Petrofac Limited

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

CONTENTS

GROUP FINANCIAL HIGHLIGHTS

Revenue

US$1,240 million

Six months ended 30 June 2023 (restated)[9]: US$1,231 million

Backlog[8]

US$8.0 billion

At 31 December 2023: US$8.1 billion

Free cash flow[7]

US$(36) million

Six months ended 30 June 2023: US$(225) million

Business performance EBIT[1,4]

US$(106) million

Six months ended 30 June 2023 (restated)[9]: US$(72) million

Reported EBIT[5]

US$(152) million

Six months ended 30 June 2023 (restated)[9]: US$(79) million

Net debt

US$622 million

At 31 December 2023: US$583 million

Business performance EBITDA[1,2]

US$(66) million

Six months ended 30 June 2023 (restated)[9]: US$(30) million

Reported EBITDA[3]

US$(112) million

Six months ended 30 June 2023 (restated)[9]: US$(37) million

Business performance net loss[1,6]

US$(162) million

Six months ended 30 June 2023 (restated)[9]: US$(136) million

Reported net loss[6]

US$(208) million

Six months ended 30 June 2023 (restated)[9]: US$(141) 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 (note 2.6).

BUSINESS REVIEW

At 30 June 2024

Financial restructure

The Group remains focused on implementing a comprehensive financial restructure (the Financial Restructure) to materially strengthen its balance sheet, improve liquidity and secure performance guarantees, as required, for current and future EPC contracts.

As previously communicated in May 2024, an ad hoc group of noteholders made a non-binding proposal to provide financial support to the business to help achieve these aims. This proposal also required inter-conditional support from other key stakeholders to implement the Financial Restructure, as well as creditor, shareholder and Court approvals.

This proposal has been modified since that time and as announced on 27 September, the Company has reached an in-principle agreement with certain of its key stakeholders on the framework for this Financial Restructure, with a much-reduced requirement for new performance guarantees and an agreed alternative performance security solution with certain key clients. This in-principle agreement has been reached with stakeholders including the ad hoc and these clients, whose contracts represent a majority of the E&C backlog and pipeline of opportunities. The Group is also progressing discussions on the proposed Financial Restructure with its bank lending group and its two largest shareholders (representing approximately 34% of the ordinary share capital of the Company) who remain supportive of the Group's efforts in strengthening its financial position.

The in-principle agreement is non-binding and the elements of the proposed Financial Restructure are inter-conditional and subject to completion of terms and conditions (including the resolution of certain historical liabilities of the Group to the satisfaction of the ad hoc group and the Company's other secured creditors). As previously disclosed, implementation of the proposed financial restructure is subject to reaching agreement with the Company's lenders, the passing of certain shareholder resolutions and the sanction of the Court. The Financial Restructure is expected to include the conversion of a significant proportion of the Group's existing debt into equity.

Financial results

The Group's performance in the first half of 2024 reflected initial progress made on the new contracts awarded in 2023 in both E&C and Asset Solutions as the Group transitions from the legacy E&C portfolio, offset by the impact from the limited access to guarantees for E&C contracts and adverse operating leverage.

Business performance for the Group reflected marginal impacts from the new awards in both E&C and Asset Solutions as the contracts are still in an early stage of delivery, offset by adverse operating leverage and the legacy E&C portfolio. IES continued to deliver in line with expectations, with net production lower than the prior year.

Free cash outflow for the first half was US$36 million (2023: US$225 million). Net debt as at 30 June 2024 was US$622 million (31 December 2023: US$583 million).

	Six months ended 30 June 2024			Six months ended 30 June 2023 (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	**1,240**	**–**	**1,240**	1,231	–	1,231
EBITDA	**(66)**	**(46)**	**(112)**	(30)	(7)	(37)
EBIT	**(106)**	**(46)**	**(152)**	(72)	(7)	(79)
Net loss[1]	**(162)**	**(46)**	**(208)**	(136)	(5)	(141)

	30 June 2024	31 December 2023
Backlog (US$bn)	**8.0**	8.1
Net debt (US$m)	**622**	583

Income statement

Revenue

Revenue for the first half of the year was broadly in line with the prior year at US$1.2 billion. Revenue in the E&C operating segment increased 13% reflecting the initial impact from the new contracts awarded in 2023. In Asset Solutions, revenue decreased 6% due to the contract mix across the service lines. Revenue in IES decreased 22% due to a decrease in production.

Earnings Before Interest and Tax (EBIT)

The Group reported a business performance[2] EBIT loss of US$106 million (2023 restated[3]: US$72 million). E&C had a business performance EBIT loss of US$103 million (2023 restated[3]: US$98 million), reflecting adverse operating leverage due to the low levels of activity in the new contracts awarded during 2023, and the impact of further unrecovered costs in the legacy portfolio.

In Asset Solutions, business performance EBIT was below the prior year at US$(8) million (2023: US$14 million). Asset Solutions EBIT was impacted by changes in the contract mix and contract timing, with the completion of contracts during 2023 and the new contracts awarded during 2023 being in their initial stages, in addition to additional costs recognised on an EPCC contract. Business performance EBIT in IES decreased to US$6 million (2023: US$19 million) principally reflecting the lower revenue.

Six months ended 30 June 2024

	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	**556**	**637**	**49**	**3**	**(5)**	**1,240**
EBITDA[2]	**(98)**	**(2)**	**31**	**3**	**-**	**(66)**
Depreciation & Amortisation	**(5)**	**(6)**	**(25)**	**(4)**	**-**	**(40)**
EBIT[2]	**(103)**	**(8)**	**6**	**(1)**	**-**	**(106)**
EBIT margin[2]	**(18.5)%**	**(1.3)%**	**12.2%**	**n/a**	**n/a**	**(8.5)%**

Six months ended 30 June 2023 (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	493	679	63	3	(7)	1,231
EBITDA[2]	(93)	19	48	(4)	-	(30)
Depreciation & Amortisation	(5)	(5)	(29)	(3)	-	(42)
EBIT[2]	(98)	14	19	(7)	-	(72)
EBIT margin[2]	(19.9)%	2.1%	30.2%	n/a	n/a	(5.8)%

Finance income/(expense)

Business performance finance income decreased to US$3 million (2023: US$4 million). Finance expense decreased to US$53 million (2023: US$63 million), due to the reduction in the Group's borrowing costs primarily attributable to the prior year including a modification loss of US$11 million as a result of the external debt amendment and extension (note 7).

Finance income	30 June 2024 US$m	30 June 2023 US$m
Bank interest	1	1
Interest income from joint operation partners in respect of leases	2	3
Separately disclosed items	-	2
Finance income	3	6

Finance expense	30 June 2024 US$m	30 June 2023 US$m
Group borrowings	(47)	(57)
Lease liabilities	(4)	(5)
Unwinding of discount on provisions	(2)	(1)
Finance expense	(53)	(63)

Taxation

Both the business performance and reported income tax expense for the six months ended 30 June 2024 were US$10 million (2023: US$12 million). This primarily reflects the change in profit mix and losses in jurisdictions where no corresponding tax relief was available. Tax provisions reduced by US$4 million in the period primarily driven by payments made to settle tax liabilities.

Net loss

Business performance net loss attributable to Petrofac Limited shareholders for the first half of the year was US$162 million (2023 restated[3]: US$136 million), primarily due to the operating loss for the period. The reported net loss attributable to Petrofac Limited shareholders was US$208 million (2023 restated[3]: US$141 million).

Separately disclosed items

During the first half of the year, the Group incurred US$46 million of net separately disclosed costs (2023: US$5 million), comprising restructuring and refinancing-related costs (US$45 million) and cloud ERP software implementation costs (US$1 million).

Cash flow

Operating cash flow

Operating activities utilised a net cash outflow of US$1 million in the first half of the year (2023: US$164 million), principally reflecting the working capital inflow during the period partially offsetting EBITDA losses and other operating outflows. Net income taxes paid decreased to US$9 million (2023: US$21 million) due to lower taxable profits in recent periods.

	Six months ended 30 June 2024 US$m	Six months ended 30 June 2023 US$m (restated)[3]
Business performance[2] EBITDA	**(66)**	(30)
Operating loss adjustments	**(9)**	(20)
Operating loss before changes in working capital and other items	**(75)**	**(50)**
Net working capital adjustment	**127**	(87)
Separately disclosed items paid	**(44)**	(6)
Net income taxes paid	**(9)**	(21)
Net cash flows used in operating activities	**(1)**	(164)

Free cash flow[4]

The free cash outflow for the first half of the year was US$36 million (31 December 2023: US$225 million), principally reflecting reduced operating cash outflows and lower interest payments due to the non-payment of the May 2024 coupon on the senior notes and the interest on the bank debt.

	Six months ended 30 June 2024 US$m	Six months ended 30 June 2023 US$m
Net cash flows used in operating activities	**(1)**	(164)
Capital expenditure	**(5)**	(4)
Dividends received from associates and JV's	**-**	4
Receipts from joint operation partners in respect of leases	**16**	16
Other investing activities	**2**	(1)
Net cash flows generated from investing activities	**13**	15
Repayment of lease liabilities	**(31)**	(29)
Net interest paid	**(17)**	(47)
Total free cash flow	**(36)**	(225)

Balance sheet

IES carrying amount

The carrying amount of the IES portfolio was US$57 million at 30 June 2024 (31 December 2023: US$73 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$68 million at 30 June 2024 (31 December 2023: US$78 million) (see A12 in Appendix A to the interim condensed consolidated financial statements).

Total equity

Total equity at 30 June 2023 decreased to US$(651) million (31 December 2023: US$(436) million), reflecting the net losses in the period. No dividends were paid in the period. Of the total equity of US$(651) million at 30 June 2024, US$(612) million (31 December 2022: US$(401) million) was attributable to Petrofac Limited shareholders and US$(39) million was attributable to non-controlling interests (31 December 2022: US$(35) million).

Net debt and liquidity

Net debt

Net debt, excluding net finance leases, increased to US$622 million at 30 June 2024 (31 December 2023: US$583 million) predominantly reflecting the free cash outflow.

Total gross borrowings less associated debt acquisition costs were US$786 million at 30 June 2024 (31 December 2023: US$784 million). This consisted of US$588 million senior secured notes, US$127 million drawn on the revolving credit facility and US$71 million of term loans (all net of debt acquisition costs).

