. Reported EBITDA

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)(1) Unaudited US$m
Reported operating (loss)/profit	**(107)**	74
Adjustments:		
Net impairment of non-financial assets classified as separately disclosed items (note 5)	**–**	(24)
Share of net profit of associates and joint ventures	**4**	3
Depreciation (note 4)	**40**	32
Amortisation (note 4)	**2**	3
Reported EBITDA	**(61)**	88

(1) The prior period numbers are restated; see note 2.6.

A6. Reported EBIT

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)(1) Unaudited US$m
Reported operating (loss)/profit	**(107)**	74
Adjustments:		
Share of net profit of associates and joint ventures	**4**	3
Reported EBIT	**(103)**	77

(1) The prior period numbers are restated; see note 2.6.

A7. Business performance ETR

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)(1) Unaudited US$m
Reported income tax expense	12	-
Add: Tax charge on separately disclosed items (appendix A, note A1)	–	1
Business performance income tax expense (G)	12	1
Business performance net (loss)/profit (appendix A, note A1)	(167)	10
Business performance net (loss)/profit before tax (H)	(155)	9
Business performance ETR (G / H x 100)	**(7.7)%**	(11.1)%

(1) The prior period numbers are restated; see note 2.6.

A8. Capital expenditure

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)(1) Unaudited US$m
Net cash flows used in investing activities	(15)	(94)
Adjustments:		
Dividend received from associates and joint ventures	4	3
Contingent consideration paid	(4)	(2)
Net proceeds from disposal of subsidiaries, including receipt against deferred and contingent consideration	–	98
Receipts from joint operation partners in respect of leases	16	13
Interest received	3	4
Capital expenditure	**4**	22

(1) The prior period numbers are restated; see note 2.6.

A9. Free cash flow

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)(1) Unaudited US$m
Net cash flows used in operating activities	(164)	(220)
Net cash flows used in investing activities	15	94
Interest paid	(47)	(41)
Repayment of lease liabilities	(29)	(26)
Free cash flow	**(225)**	(193)

(1) The prior period numbers are restated; see note 2.6.

A10. Working capital

	30 June 2023 Unaudited US$m	31 December 2022 US$m
Inventories	12	17
Trade and other receivables (note 13)	788	739
Contract assets (note 14)	1,278	1,329
Restricted cash	111	111
Assets (I)	**2,189**	2,196
Trade and other payables (note 19)	876	865
Contract liabilities (note 20)	71	136
Accrued contract expenses	741	759
Liabilities (J)	**1,688**	1,760
Working capital (I - J)	**501**	436

A11. Cash conversion

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 (restated)(1) Unaudited US$m
Cash used in operations (K)	(137)	(73)
Business performance EBITDA (L) (appendix A, note A3)	(54)	87
Cash conversion (K / L x 100)	**253.7%**	(83.9%)

(1) The prior period numbers are restated; see note 2.6.

A12. Net lease liabilities

	30 June 2023 Unaudited US$m	31 December 2022 US$m
Non-current liability for leases (note 12)	100	144
Current liability for leases (note 12)	69	66
Total gross liability for leases	169	210
Non-current receivable from joint operation partners for leases relating to Block PM304 in Malaysia (note 12)	46	60
Current receivable from joint operation partners for leases relating to Block PM304 in Malaysia (note 12)	36	34
Total receivable from joint operation partners for leases relating to Block PM304 in Malaysia	82	94
Net non-current liability for leases	54	84
Net current liability for leases	33	32
Net liability for leases	87	116

A13. Net debt

	30 June 2023 Unaudited US$m	31 December 2022 US$m
Interest-bearing loans and borrowings (M) (note 17)	837	799
Less: Cash and short-term deposits (N) (note 15)	(253)	(450)
Net debt (M – N)	584	349

A14. New order intake

	Six months ended 30 June 2023 Unaudited US$m	Six months ended 30 June 2022 Unaudited US$m
Engineering & Construction operating segment		
New awards	3,327	28
Net variation orders	65	185
	3,392	213
Asset Solutions operating segment		
New awards	735	960
Net variation orders	195	(112)
	930	848
New order intake	4,322	1,061

STATEMENT OF DIRECTORS' RESPONSIBILITIES

At 30 June 2023

The Directors confirm that, to the best of their knowledge, the interim condensed consolidated financial statements on pages 14 to 35 have been prepared in accordance with IAS 34 'Interim Financial Reporting', and that the interim management report on pages 3 to 12 includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The Directors of Petrofac Limited are listed on the Company's website https://www.petrofac.com/who-we-are/board-of-directors/.

By the order of the Board

Tareq Kawash
Group Chief Executive
10 August 2023

Afonso Reis e Sousa
Chief Financial Officer
10 August 2023

SHAREHOLDER INFORMATION

At 30 June 2023

Petrofac shares are traded on the London Stock Exchange using code 'PFC.L'.

Registrar
Equiniti (Jersey) Limited
26 New Street
St Helier
Jersey JE2 3RA

Company Secretary and registered office
Ocorian Secretaries (Jersey) Limited
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Corporate Brokers
Goldman Sachs
Peterborough Court
133 Fleet Street
London EC4A 2BB

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25 Bank Street
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Legal Advisers to the Company
Linklaters LLP
One Silk Street
London EC2Y 8HQ

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Corporate and Financial PR
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London EC4Y 1AE

Copies of all announcements will be available on the Company's website at www.petrofac.com following their release.