	30 June 2024 US$m	30 December 2023 US$m
Interest-bearing loans and borrowings	**786**	784
Less: cash and short-term deposits (note 15)	**(164)**	(201)
Net debt	**622**	583

Liquidity

The Group's total available borrowing facilities, excluding bank overdrafts and before debt acquisition costs, was US$798 million at 30 June 2024 (31 December 2023: US$797 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 2024 (31 December 2023: fully drawn). With the Group's cash and short-term deposits of US$164 million (31 December 2023: US$201 million), the Group had US$164 million of gross liquidity available at 30 June 2024 (31 December 2023: US$201 million).

Borrowing facilities	US$ million	Maturity date
Senior secured notes	600	Nov-26
Revolving credit facility	127	Oct-24
Term loan 1	36	Oct-24
Term loan 2	35	Oct-24
Total	**798**	

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 the minimum liquidity covenant throughout the period to 30 June 2024. The Group received waivers in respect of the EBITDA covenant for the period (note 17).

Backlog

The Group's backlog was US$8.0 billion at 30 June 2024 (31 December 2023: US$8.1 billion) reflecting strong order intake in Asset Solutions in the first half of the year and progress made in delivering the new portfolio of projects awarded in 2023.

	30 June 2024 US$bn	31 December 2023 US$bn
Engineering & Construction	**5.7**	6.1
Asset Solutions	**2.3**	2.0
Group	**8.0**	8.1

Dividends

The Board recognises the importance of dividends to shareholders and expects to reinstate them 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 (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).

BUSINESS REVIEW
At 30 June 2024

Segmental **analysis**

The Group's business performance[2] operating segment results were as follows:

US$ million	Revenue		EBITDA[2]		EBIT[2]		Net profit[1,2]	
For the six months ended 30 June	**2024**	2023 (restated)[3]	**2024**	**2023 (restated)[3]**	**2024**	2023 (restated)[3]	**2024**	2023 (restated)[3]
Engineering & Construction	**556**	493	**(98)**	(93)	**(103)**	(98)	**(105)**	(99)
Asset Solutions	**637**	679	**(2)**	19	**(8)**	14	**(15)**	8
Integrated Energy Services	**49**	63	**31**	48	**6**	19	**5**	17
Corporate, others, consolidation adjustments & eliminations	**(2)**	(4)	**3**	(4)	**(1)**	(7)	**(47)**	(62)
Group	**1,240**	1,231	**(66)**	(30)	**(106)**	(72)	**(162)**	(136)

%	Revenue growth		EBITDA margin		EBIT margin		Net margin	
For the six months ended 30 June	**2024**	2023 (restated)[3]	**2024**	2023 (restated)[3]	**2024**	2023 (restated)[3]	**2024**	2023 (restated)[3]
Engineering & Construction	**12.8**	(28.7)	**(17.6)**	(18.9)	**(18.5)**	(19.9)	**(18.9)**	(20.1)
Asset Solutions	**(6.2)**	33.7	**(0.3)**	2.8	**(1.3)**	2.1	**(2.4)**	1.2
Integrated Energy Services	**(22.2)**	12.5	**63.3**	76.2	**12.2**	30.2	**10.2**	27.0
Group	**0.7**	(1.3)	**(5.3)**	(2.4)	**(8.5)**	(5.8)	**(13.1)**	(11.0)

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 (note 2.6).

BUSINESS REVIEW
At 30 June 2024

Engineering & Construction

The Engineering & Construction (E&C) division delivers onshore and offshore engineering, procurement, construction, installation and commissioning services in both traditional hydrocarbon and energy transition markets. 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 and petrochemicals infrastructure projects. It also has over 10 years' experience in delivering HVAC and HVDC electrical substation projects in the offshore wind market.

Operational performance

E&C continued to progress on the completion of the portfolio of legacy contracts. Operational performance in the first half of the year reflected the ongoing challenges in securing guarantees and closing out commercial settlements.

With respect to the Thai Oil Clean Fuels project, progress continues to be made on the construction phases and we are achieving our interim milestones. Alongside our partners, we continue to seek the reimbursement of additional costs with the aim of reversing some of the previous losses recorded on this contract.

We are progressing well on the two TenneT contracts, part of the six-contract Framework Agreement.

The initial phases of the new contracts secured in 2023 are progressing well. Through negotiation with our clients, the Group has secured either performance guarantees or agreed alternative arrangements for US$4.4 billion of the US$5.5 billion E&C contracts awarded during 2023.

Results

Revenue in the first half of the year increased 13% to US$0.6 billion (2023 restated[3] US$0.5 billion) reflecting the initial phases of the new contracts secured in 2023.

E&C reported a first half EBIT loss of US$103 million (2022 restated[3]: US$98 million) reflecting the impact of further unrecovered costs in the legacy portfolio and of onerous contracts with no margin recognition and adverse operating leverage due to low levels of activity.

New awards

E&C secured US$0.2 billion of variation orders in the first half of the year (2023: US$3.4 billion). Awards in E&C have been delayed and expected to depend on the Group successfully implementing the Financial Restructure. Under the TenneT multi-year Framework Agreement covering six projects, two projects were awarded during 2023, and the Group expects further awards under this Framework Agreement, later this year and beyond.

E&C backlog at 30 June 2024 was US$5.7 billion (31 December 2023: US$6.1 billion)

Bidding activity remains high with a total pipeline scheduled for award in the next 18-months of US$44 billion. Within this, 47% is in our core MENA markets and 23% in energy transition sectors.

BUSINESS REVIEW

At 30 June 2024

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 to both traditional hydrocarbon and energy transition markets. 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.

Operational performance

Asset Solutions performance in the first half reflected the rebalanced portfolio following the robust order intake during 2023, with new awards in their initial stages, coupled with the completion of certain contracts. We continued to leverage our UK centre of excellence and expanded our operations with awards in new, and within existing, geographies.

Results

Asset Solutions generated revenue of US$0.6 billion (2023: US$0.7 billion) reflecting the contract mix across the service lines.

EBIT in the first half was a loss of US$8 million (2023: profit of US$14 million), reflecting contract mix and the timing of old contracts completing and new awards being mobilised. EBIT margin decreased to (1.3)% (2023: 2.1%).

New awards

Asset Solutions secured US$0.9 billion of awards and extensions in the first half of the year (2023: US$0.9 billion), representing a book-to-bill of 1.4x. These included:

- Operations contract from Turkmengas at the Galkynysh Gas Field, in Turkmenistan
- Technical services contract by GEPetrol in Equatorial Guinea
- EPC contract extension with Onegas
- Maintenance and engineering contract extension with bp

Asset Solutions backlog was US$2.3 billion at 30 June 2024 (31 December 2023: US$2.0 billion) reflecting the strong new order intake during the first half of the year.

Asset Solutions has a US$9 billion pipeline of opportunities scheduled for award in the next 18-months.

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

Revenue for the first half of the year decreased 22% to US$49 million (2023: US$63 million) due to a decrease in production, in line with expectations.

Business performance EBITDA decreased 35% to US$31 million (2023: US$48 million), with business performance EBIT of US$6 million (2023: US$19 million) principally reflecting the lower revenue from Block PM304.

Net production for the first half of the year was 525 thousand barrels of oil (kboe) (2023: 640 kboe).

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 2024 remained appropriate. However, in their assessment, the Directors noted four material uncertainties related to the going concern. These were the ability of the Group to maintain sufficient liquidity prior to the implementation of the Financial Restructure, the successful implementation of the Financial Restructure on terms consistent with those currently proposed, the ability to secure a limited number of performance guarantees on normal commercial terms following the Financial Restructure and the ongoing reliance on the timely receipt of a small number of relatively high value collections from clients. Within these uncertainties, there are a number of events which are not wholly within Petrofac's control, and therefore there remains a level of uncertainty which is disclosed within note 2.4 to the interim condensed consolidated financial statements.

Principal risks and uncertainties

Our risk management framework provides us with a consistent approach to identify, manage and oversee the risks that may impact our business and is designed to underpin the Group's longer-term sustainability. Based on the principles and guidelines of BS ISO 31000:2018 Risk Management, our framework encompasses the policies, standards, procedures, culture, behaviours, organisational design, systems and other aspects of the Group that, taken together, enable Petrofac to operate effectively and efficiently.

The Board maintains oversight over these systems, including identifying and conducting a robust assessment of the principal risks facing the Group 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 2024, we continued to monitor and manage our principal and emerging risks in line with the practices described above. Accordingly, prior to the Audit Committee review, they are reviewed on a quarterly basis by the Group Executive 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 2024 relative to what was reported in the 2023 annual report.

Principal/ Emerging Risk		Change in 2024	Details
1	Adverse geo-political and macroeconomic changes in key geographies	No change	While the overall risk remains stable, we continued to operate in a handful of countries that have relatively high geopolitical risks. As a consequence, with the help of third-party services, we actively monitor risks, particularly across the Middle East region, in regard to any deterioration of relations or heightened tensions.
2	Low order intake	Increased	In the first six months of 2024, the Group secured over US$1.1 billion in new awards in our core and other international markets. This is less than the previous equivalent period and reflects the Group challenges related to the ongoing Financial Restructure. Whilst most clients are being supportive, the challenge of posting performance guarantees has increased the risk of a delay in securing new awards in the E&C segment.
3	Failure to deliver strategic initiatives	No change	The Group is continuing its work to progress and complete the Financial Restructure. The Group Executive Committee reviewed all material new business opportunities and contracts, new country entries, joint ventures, investments, acquisitions and disposals.
4	Failure to deliver energy transition strategy	Increased	Given the liquidity and performance guarantee challenges that the Group is suffering, the Group continued to face heightened stress within our supply chain. A conclusion of the Financial Restructure will enable us to fulfill our commitments to the supply chain and our clients. Meeting these commitments will help secure future awards under the multi-year framework agreement with TenneT.

5	Operational and project performance	Increased	While the E&C portfolio continued to be delivered, cost and schedule overruns were incurred on live contracts, together with difficulties in closing out legacy contracts partly as a result of the liquidity constraints of the Group. IES continued to deliver healthy operational performance during the period.
6	HSE incidents	No change	The health and well-being of our people, suppliers and communities is and remains our top priority. The Group has no appetite for activities that do not meet our Horizon Zero vision. Our HSE performance is in line with our expectations and better than industry averages. We continuously review and improve our controls in accordance with our risk mitigation programme.
7	Insufficient IT resilience	No change	We continuously monitor cyber risks and effectiveness of relevant controls.
8	Loss of financial capacity	No change	The Group's liquidity position continues to be managed carefully, through management of its payment obligations including not paying interest and scheduled amortisations on its debt. The implementation of the Financial Restructure is critical to the ability of the Group to maintain liquidity. See note 2.4 for further details.
9	Misstatement of financial information	No change	The risk profile was increased at year-end following the two prior year adjustments and the compliance investigations. Additional controls and procedures are being assessed and are in the process of being implemented following the year-end. We continue monitoring relevant risks and effectiveness of our financial controls.
10	Breaches of laws, regulations and	Reduced	The risk level has reduced given the assessment of external probabilities and an improvement in the Group's associated controls, policies, processes, and standards.
	ethical standards		
11	Inability to maintain an effective organisation and workforce	Reduced	Risk treatment measures put in place continue to generate positive long-term impacts in maintaining an effective organisation. The Company was able to hire c.200 employees per month during the period while attrition continued to decline throughout the period despite the known ongoing challenges for the Company.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

Notes to the interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2024

	Notes	Business performance[(1)] US$m	Separately disclosed items[(2)] US$m	Reported six months ended 30 June 2024 Unaudited US$m	Business performance[(1)] (restated)[(3)] US$m	Separately disclosed items[(2)] US$m	Reported six months ended 30 June 2023 (restated)[(3)] Unaudited US$m
Revenue	3	**1,240**	**–**	**1,240**	1,231	–	1,231
Cost of sales		**(1,238)**	**–**	**(1,238)**	(1,201)	–	(1,201)
Gross profit		**2**	**–**	**2**	30	–	30
Selling, general and administration expenses		**(109)**	**(46)**	**(155)**	(102)	(7)	(109)
Expected credit loss reversal/(charge)	6	**1**	**–**	**1**	(6)	–	(6)
Other operating income		**4**	**–**	**4**	4	–	4
Other operating expense		**(4)**	**–**	**(4)**	(2)	–	(2)
Operating loss		**(106)**	**(46)**	**(152)**	(76)	(7)	(83)
Finance income	7	**3**	**–**	**3**	4	2	6
Finance expense	7	**(53)**	**–**	**(53)**	(63)	–	(63)
Share of net profit of associates and joint ventures		**–**	**–**	**–**	4	–	4
Loss before tax		**(156)**	**(46)**	**(202)**	(131)	(5)	(136)
Income tax expense	8	**(10)**	**–**	**(10)**	(12)	–	(12)
Net loss		**(166)**	**(46)**	**(212)**	(143)	(5)	(148)
Attributable to:							
Petrofac Limited shareholders		**(162)**	**(46)**	**(208)**	(136)	(5)	(141)
Non-controlling interests		**(4)**	**–**	**(4)**	(7)	–	(7)
		(166)	**(46)**	**(212)**	(143)	(5)	(148)
Loss per share (US cents)							
Basic	9	**(31.2)**	**(8.9)**	**(40.1)**	(26.3)	(1.0)	(27.3)
Diluted	9	**(31.2)**	**(8.9)**	**(40.1)**	(26.3)	(1.0)	(27.3)

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

(2) See note 5.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	**Six months ended 30 June 2024 Unaudited US$m**	Six months ended 30 June 2023 (restated)[1] Unaudited US$m
Reported net loss for the period		**(212)**	(148)
Other comprehensive (loss)/income that may 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	**(4)**	5
Hedging losses/(gains) reclassified to the interim condensed consolidated income statement	16	**4**	(5)
Foreign currency translation gains/(losses)	16	**2**	(8)
Other comprehensive income/(loss) that may be reclassified to the interim condensed consolidated income statement in subsequent periods		**2**	(8)
Other comprehensive loss that will not be reclassified to the interim condensed consolidated income statement (post-tax)			
Remeasurement loss on end of service benefit plans	18	**(10)**	–
Other comprehensive loss that will not be reclassified to the interim condensed consolidated income statement		**(10)**	–
Total comprehensive loss for the period		**(220)**	(156)
Attributable to:			
Petrofac Limited shareholders		**(216)**	(149)
Non-controlling interests		**(4)**	(7)
		(220)	(156)

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2024

	Notes	30 June 2024 Unaudited US$m	31 December 2023 US$m
Assets			
Non-current assets			
Property, plant and equipment	10	**143**	170
Goodwill		**95**	96
Intangible assets		**24**	26
Investments in associates and joint ventures	11	**11**	11
Other financial assets	12	**230**	250
Deferred consideration	12	**59**	59
Income tax receivable		**27**	20
Deferred tax assets		**1**	1
		590	633
Current assets			
Inventories		**10**	11
Trade and other receivables	13	**811**	977
Contract assets	14	**974**	832
Other financial assets	12	**133**	86
Income tax receivable		**18**	19
Cash and short-term deposits	15	**164**	201
		2,110	2,126
Total assets		**2,700**	2,759

	Notes	30 June 2024 Unaudited US$m	31 December 2023 US$m
Equity and liabilities			
Equity			
Share capital		**10**	10
Share premium		**251**	251
Capital redemption reserve		**11**	11
Employee Benefit Trust shares		**(31)**	(38)
Other reserves	16	**28**	28
Retained earnings		**(881)**	(663)
Equity attributable to Petrofac Limited shareholders		**(612)**	(401)
Non-controlling interests		**(39)**	(35)
Total equity		**(651)**	(436)
Non-current liabilities			
Provisions	18	**156**	144
Other financial liabilities	12	**60**	79
Deferred tax liabilities		**16**	16
		232	239
Current liabilities			
Trade and other payables	19	**978**	930
Contract liabilities	20	**425**	292
Interest-bearing loans and borrowings	17	**786**	784
Other financial liabilities	12	**126**	97
Income tax payable		**55**	48
Accrued contract expenses	21	**651**	691
Provisions	18	**98**	114
		3,119	2,956
Total liabilities		**3,351**	3,195
Total equity and liabilities		**2,700**	2,759

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 (restated)[1] Unaudited US$m
Operating activities			
Loss before tax		**(202)**	(136)
Separately disclosed items		**46**	5
Loss before tax and separately disclosed items		**(156)**	(131)
Adjustments to reconcile loss before tax and separately disclosed items to net cash flows:			
Depreciation and amortisation		**39**	42
Expected credit loss (reversal)/charge recognised		**(1)**	6
Share-based payments		**5**	2
Difference between end of service benefits paid and amounts recognised in the interim condensed consolidated income statement		**(1)**	2
Net finance expense before separately disclosed finance expense		**50**	59
Net movement in other provisions		**(15)**	(7)
Share of net profit of associates and joint ventures		**–**	(4)
Net foreign exchange gains and losses		**4**	(20)
Net other non-cash items		**–**	1
		(75)	(50)
Working capital adjustments:			
Inventories		**2**	5
Trade and other receivables		**163**	(50)
Contract assets		**(147)**	47
Restricted cash		**(41)**	–
Net derivative contracts – designated and undesignated		**1**	(1)
Trade and other payables		**53**	12
Contract liabilities		**133**	(83)
Accrued contract expenses		**(37)**	(17)
Net working capital adjustments		**127**	(87)
Cash generated from/(used in) operations		**52**	(137)
Separately disclosed items paid – operating costs		**(44)**	(6)
Net income taxes paid		**(9)**	(21)
Net cash flows used in operating activities		**(1)**	(164)

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

	Notes	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 (restated)[1] Unaudited US$m
Investing activities			
Purchase of property, plant and equipment		**(3)**	(2)
Payments for intangible assets		**(2)**	(2)
Contingent consideration paid	12	**–**	(4)
Dividends received from associates and joint ventures		**–**	4
Receipts from joint operation partners in respect of leases		**16**	16
Interest received		**2**	3
Net cash flows generated from investing activities		**13**	15
Financing activities			
Proceeds from interest-bearing loans and borrowings		**–**	34
Repayment of interest-bearing loans and borrowings		**–**	(10)
Repayment of lease liabilities		**(31)**	(29)
Interest paid		**(17)**	(47)
Net cash flows used in financing activities		**(48)**	(52)
Net decrease in cash and cash equivalents		**(36)**	(201)
Net foreign exchange difference		**(1)**	4
Cash and cash equivalents at 1 January		**201**	450
Cash and cash equivalents 30 June	15	**164**	253

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	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 17) US$m	Retained earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
At 1 January 2024	10	251	11	(38)	28	(663)	(401)	(35)	(436)
Reported net loss	–	–	–	–	–	(208)	(208)	(4)	(212)
Other comprehensive income/(loss)	–	–	–	–	2	(10)	(8)	–	(8)
Total comprehensive income/(loss)	–	–	–	–	**2**	**(218)**	**(216)**	**(4)**	**(220)**
Issue of Company's shares by EBT	–	–	–	7	(7)	–	–	–	–
Credit to equity for share-based payments charge	–	–	–	–	5	–	5	–	5
At 30 June 2024 (unaudited)	**10**	**251**	**11**	**(31)**	**28**	**(881)**	**(612)**	**(39)**	**(651)**

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 17) US$m	Retained Earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
At 1 January 2023 (restated)[2]	10	251	11	(56)	56	(153)	119	(17)	102
Reported net loss[3]	–	–	–	–	–	(141)	(141)	(7)	(148)
Other comprehensive loss	–	–	–	–	(8)	–	(8)	–	(8)
Total comprehensive loss	–	–	–	–	(8)	(141)	(149)	(7)	(156)
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	(294)	(28)	(24)	(52)

For the six months ended 31 December 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 17) US$m	Retained Earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
At 30 June 2023	10	251	11	(46)	40	(294)	(28)	(24)	(52)
Reported net loss	–	–	–	–	–	(364)	(364)	(11)	(375)
Other comprehensive loss	–	–	–	–	(10)	(5)	(15)	–	(15)
Total comprehensive loss	–	–	–	–	(10)	(369)	(379)	(11)	(390)
Issue of Company's shares by EBT	–	–	–	8	(8)	–	–	–	–
Credit to equity for share-based payments	–	–	–	–	6	–	6	–	6
At 31 December 2023	10	251	11	(38)	28	(663)	(401)	(35)	(436)

(1) Shares held by Petrofac Employee Benefit Trust.

(2) Opening equity position as of 1 January 2023 has been restated to reflect the prior year adjustments reported in the Group's consolidated financial statements for the year ended 31 December 2023.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2024 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 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 30 September 2024.

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 2023. The annual consolidated financial statements for the year ending 31 December 2024 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 2024 and the comparative financial information for the six months ended 30 June 2023 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 2023. There are no accounting pronouncements which have become effective from 1 January 2024 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.

2.4 Going concern

Introduction

The Directors performed a thorough going concern assessment to determine whether it is appropriate to adopt the going concern basis for the preparation of accounts.

The going concern assessment period is the period from the date of signing the Group's interim condensed consolidated financial statements to 31 December 2025 (the Assessment Period).

The Directors concluded that it is appropriate to adopt the going concern basis of preparation, noting four material uncertainties were identified in their assessment, which include a number of events which are outside of the control of the Board. The details of these are set out in more detail in the final section of this note.

Current financial condition of the Group

The Group is seeking to implement a comprehensive refinancing (the Financial Restructure) to materially strengthen its balance sheet, improve liquidity and secure performance and advance payment guarantees to support current and future engineering, procurement and construction (EPC) contracts.

As described in this note, the Group remains in a fragile financial condition and is subject to a range of material matters that are not in the Board's control. Further, these matters may evolve in the immediate or near term to cause the Group to enter insolvency.

The Financial Restructure discussed below is currently the only option to secure the future operations of the Group and the realistic alternative to the Financial Restructure is insolvency.

By virtue of not having paid the interest coupon under the terms of its senior secured notes of US$29m on its due date of 15 May 2024, the Company is in default. As such, a sufficiently large group of noteholders, being above 25%, could initiate enforcement action. An ad hoc group of noteholders (the ad hoc group), representing approximately 47% of the outstanding senior secured notes, together with certain other noteholders outside of the ad hoc group who represent a further 12% of the outstanding notes (59% in total), have entered into a forbearance agreement with the Company, agreeing not to take enforcement action in respect of the non-payment of the coupon. The forbearance agreement, originally entered on 29 April 2024 has so far been extended on five occasions, with the latest extension being effective until 18 October 2024.

To date, the Company has agreed deferrals of its contractual amortisation and interest payments on its bank debt facilities, in part since October 2023, which now collectively amount to US$89m currently due on 4 October 2024. It is expected to continue to rely on further deferral of these obligations by its lenders, which to date, have been providing these for no longer than on a rolling weekly basis. The remaining balance of the Group's bank facilities, amounting to US$114m will additionally become due on 30 October 2024 and this maturity will need to be deferred in order to avoid a default of the relevant facilities.

Even without making payments to its noteholders and lenders, the Group forecasts to have minimal headroom above its US$75m minimum liquidity covenant until the Financial Restructure is implemented. To maintain this liquidity, the Group is also having to manage its other payment obligations carefully, including by seeking to delay all but critical payments to creditors and by not funding obligations under operational joint venture arrangements.

Various restructuring options have been considered and reviewed since the formation of the Special Committee in December 2023. Following the initial indicative proposal from the ad hoc group in April 2024, the terms of the Financial Restructure have evolved, as set out below, and, whilst there is in-principle agreement from certain key stakeholders, including the ad hoc group and certain key clients, they are not yet fully defined or committed and, further, it is not yet known whether the required inter-conditional support can be secured from other key stakeholders, including the remaining senior secured noteholders, lenders, providers of performance guarantees and new equity investors, if necessary. If successful and within the expected timeframe, the Financial Restructure is not expected to be implemented before January 2025, at the earliest, albeit with the necessary inter-conditional agreements being reached approximately one to two months prior to final implementation.

The Group has been unable to secure the US$400m of performance guarantees that were required alongside the initial indicative proposal from the ad hoc group and it does not expect to be able to do so prior to resolving some or all of the other aspects of a financial restructure of the Group. As a consequence, the Company is now seeking to implement a modified version of the Financial Restructure based on agreeing alternative performance security with certain of its clients, for a period of time which exceeds the duration of the Assessment Period. This would materially reduce the guarantee requirement to implement the Financial Restructure and secure these contracts. Discussions with these clients have been constructive and they have provided in-principle support for these arrangements.

This development provides positive progress, and the Group continues to seek solutions by which to meet the remaining contractual obligations to provide performance guarantees in support of all of the EPC contracts awarded in 2023. However, until agreed, there remains a risk that one or more of these contracts could be suspended or terminated. Termination of a contract could have a detrimental impact on the liquidity of the Group and the Group's ability to proceed with the Financial Restructure. Shortly prior to signing these interim condensed consolidated financial statements, the Group received a temporary suspension notice from a client suspending a contract awarded in 2023 for a period of 45 days and requiring the Group to comply with its obligation to provide a performance guarantee in order to lift the suspension.

In recognition of the risks to the implementation of the Financial Restructure, the Group has made preparations for alternative outcomes to a successful Financial Restructure as set out below

Criticality of the Financial Restructure to achieve a solvent outcome

The Directors' assessment of going concern is predicated on, amongst other considerations, the successful implementation of this Financial Restructure.

The key elements of the proposed Financial Restructure, which are inter-conditional, are expected to be as follows:

- Conversion of the majority of the Group's existing debt into equity, through a Court approved restructuring process, resulting in a material reduction in indebtedness, a return to positive equity for the Group, and a material reduction in annual interest expense.
- New long-term funding from the ad hoc group, in line with previous announcements, with a maturity date beyond the Assessment Period, where applicable, as well as additional equity financing expected to be sourced from new and existing investors, to support operational liquidity
- Alternative arrangements with certain key clients to meet the performance security requirements, in lieu of performance guarantees, to protect key contracts in the Group's backlog, releasing a significant amount of retentions to Petrofac. These agreements require certain future receipts from those contracts to be ring-fenced to pay the costs associated with those contracts.
- Approximately US$100m of performance security for a contract awarded in 2023 (as referenced above) to be secured through either a new performance bank guarantee or alternative arrangements, which have not yet been agreed with the relevant counterparty(ies).
- The resolution of certain historical liabilities of the Group to the satisfaction of the ad hoc group and the lending banks.

The quantum and terms of the conversion of debt to equity are yet to be agreed.

In-principle agreement has been reached with stakeholders including the ad hoc group and the clients referred to above, whose contracts represent a majority of the E&C backlog and pipeline of opportunities.

The Group is progressing discussions on the proposed Financial Restructure with its bank lending group and its two largest shareholders (representing approximately 34% of the ordinary share capital of Petrofac) who remain supportive of the Group's efforts in strengthening its financial position.

Notwithstanding the above, agreement has not yet been reached with these or other stakeholders.

The remaining 53% of noteholders have not been wall-crossed to the Group's proposed Financial Restructure and have not been involved in the process to date and therefore, their support, or otherwise, for the Financial Restructure is currently unknown.

At the time of signing these interim financial statements, whilst the Group is exploring different routes to obtain the remaining required performance security, no commitments or expressions of interest have been received in respect of the provision of the required additional new performance guarantees or alternative arrangements. The Group will also need to raise additional equity financing from new or existing investors, which is not yet secured.

The Financial Restructure is expected to be implemented through a restructuring plan under Part 26A of the Companies Act 2006. This will require at least 75% (by value) of at least one "in the money" class of creditors, to vote in favour. Subject to finalisation of the terms of the Financial Restructure, an "in the money" approving voting class is expected to constitute more than 75% in value of the Company's senior secured noteholders, RCF and term loan bank lenders.

The approval of other classes of existing or contingent creditors, that will also be affected by the Financial Restructure, is not required, provided those classes are not worse off under the plan than they would be in the most likely alternative scenario - being the Group entering into an insolvency process - and the Court sanctions the restructuring plan. The Court sanction process provides an opportunity for the other classes of existing or contingent creditors to contest the terms of the restructuring plan. Such challenges could result in delays to the Court process which would add risk to the prospects of a successful implementation of the Financial Restructure.

The implementation of the Financial Restructure will also require shareholder approval for (among others, depending on the final terms of the Financial Restructure) the issuance of new shares as part of the debt-for-equity swap and the disapplication of pre-emption rights. A draft combined prospectus and circular has been submitted to the Financial Conduct Authority and will be updated and published following finalisation of the terms of the Financial Restructure.

If successful, the Financial Restructure is not expected to be implemented before January 2025 at the earliest, albeit with the necessary inter-conditional agreements being reached approximately one to two months prior to final implementation.

The success and timing of the implementation of the Financial Restructure is uncertain and not within the control of the Board. Based on the status of discussions with stakeholders, and taking into account the advice from the Company's external financial, legal and liquidity advisers, the Directors have concluded that there is currently a reasonable prospect of the Group implementing the Financial Restructure which provides a realistic alternative to liquidation or cessation of operations. However, if agreements with the relevant counterparties cannot be concluded within the time available to implement the Financial Restructure (see below), the Directors may change their view rapidly and the Company could therefore enter into insolvency proceedings with little notice.

In light of these risks, the Company has undertaken work on various contingency plans including making preparations for alternative outcomes to a successful restructure. This includes considering possible changes to the Group structure to facilitate implementation of a restructuring through a security and evaluating which parts of the Group, if any, could be separated and continue to trade or be sold independently. The Group has also undertaken preparations for the commencement of insolvency proceedings, so as to ensure that such processes are as orderly as possible with losses to creditors mitigated as far as possible, should they become unavoidable. These assessments are ongoing and expected to be completed prior to the implementation of the Financial Restructure. All of these contingency plans, if enacted, in the absence of a successful implementation of the Financial Restructure, would likely result in the Company entering an insolvency process.

In the event of an unremedied default by the Company, the lending group could accelerate their debt and/or exercise their security rights which would likely result in the Company entering insolvency proceedings.

Short-term Liquidity

The Directors' assessment of going concern also depends on the ability of the Company to maintain liquidity in the period up to the implementation of the Financial Restructure, which as noted above, is not expected to be implemented before January 2025, at the earliest. Failure to maintain sufficient liquidity prior to the Financial Restructure could jeopardise the Financial Restructure and result in the Group entering into insolvency proceedings.

The Group is managing its liquidity carefully, through management of its payment obligations and working capital, and has engaged the services of an external liquidity adviser. It has remained in compliance with its minimum liquidity covenant of US$75m, with the support of amortisation and interest deferrals from its banks, by not paying the interest coupon on its senior notes that was due on 15 May 2024 and by seeking to defer all but critical creditor payments.

This non-payment constitutes a default under the terms of the senior secured notes. The ad hoc group and other noteholders, together representing 59% of noteholders by value, have entered into a forbearance agreement with the Company, agreeing not to take enforcement action in respect of the non-payment of the coupon until at least 18 October 2024. Whilst no action has been taken to date, there remains a risk that noteholders could take enforcement action – which would require at least 25% of noteholders to initiate such proceedings – and could result in the Company entering into insolvency proceedings.

In addition to the overdue interest coupon of US$29m, the Group is unable to make payments of US$89m for amortisations and interest in respect of the bank facilities which are due on 4 October 2024. Deferrals of these payments, which have grown over time, have been received since October 2023. To date, the lenders have been providing these on a rolling weekly basis. The remaining balance of the bank facilities, amounting to US$114m, becomes due on the maturity of the facilities on 30 October 2024 and an additional interest coupon payment will be due on 15 November 2024. Continuing deferral of these coupon, amortisation and interest payments is of critical importance to the Group's ability to maintain liquidity prior to the Financial Restructure without triggering a default. In the event of failure to secure new deferrals from noteholders and lenders, they would have a default and could accelerate their debt or enforce their security which would likely result in the Company entering insolvency proceedings.

Absent any enforcement action on the interest coupon, amortisation or interest payments, the Group forecasts to have minimal headroom above its US$75m minimum liquidity covenant until the Financial Restructure is implemented. Liquidity is being managed by matching payments to receipts, delaying all but critical payments to creditors and other payment obligations until liquidity is provided by cash from ongoing operations, and not funding obligations under operational joint venture arrangements. Enforcement action by creditors on overdue payments or obligations, or delays in operational cash receipts may cause further demands on liquidity, which, if sufficiently great, could result in default on the financial covenant, if remedial action is not taken.

Notwithstanding these critical risks, the Group's projections show that it will be able to maintain liquidity at or above its covenant level until at least the end of March 2025 through continued working capital management. It is the Company's intention to conclude terms of the Financial Restructure by the end of 2024 although the final sanction hearing by the Court is not expected to take place before the end of the year. The timing is not in the control of the Company, as it requires final agreement to be reached with multiple stakeholders, some of which are yet to be involved in the process. If the launch is delayed, the timeline for implementation would need to be extended, exposing the Company to liquidity risks set out above for an extended period. There is a risk of delays to the launch of restructuring plan and/or the Court process which could push completion of the Financial Restructure beyond January 2025.

Approach

To evaluate whether it is appropriate to adopt the going concern basis for the preparation of accounts, the Directors reviewed the Group's short term liquidity in the period before the proposed Financial Restructure, considered the feasibility of the Financial Restructure, and reviewed forecasts for the duration of the Assessment Period (following the Financial Restructure) under a downside scenario, considered to be severe but plausible, based on the principal risks and uncertainties of the Group.

In particular, the Directors:

- Reviewed the status of discussions with key stakeholders on relevant elements of the Financial Restructure, as set out above, and the likelihood of achieving the process and the agreements and consents required to implement the Financial Restructure.
- Sought advice from the Company's external financial, legal and liquidity advisers to assess whether there is a reasonable prospect of the Financial Restructure being implemented, including the requirement to obtain shareholder approvals and receiving Court sanction and that appropriate considerations were made by the Directors to conclude that the going concern basis of preparation was appropriate at the time of approving the interim financial statements.
- Forecast the Group's expected short-term cash flows to assess the ability of the Group to continue to maintain sufficient liquidity up to the Financial Restructure, including potential slippages in the timeline, noting that there is very limited headroom in the liquidity covenant during this period.
- Forecast the Group's liquidity following the Financial Restructure over the Assessment Period, based on management's best estimates of new order intake; requirement for and availability of future performance guarantees; project and contract schedules and costs; timing and quantum of collections and commercial settlements; future commodity prices; oil and gas production; and capital expenditure.
- Modelled a severe but plausible downside scenario in the period following the proposed Financial Restructure, to reflect the impact of the Financial Restructure on the Group's liquidity and working capital, 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; reduced access to guarantees; cost overruns; adverse or delayed commercial settlements; a deterioration in net working capital and adverse outcomes on contingent liabilities.

- Evaluated the mitigation actions deemed to be in the control of management, comprising the conservation of cash through working capital management and cost mitigation actions. Additional mitigations, such as the disposal of non-core assets and further working capital management, were not modelled as they are not entirely in the control of management.

The going concern assessment is based on the Group's ability to maintain liquidity above a minimum level of US$75m under severe but plausible downside scenarios. This reflects the current minimum liquidity covenant under the Group's current bank facilities and then the expected level of liquidity required if the covenants are removed.

It is also based on the expected terms of the Financial Restructure, which are yet to be finalised with the relevant counterparties, including the assumption that the Group's borrowing facilities, following the Financial Restructure, will not contain financial covenants.

A key remaining assumption in the severe but plausible case is that, whilst some reductions are modelled, the Group is able to secure a limited number of new performance guarantees or equivalent alternative arrangements with nominal collateral or retention requirements are available to the Group in the period after the Financial Restructure. Were these not to be secured over the forecast period, or significant collateral required, positive liquidity would be difficult to maintain.

The Directors have also 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. The Group would not maintain positive liquidity under the stress test scenario, which would likely result in the Group entering into insolvency proceedings.

Key Risks

In summary, the risks to which forecast cash flows are most sensitive are: (i) the ability to maintain sufficient liquidity prior to the implementation of the Financial Restructure; (ii) the implementation of the Financial Restructure; (iii) the ability to secure a limited number of new performance guarantees following the Financial Restructure, during the Assessment Period; (iv) working capital movements, in particular the receipt of high value one-off collections; and (v) contract cost overruns. Individually or in combination, these risks could have a significant impact on the Group's ability to maintain sufficient liquidity over the Assessment Period.

The first two risks are covered in detail in the sections *Short Term Liquidity* and *Criticality of the Financial Restructure*, above.

(i) Securing a limited number of performance guarantees following the Financial Restructure: the Group is required to provide bank guarantees in favour of its EPC clients, a standard industry requirement. Performance guarantees are usually a contractual requirement. It is expected that the Financial Restructure will restore the Group's ability to secure guarantees in the future, on normal commercial terms, and that alternative arrangements can be made with clients if required, based on existing precedents. Delays in obtaining performance guarantees could affect the Group's ability to win and deliver new contracts and/or the timing of the receipt of cash flows.

(ii) Contract collections: there are a small number of relatively high value one-off collections of E&C working capital within the Assessment Period. These are not entirely within the control of the Group and may be subject to adverse commercial settlements or timing delays.

(iii) Contract cost overruns: the Directors noted that the impact of identified cost increases on E&C contracts was reflected in the Group's financial performance to 30 June 2024 and in future margin forecasts. Approximately 87% of the E&C backlog relates to awards secured in 2023, and is therefore not affected by the historical Covid-19 related delays and overruns that affected the legacy portfolio. For this reason, the Directors have concluded that the risk of cost increases during the Assessment Period is lower than in prior periods.

As a result of the significant increase in the E&C backlog in 2023, and the expectation of further awards under the TenneT Framework Agreement in the Assessment Period, the sensitivity to new contract awards has reduced during the Assessment Period, compared with previous assessments.

Assessment

The Directors considered the following factors in their going concern assessment:

- The critical importance of the Financial Restructure and the status of agreements with the relevant counterparties, as discussed above.
- The Group's short term liquidity position ahead of the Financial Restructure, and required actions to maintain this, as discussed above.
- The expectation that, following the proposed Financial Restructure, the Group will have a stronger balance sheet, expecting to be in a net cash position and to have positive equity.
- As a result of the materially strengthened balance sheet and improved liquidity resulting from the Financial Restructure, the Group expects to be able to secure a limited number of future performance guarantees on normal commercial terms (i.e. without onerous collateral requirements).
- Following the assumed successful implementation of the Financial Restructure, the Group is forecast to retain sufficient liquidity to support operations, and settle debts as they become due throughout the remainder of the Assessment Period, in the mitigated severe but plausible downside scenario, which has been modelled on a consistent basis as for prior periods' assessments. This assumes no changes to the expected principal terms of the agreements to be finalised with the relevant stakeholders, including the absence of financial covenants.
- The Group had a contract backlog of US$8 billion at 30 June 2024, and a strong 18-month bidding pipeline of US$53 billion, including the expectation of further contract awards under the TenneT Framework Agreement in the Assessment Period.
- The Group has a proven track record of taking timely actions, within the control of management, to effectively mitigate downside risks, including working capital management, cost cutting and asset divestments.
- A significant proportion of the collections for which there is timing uncertainty relate to existing contractual entitlements of the Group.
- There are additional actions available to management, including further working capital management, asset disposals, and other opportunities, such as favourable commercial settlements, which management believe could result in liquidity improvements to mitigate risks, albeit they are not all wholly within their control and therefore not included in the assessment, and are unlikely to be possible prior to the Financial Restructure.

Basis of preparation and conclusion

The Directors reviewed and carefully evaluated relevant available information in order to reach a conclusion on the appropriate basis of preparation of the accounts. A summary of the Group's challenging financial position at the date of signing these interim financial statements and the current status of the various elements of the ongoing discussions with stakeholders in respect of the Financial Restructure are summarised at the beginning of this note.

Having assessed whether or not there is a reasonable prospect of the Group managing short term liquidity and implementing the Financial Restructure, which provides a realistic alternative to liquidation or cessation of operations, and the forecast liquidity in the mitigated severe but plausible scenario for the remainder of the Assessment Period, the Directors concluded that it is appropriate to adopt the going concern basis for the preparation of accounts. The interim financial statements do not contain the adjustments that would result if the Group were unable to continue as a going concern.

However, noting the matters described above, the Directors identified four material uncertainties that cast significant doubt upon the Group's ability to continue as a going concern during the Assessment Period for the Group's interim financial statements for the six-month period ended 30 June 2024. These are:

- The ability to maintain sufficient liquidity prior to the implementation of the Financial Restructure, including maintaining the support of trade and other creditors without acceleration of their debt or enforcement of their security rights.
- The successful implementation of the Financial Restructure on terms consistent with those currently proposed, including agreement of terms with the relevant counterparties, including approvals and Court sanction and final execution.
- The ability to secure a limited number of performance guarantees on normal commercial terms, following the Financial Restructure.
- The ongoing reliance on the timely receipt of a small number of relatively high value collections from clients.

Within these uncertainties, there are a number of events which are outside of the control of the Board and may result in the Group entering insolvency in the immediate or near term, including:

- The Group is, and is expected to continue to be, unable to make contractual amortisation and interest payments of US$89m on its debt facilities that are due 4 October 2024. The lenders have continued to require one-week extensions to this on a rolling weekly basis so could accelerate their debt within a week at any subsequent point.
- The Group is in default and is expected to continue to be unable to make the payment of the overdue interest coupon of US$29m due on 15 May 2024 and the next payment when it becomes due on 15 November 2024 on its senior secured notes, with a sufficiently large group of noteholders being able to take enforcement action from 18 October 2024.
- Absent any acceleration or enforcement action on the interest coupon or amortisation payments, liquidity is being managed through seeking to delay all but critical payments of creditors and other payment obligations, including not funding obligations under operational joint venture arrangements. Enforcement action by creditors on overdue payments or obligations, or delays in operational cash receipts or the termination of customer contracts may cause further demands on liquidity, which if sufficiently great could result in default on the debt facilities, if remedial action is not taken.
- Agreement from key stakeholders that they will not support or participate in the Financial Restructure could result in the Financial Restructure not being capable of being implemented.
- The Directors also evaluated potential events and conditions during the period beyond the Assessment Period that may cast significant doubt on the going concern assessment, concluding that there were no other such events or conditions.

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 2023.

2.6 Prior year adjustments

As previously disclosed in the Group's consolidated financial statements for the year ended 31 December 2023, the Group has identified an error in previously reported financial information and therefore, the prior period comparatives have been adjusted as follows.

During 2023, a review was conducted by management into one of the contracts in the E&C portfolio, as part of the process for completing the audit of the Group's associated subsidiary 2022 financial statements, and it was established that certain information had been provided by third-party advisors prior to the approval of the Group's consolidated financial statements for the year ended 31 December 2022. However, this information was not shared with 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.

The information provided by the third-party advisors was integral to management's judgement and assessment in respect of an AVO recognised on that contract in 2021 and had it been evaluated prior to the approval of the Group's consolidated financial statements, the highly probable criteria for continued recognition of the AVO would not have been met. Consequently, this would have resulted in an adjusting post balance sheet event reflecting a reduction in revenue and an additional pre-tax loss of US$24m.

The Group has assessed the impact of this error as material to the Group's interim condensed consolidated financial statements and consequently restated the comparative figures included in the 2023 interim financial statements. This restatement affected the consolidated income statement, the consolidated balance sheet and the consolidated statement of cash flows, as shown on the table of affected financial statement line items.

	30 June 2023 As reported US$m	Restatement US$m	30 June 2023 Restated US$m
Income statement and statement of comprehensive income impact			
Revenue (note 3)	1,207	24	1,231
Gross profit	6	24	30
Operating (loss)/profit	(107)	24	(83)
(Loss)/profit before tax	(160)	24	(136)
Net (loss)/profit for the period	(172)	24	(148)
Net (loss)/profit attributable to Petrofac Limited shareholders	(165)	24	(141)
Loss per share (US cents)			
Loss per share – basic and diluted (note 9)	(31.9)	4.6	(27.3)

	30 June 2023 As reported US$m	Restatement US$m	30 June 2023 Restated US$m
Statement of cash flows impact			
(Loss)/profit before tax	(160)	24	(136)
(Loss)/profit before tax and separately disclosed items	(155)	24	(131)
Working capital adjustments:			
Contract assets	52	(5)	47
Contract liabilities	(64)	(19)	(83)
Net working capital adjustments	(63)	(24)	(87)
Cash used in operations	(137)	–	(137)
Net cash flows used in operating activities	(164)	–	(164)

3 Revenue from contracts with customers

	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 (restated)[1] Unaudited US$m
Rendering of services	1,192	1,168
Sale of crude oil and gas	48	63
	1,240	1,231

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

Included in revenue are Engineering & Construction and Asset Solutions revenues of a 'pass through' nature with zero or low margins amounting to US$90m (six months ended 30 June 2023: US$238m). Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Six months ended 30 June 2024 (unaudited)				Six months ended 30 June 2023 (unaudited)			
	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Six months ended 30 June 2024 US$m	Engineering & Construction (restated)[1] US$m	Asset Solutions US$m	Integrated Energy Services US$m	Six months ended 30 June 2023 (restated)[1] US$m
Geographical markets								
United Kingdom	27	299	–	326	16	386	–	402
United Arab Emirates	141	20	–	161	11	14	–	25
United States of America	–	106	–	106	–	71	–	71
Thailand	85	12	–	97	117	14	–	131
Netherlands	87	7	–	94	25	7	–	32
Lithuania	81	–	–	81	90	–	–	90
Algeria	77	–	–	77	93	–	–	93
Australia	–	74	–	74	–	51	–	51
Malaysia	–	3	49	52	–	43	63	106
Oman	20	9	–	29	59	9	–	68
Bahrain	–	29	–	29	–	22	–	22
Libya	29	–	–	29	26	–	–	26
Ivory Coast	–	28	–	28	–	–	–	–
Equatorial Guinea	–	15	–	15	–	–	–	–
India	–	14	–	14	14	9	–	23
Azerbaijan	–	6	–	6	–	7	–	7
Iraq	5	–	–	5	18	13	–	31
Kazakhstan	–	4	–	4	8	4	–	12
Kuwait	(1)	1	–	–	8	2	–	10
Others	3	10	–	13	5	26	–	31
Total revenue from contracts with customers	554	637	49	1,240	490	678	63	1,231

	Six months ended 30 June 2024 (unaudited)				Six months ended 30 June 2023 (unaudited)			
	Engineering & Construction US$m	**Asset Solutions US$m**	**Integrated Energy Services US$m**	**Six months ended 30 June 2024 US$m**	Engineering & Construction (restated)[1] US$m	Asset Solutions US$m	Integrated Energy Services US$m	Six months ended 30 June 2023 (restated)[1] US$m
Type of goods or service								
Fixed-price	510	45	–	555	446	78	–	524
Reimbursable	44	592	1	637	44	600	1	645
Sale of crude oil and gas	–	–	48	48	–	–	62	62
Total revenue from contracts with customers	**554**	**637**	**49**	**1,240**	490	678	63	1,231
Customer type								
Government	423	131	9	563	332	47	6	385
Non-government	131	506	40	677	158	631	57	846
Total revenue from contracts with customers	**554**	**637**	**49**	**1,240**	490	678	63	1,231
Timing of revenue recognition								
Services transferred over time	554	637	1	1,192	490	678	1	1,169
Goods transferred at a point in time	–	–	48	48	–	–	62	62
Total revenue from contracts with customers	**554**	**637**	**49**	**1,240**	490	678	63	1,231

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

Revenue disclosed in the tables above is based on where the services or goods are delivered.

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 2024 and the restated information for the six months ended 30 June 2023:

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For the six months ended 30 June 2024

4 Segment information continued

Six months ended 30 June 2024 (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	554	637	49	–	–	1,240	–	1,240
Inter-segment sales	2	–	–	3	(5)	–	–	–
Total revenue	**556**	**637**	**49**	**3**	**(5)**	**1,240**	**–**	**1,240**
Operating (loss)/profit	(103)	(8)	6	(1)	–	(106)	(46)	(152)
Finance income	–	–	2	1	–	3	–	3
Finance expense	(2)	(1)	(3)	(47)	–	(53)	–	(53)
(Loss)/profit before tax	(105)	(9)	5	(47)	–	(156)	(46)	(202)
Income tax expense	(4)	(6)	–	–	–	(10)	–	(10)
Net (loss)/profit	**(109)**	**(15)**	**5**	**(47)**	**–**	**(166)**	**(46)**	**(212)**
Attributable to:								
Petrofac Limited shareholders	(105)	(15)	5	(47)	–	(162)	(46)	(208)
Non-controlling interests	(4)	–	–	–	–	(4)	–	(4)
Net (loss)/profit	**(109)**	**(15)**	**5**	**(47)**	**–**	**(166)**	**(46)**	**(212)**
EBIT	**(103)**	**(8)**	**6**	**(1)**	**–**	**(106)**	**(46)**	**(152)**
EBITDA	**(98)**	**(2)**	**31**	**3**	–	**(66)**	**(46)**	**(112)**

	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**	**25**	**1**	**36**
Amortisation, business performance impairment and write off	**–**	**1**	**–**	**3**	**4**
Separately disclosed items, pre-tax (note 5)	**–**	**–**	**–**	**46**	**46**
Expected credit loss charge/(reversal)	**1**	**(2)**	**–**	**–**	**(1)**
Share-based payments	**2**	**1**	**–**	**2**	**5**

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For the six months ended 30 June 2024

4 Segment information **continued**

Six months ended 30 June 2023 (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 US$m	Reported US$m
Revenue								
External sales (restated)[(1)]	490	678	63	–	–	1,231	–	1,231
Inter-segment sales	3	1	–	3	(7)	–	–	–
Total revenue (restated)[(1)]	493	679	63	3	(7)	1,231	–	1,231
Operating (loss)/profit (restated)[(1)]	(98)	10	19	(7)	–	(76)	(7)	(83)
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 (restated)[(1)]	(99)	13	17	(62)	–	(131)	(5)	(136)
Income tax expense	(7)	(5)	–	–	–	(12)	–	(12)
Net (loss)/profit (restated)[(1)]	(106)	8	17	(62)	–	(143)	(5)	(148)
Attributable to:								
Petrofac Limited shareholders (restated)[(1)]	(99)	8	17	(62)	–	(136)	(5)	(141)
Non-controlling interests	(7)	–	–	–	–	(7)	–	(7)
Net (loss)/profit (restated)[(1)]	(106)	8	17	(62)	–	(143)	(5)	(148)
EBIT (restated)[(1)]	(98)	14	19	(7)	–	(72)	(7)	(79)
EBITDA (restated)[(1)]	(93)	19	48	(4)	–	(30)	(7)	(37)

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

	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 charge	–	6	–	–	6
Share-based payments	1	1	–	–	2

5 Separately disclosed items

	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 Unaudited US$m
Restructuring and refinancing-related costs	**45**	3
Cloud ERP software implementation costs	**1**	3
Loss on sale of investment in associates	**–**	5
Other separately disclosed items	**–**	(4)
Total separately disclosed items as reported within selling, general and administrative expenses	**46**	7
Separately disclosed items as reported within finance income (note 7)	**–**	(2)
Income tax charge on separately disclosed items	**–**	–
Total separately disclosed expense, post-tax	**46**	5

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

Restructuring and refinancing-related costs
The Group incurred US$45m of professional services fees in relation to non-recurring projects within the Corporate reporting segment, primarily in respect of the Group's refinancing and restructuring programme (six months ended 30 June 2023: US$3m).

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$1m being recognised as an expense in the current period (six months ended 30 June 2023: US$3m). 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. The implementation has now been successfully completed for the majority of the Group and will be completed for the remaining Group entities by the end of 2024.

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 loss of US$5m in the Asset Solutions operating segment (including a gain of US$1m arising from derecognition of the right-of-use asset in respect of the West Desaru mobile offshore production unit (MOPU) and the associated lease liability).

Other separately disclosed items
During 2023, 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.

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 2024 was estimated at US$17m (31 December 2023: US$17m) (Level 2 of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement') resulting in no fair value gain or loss (six months ended 30 June 2023: fair value gain of US$2m) in the Corporate reporting segment.

6 Expected credit loss (ECL) allowance

	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 Unaudited US$m
ECL on trade receivables (note 13)	**(2)**	6
ECL on contract assets (note 14)	**1**	–
Total ECL (reversal)/charge	**(1)**	6

The reduction in ECL provision is mainly due to the decrease in the probability of default for certain customers in the Asset Solutions segment partially offset by an increase in ECL provision as a result of increase in contract assets during the period. 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 2024 Unaudited US$m	Six months ended 30 June 2023 Unaudited US$m
Finance income		
Bank interest	**1**	1
Interest income from joint operation partners in respect of leases	**2**	3
Business performance finance income (before separately disclosed items)	**3**	4
Separately disclosed items – finance income (note 5)	**–**	2
Total finance income	**3**	6
Finance expense		
Group borrowings	**(47)**	(57)
Lease liabilities	**(4)**	(5)
Unwinding of discount on provisions (note 18)	**(2)**	(1)
Total finance expense	**(53)**	(63)

The reduction in Group borrowings costs for the period is due to the prior period including a modification loss of US$11m in accordance with IFRS 9 *financial instruments* arising as a result of the external debt amendment and extension completed during the prior 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 2024 Unaudited US$m**	Business performance[(1)] US$m	Separately disclosed items US$m	Reported six months ended 30 June 2023 Unaudited US$m
Current income tax						
Current income tax expense	**9**	**–**	**9**	17	–	17
Adjustments in respect of previous periods	**–**	**–**	**–**	(1)	–	(1)
Deferred tax						
Relating to origination and reversal of temporary differences	**1**	**–**	**1**	(5)	–	(5)
Adjustments in respect of deferred tax of previous years	**–**	**–**	**–**	1	–	1
Income tax expense reported in the interim condensed consolidated income statement	**10**	**–**	**10**	12	–	12

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

The Group's business performance effective tax rate for the six months ended 30 June 2024 was negative 6.4% (six months ended 30 June 2023 restated: 9.2%) and reported effective tax rate was negative 5.0% (six months ended 30 June 2023 restated: 8.8%). The change from the prior period was due to the change in profit mix and the effect of losses in jurisdictions where no tax relief was available.

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9 Loss per share

Basic earnings/loss per share is calculated by dividing the profit or loss 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 or loss 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 2024 Unaudited US$m	Six months ended 30 June 2023 (restated)(1) Unaudited US$m
Business performance net loss attributable to Petrofac Limited shareholders for basic and diluted earnings per share	**(162)**	(136)
Separately disclosed items attributable to Petrofac Limited shareholders for basic and diluted earnings per share	**(46)**	(5)
Reported net loss attributable to Petrofac Limited shareholders for basic and diluted earnings per share	**(208)**	(141)

	30 June 2024 Shares Unaudited Million	30 June 2023 Shares Unaudited Million
Weighted average number of ordinary shares for basic earnings per share(2)	**519**	517
Effect of dilutive potential ordinary shares granted under share-based payment plans(3)	**–**	–
Adjusted weighted average number of ordinary shares for diluted earnings per share	**519**	517

	Six months ended 30 June 2024 Unaudited US cents	Six months ended 30 June 2023 (restated)(1) Unaudited US cents
Basic earnings per share		
Business performance	**(31.2)**	(26.3)
Separately disclosed items	**(8.9)**	(1.0)
Reported	**(40.1)**	(27.3)
Diluted earnings per share(3)		
Business performance	**(31.2)**	(26.3)
Separately disclosed items	**(8.9)**	(1.0)
Reported	**(40.1)**	(27.3)

(1) The prior period numbers are restated (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 2024 and 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$27m for the six months ended 30 June 2024 was primarily due to a depreciation charge of US$36m partially offset by US$8m of additions during the period.

11 Investments in associate and joint ventures

	Associates US$m	Joint Ventures US$m	Total US$m
Balance at 1 January 2023	17	13	30
Share of net profit/(loss)	4	(2)	2
Dividends received	(2)	–	(2)
Disposal of associates at carrying value	(19)	–	(19)
As at 1 January and 30 June 2024	**–**	**11**	**11**

During 2023, the Group sold its investment in its 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 2024 Unaudited US$m	31 December 2023 US$m
Other financial assets		
Non-current		
Receivable from joint operation partners for leases	**25**	34
Advances relating to provision for decommissioning	**43**	44
Restricted cash	**162**	172
	230	250
Current		
Receivable from joint operation partners for leases	**31**	35
Restricted cash	**102**	51
	133	86
Other financial liabilities		
Non-current		
Lease liabilities	**60**	79
	60	79
Current		
Lease liabilities	**64**	68
Interest payable	**43**	12
Derivative contracts designated as cash flow hedges	**2**	–
Embedded derivative in respect of the revolving credit facility	**17**	17
	126	97

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 2024 was US$30m (31 December 2023: US$38m). At 30 June 2024, 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$1m 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. In the current period, restricted cash also includes cash held under escrow arrangements, where the terms of these arrangements result in the Group not having unrestricted access to these balances.

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 2024 Unaudited US$m	31 December 2023 US$m	**30 June 2024 Unaudited US$m**	31 December 2023 US$m
Financial assets					
Measured at amortised cost					
Restricted cash	Level 2	**264**	223	**264**	223
Receivable from joint operation partners for leases	Level 2	**56**	69	**56**	69
Advances relating to provision for decommissioning	Level 2	**43**	44	**43**	44
Measured at fair value through profit and loss					
Deferred consideration arising from the disposal of the JSD6000 vessel	Level 3	**59**	59	**59**	59
Financial liabilities					
Measured at amortised cost					
Senior secured notes (note 17)	Level 1	**588**	586	**96**	319
Term loans	Level 2	**71**	71	**71**	71
Revolving credit facility	Level 2	**127**	127	**127**	127
Interest payable	Level 2	**43**	12	**43**	12
Measured at fair value through profit and loss					
Embedded derivative in respect of the revolving credit facility (note 5)	Level 3	**17**	17	**17**	17
Measured at fair value through other comprehensive income					
Derivative contracts – designated for hedge accounting	Level 3	**2**	–	**2**	–

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 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 2024 Unaudited US$m	31 December 2023 US$m
Trade receivables	**586**	722
Advances to vendors and sub-contractors	**114**	130
Prepayments and deposits	**19**	20
Receivables from joint operation partners	**16**	19
Related party receivables	**2**	2
VAT receivable	**51**	44
Other receivables	**23**	40
	811	977

The decrease in trade receivables of US$136m was mainly due cash collections exceeding billings during the period by US$94m in the Engineering & Construction operating segment. At 30 June 2024, the Group had an expected credit loss allowance of US$21m (31 December 2023: US$23m) against a total trade receivable balance of US$607m (31 December 2023: US$745m).

The decrease in advances to vendors and sub-contractors of US$16m was mainly due to the utilisation of advances as work by vendors and sub-contractors progressed.

14 Contract assets

	30 June 2024 Unaudited US$m	31 December 2023 US$m
Work in progress	**727**	680
Retention receivables	**199**	106
Accrued income	**48**	46
	974	832

At 30 June 2024, work in progress included variation orders pending customer's approval of US$297m (31 December 2023: US$351m). At 30 June 2024, the Group had an expected credit loss allowance of US$3m (31 December 2023: US$4m) against a work in progress balance of US$730m (31 December 2023: US$684m).

The increase is retention receivables of US$93m is predominantly in respect of one client where the Group agreed that an increased retention would be held by the client in lieu of providing a performance guarantee. At 30 June 2024, the Group had an expected credit loss allowance of US$2m (31 December 2023: US$nil) against retention receivable balance of US$201m (31 December 2023: US$106m).

At both 30 June 2024 and 31 December 2023, the Group had no expected credit loss allowances against accrued income.

15 Cash and short-term deposits

	30 June 2024 Unaudited US$m	31 December 2023 US$m
Cash at bank and in hand	**161**	121
Short-term deposits	**3**	80
Cash and short-term deposits	**164**	201

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

	30 June 2024 Unaudited US$m	31 December 2023 US$m
Cash and short-term deposits	**164**	201

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 2023	3	(4)	57	56
Net changes in fair value of derivatives after reclassification of hedging losses to condensed consolidated income statement	(3)	–	–	(3)
Foreign currency translation	–	(12)	–	(12)
Foreign currency translation gains reclassified to the consolidated income statement	–	(3)	–	(3)
Issue of Company's shares by Employee Benefit Trust	–	–	(18)	(18)
Credit to equity for share-based payments charge	–	–	8	8
As at 31 December 2023	–	(19)	47	28
Balance at 1 January 2024	**–**	**(19)**	**47**	**28**
Foreign currency translation	–	2	–	2
Issue of Company's shares by Employee Benefit Trust	–	–	(7)	(7)
Credit to equity for share-based payments charge	–	–	5	5
As at 30 June 2024 (unaudited)	**–**	**(17)**	**45**	**28**

17 Interest-bearing loans and borrowings

	30 June 2024 Unaudited US$m	31 December 2023 US$m
Current		
Senior secured notes	**588**	586
Revolving Credit Facility	**127**	127
Term loans	**71**	71
Total interest-bearing loans and borrowings	**786**	784

In December 2023, Petrofac's Board announced it was reviewing a range of strategic and financial options to strengthen the Group's balance sheet, improve liquidity and secure guarantees to support current and future EPC contracts. The resulting Financial Restructure is still in progress and is expected to result in a conversion of a substantial portion of the Company's existing debt into equity, whilst also providing new debt facilities (see section 2.4 for further details).

All facilities are for general corporate purposes and details of the Group's interest-bearing loans and borrowings as at 30 June 2024 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 B+ from Fitch and BB- from S&P, and the rating at 30 June 2024 stood at 'Restricted Default' and 'Selective Default' respectively, following the Group's announcement that the senior secured notes were in default.

The interest coupon is payable semi-annually in arrears and the Company has a call option to redeem the notes with a make-whole premium of 4.88% (2.44% from November 2024).

The Company did not make the interest coupon payment due on 15 May 2024 and the payment remains outstanding. An ad hoc group of noteholders representing approximately 47% of the outstanding notes, together with certain other noteholders outside of the ad hoc group who represent a further 12% of the outstanding notes (59% in total), have entered into a forbearance agreement with the Company, which provides an assurance that those noteholders will not take any action in respect of the non-payment of the coupon. This agreement has been entered into in order to provide time for the Financial Restructure to be progressed. It was originally entered on 29 April 2024 and has so far been extended on five occasions, with the latest extension being effective until 18 October 2024. It is expected that the non-payment will be resolved through the Financial Restructure.

17 Interest-bearing loans and borrowings continued

Revolving credit facility

The Group had a US$127m committed RCF (2023: US$127m) with a syndicate of international banks. It is scheduled to mature in October 2024. At 30 June 2024, US$127m was drawn under this facility, net of US$nil of unamortised deferred acquisition costs (31 December 2023: US$117m). 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 2024 was estimated at US$17m (31 December 2023: US$17m) (Level 2 of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement') as disclosed in note 6.

Term loans

At 30 June 2024, the Group had in place two bilateral term loans with a combined (and drawn) total of US$71m, net of US$nil of unamortised debt acquisition costs (2023: US$71m). Both Term Loans are scheduled to mature in October 2024, at which time the full balance will become due.

To date, the Company has agreed deferrals of its contractual amortisation (and interest payments) on its bank debt facilities (RCF and Term Loans), in part since October 2023, which collectively amount to US$84m as at 30 June 2024. It is expected to continue to rely on further deferral of these obligations by its lenders, which to date, have been providing these for no longer than on a rolling weekly basis.

The Company expects that the majority of its financial indebtedness will be converted to equity as part of the Financial Restructure (note 2.4).

Bank overdrafts

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

Compliance with covenants

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

- 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 is the 12-month period ending on the relevant calendar quarter end.

The Group was compliant with its liquidity covenant throughout the period and whilst the Company has been progressing the Financial Restructure, Senior Loan lenders have provided a series of waivers in respect of the EBITDA covenant.

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$12m in the period was mainly due a US$10m increase in the end of service benefits provision.

Current

The decrease in current provisions of US$16m 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 2024 Unaudited US$m	31 December 2023 US$m
Trade payables	**653**	604
Accrued expenses	**204**	213
Retentions held against vendors and sub-contractors	**63**	60
Payable to joint operation partners	**29**	28
Other taxes payable	**20**	17
Other payables	**9**	8
	978	930

The increase in trade and other payables of US$49m is mainly due to the Group's focus on working capital management.

20 Contract liabilities

	30 June 2024 Unaudited US$m	31 December 2023 US$m
Billings in excess of costs and estimated earnings	**342**	244
Advances received from customers	**83**	48
	425	292

At 30 June 2024, billings in excess of costs and estimated earnings included an offset for assessed variation orders pending customer approval of US$9m (31 December 2023: US$9m).

The increase in billings in excess of costs and estimated earnings of US$98m was mainly due to advanced billings to customers, primarily relating to three contracts in the Engineering & Construction operating segment, offset by revenue recognised in excess of billings on various contracts.

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$40m 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 2024, the Group had receivables and contract assets due from joint ventures and other related parties of US$34m (31 December 2023: US$15m).

Related party transactions during the period included US$18m revenue from joint ventures. 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 2024, US$0.2m payments were made to the AUB (six months ended 30 June 2023: US$0.2m). 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 2024 the Group had capital commitments of US$4m (31 December 2023: US$6m):

	30 June 2024 Unaudited US$m	31 December 2023 US$m
Commitments in respect of development of the Group's digital systems and other information technology equipment	**4**	6
	4	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), currently expected to be in the first quarter of 2025. Management is aware that HMRC has recently been successful in similar cases at the First-tier Tribunal (Tax); however, due to differences in the nature of the services provided and the resulting legal arguments, those Tribunal decisions are not considered decisive in this case. Based on advice from independent legal and tax experts, management believes it is not likely that a financial outflow will be required to settle the obligation. Therefore, 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 £141m, equivalent to US$178m.

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 2024

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

A1. Business performance net profit attributable to Petrofac Limited shareholders

	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 (restated)[1] Unaudited US$m
Reported net loss (A)	**(212)**	(148)
Adjustments – separately disclosed items (note 5):		
Cloud ERP implementation costs	**1**	3
Loss on sale of investment in associates	**–**	5
Restructuring and refinancing-related costs	**45**	3
Other separately disclosed items	**–**	(4)
Operating loss separately disclosed items (B1)	**46**	7
Finance income separately disclosed items (B2)	**–**	(2)
Post-tax separately disclosed items (C = B1 + B2 + B3)	**46**	5
Group's business performance net loss (D = A + C)	**(166)**	(143)
Loss attributable to non-controlling interest	**(4)**	(7)
Business performance net loss attributable to Petrofac Limited shareholders	**(162)**	(136)

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

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

	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 (restated)[1] Unaudited US$m
Reported net loss attributable to Petrofac Limited shareholders (E)	**(208)**	(141)
Add: post-tax separately disclosed items (appendix A, note A1)	**46**	5
Business performance net loss attributable to Petrofac Limited shareholders (E_1)	**(162)**	(136)

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

	30 June 2024 Unaudited shares Million	30 June 2023 Unaudited shares Million
Weighted average number of ordinary shares for basic earnings per share[2] (F) (note 9)	**519**	517
Weighted average number of ordinary shares for diluted earnings per share[3] (F_1) (note 9)	**519**	517

	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 (restated)[1] Unaudited US$m
Basic loss per share		
Business performance (E_1 / F x 100)	**(31.2)**	(26.3)
Reported (E / F x 100)	**(40.1)**	(27.3)
Diluted loss per share[3]		
Business performance (E_1 / F_1 x 100)	**(31.2)**	(26.3)
Reported (E / F_1 x 100)	**(40.1)**	(27.3)

(1) The prior period numbers are restated (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 2024 and 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

A3. Business performance EBITDA

	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 (restated)[1] Unaudited US$m
Reported operating loss	**(152)**	(83)
Adjustments:		
Operating loss separately disclosed items (appendix A, note A1)	**46**	7
Share of net profit of associates and joint ventures	**–**	4
Depreciation (note 4)	**36**	40
Amortisation, business performance impairment and write off (note 4)	**4**	2
Business performance EBITDA	**(66)**	(30)

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

A4. Business performance EBIT

	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 (restated)[1] Unaudited US$m
Reported operating loss	**(152)**	(83)
Adjustments:		
Operating loss separately disclosed items (appendix A, note A1)	**46**	7
Share of net profit of associates and joint ventures	**–**	4
Business performance EBIT	**(106)**	(72)

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

A5. Reported EBITDA

	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 (restated)[1] Unaudited US$m
Reported operating loss	**(152)**	(83)
Adjustments:		
Share of net profit of associates and joint ventures	**–**	4
Depreciation (note 4)	**36**	40
Amortisation (note 4)	**4**	2
Reported EBITDA	**(112)**	(37)

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

A6. Reported EBIT

	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 (restated)[1] Unaudited US$m
Reported operating loss	**(152)**	(83)
Adjustments:		
Share of net profit of associates and joint ventures	**–**	4
Reported EBIT	**(152)**	(79)

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

A7. Business performance ETR

	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 (restated)[1] Unaudited US$m
Reported income tax expense	**10**	12
Business performance income tax expense (G)	**10**	12
Business performance net loss (appendix A, note A1)	**(166)**	(143)
Business performance net loss before tax (H)	**(156)**	(131)
Business performance ETR (G / H x 100)	**(6.4)%**	(9.2)%

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

A8. Capital expenditure

	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 Unaudited US$m
Net cash flows used in investing activities	**(13)**	(15)
Adjustments:		
Dividend received from associates and joint ventures	**–**	4
Contingent consideration paid	**–**	(4)
Receipts from joint operation partners in respect of leases	**16**	16
Interest received	**2**	3
Capital expenditure	**5**	4

A9. Free cash flow

	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 Unaudited US$m
Net cash flows used in operating activities	**(1)**	(164)
Net cash flows used in investing activities	**13**	15
Interest paid	**(17)**	(47)
Repayment of lease liabilities	**(31)**	(29)
Free cash flow	**(36)**	(225)

A10. Working capital

	30 June 2024 Unaudited US$m	31 December 2023 US$m
Inventories	**10**	11
Trade and other receivables (note 13)	**811**	977
Contract assets (note 14)	**974**	832
Restricted cash	**264**	223
Assets (I)	**2,059**	2,043
Trade and other payables (note 19)	**978**	930
Contract liabilities (note 20)	**425**	292
Accrued contract expenses	**651**	691
Liabilities (J)	**2,054**	1,913
Working capital (I - J)	**5**	130

A11. Cash conversion

	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 (restated)[1] Unaudited US$m
Cash generated from/(used in) operations (K)	**52**	(137)
Business performance EBITDA (L) (appendix A, note A3)	**(66)**	(30)
Cash conversion (K / L x 100)	**(79)%**	457%

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

A12. Net lease liabilities

	30 June 2024 Unaudited US$m	31 December 2023 US$m
Non-current liability for leases (note 12)	**60**	79
Current liability for leases (note 12)	**64**	68
Total gross liability for leases	**124**	147
Non-current receivable from joint operation partners for leases relating to Block PM304 in Malaysia (note 12)	**25**	34
Current receivable from joint operation partners for leases relating to Block PM304 in Malaysia (note 12)	**31**	35
Total receivable from joint operation partners for leases relating to Block PM304 in Malaysia	**56**	69
Net non-current liability for leases	**35**	45
Net current liability for leases	**33**	33
Net liability for leases	**68**	78

A13. Net debt

	30 June 2024 Unaudited US$m	31 December 2023 US$m
Interest-bearing loans and borrowings (M) (note 17)	**786**	784
Less: Cash and short-term deposits (N) (note 15)	**(164)**	(201)
Net debt (M – N)	**622**	583

A14. New order intake

	Six months ended 30 June 2024 Unaudited US$m	Six months ended 30 June 2023 (restated)(1) Unaudited US$m
Engineering & Construction operating segment		
New awards	**35**	3,327
Net variation orders	**157**	89
	190	3,416
Asset Solutions operating segment		
New awards	**956**	735
Net variation orders	**(55)**	195
	901	930
New order intake	**1,091**	4,346

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

At 30 June 2024

The Directors confirm that, to the best of their knowledge, the interim condensed consolidated financial statements on pages 14 to 37 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 30 September 2024	Afonso Reis e Sousa Chief Financial Officer 30 September 2024

SHAREHOLDER INFORMATION

At 30 June 2024

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

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

Carey Olsen Jersey LLP
47 Esplanade
St Helier
Jersey JE1 0BD

Company Secretary and registered office
Ocorian Secretaries (Jersey) Limited
26 New Street
St Helier
Jersey JE2 3RA

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

Corporate Brokers
Goldman Sachs
Peterborough Court
133 Fleet Street
London EC4A 2BB

JP Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Corporate and Financial PR
Teneo
85 Fleet Street
London EC4Y 1AE

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