Petrofac Limited

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

CONTENTS

GROUP FINANCIAL HIGHLIGHTS

US$1,228 million
Revenue
Six months ended 30 June 2021: US$1,595 million

US$39 million
EBITDA[1,2]
Six months ended 30 June 2021: US$82 million

US$2 million
EBIT[1,3]
Six months ended 30 June 2021 (restated)[8]: US$49 million

US$(14) million
Reported net loss[4]
Six months ended 30 June 2021 (restated)[8]: US$(89) million

Nil
Interim dividend
Six months ended 30 June 2021: nil

(6.8) cents
Business performance diluted EPS[1,4]
Six months ended 30 June 2021 (restated)[8]: 12.1 cents

US$(193) million
Free cash outflow[5]
Six months ended 30 June 2021 (restated)[8]: US$69 million

US$(341) million
Net debt
At 31 December 2021: US$(144) million

US$3.7 billion
Backlog[7]
At 31 December 2021: US$4.0 billion

(0.6)%
Return on capital employed[1,6]
Six months ended 30 June 2021 (restated)[8]: 6.3%

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

2 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 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).

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

5 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 A7 in Appendix A of the interim condensed consolidated financial statements).

6 Return on capital employed (ROCE) is calculated as EBITA (earnings before interest, tax and amortisation, calculated as EBITDA less depreciation) divided by average adjusted capital employed (see A9 in Appendix A of the interim condensed consolidated financial statements).

7 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.

8 The prior year numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6 of the interim condensed consolidated financial statements

BUSINESS REVIEW
At 30 June 2022

Financial results

Overall, Group business performance net profit for the first half of 2022 decreased year-on-year, resulting in a business performance net loss of US$35 million. Challenging market conditions continued to impact our Engineering & Construction (E&C) operating segment in particular, with lingering effects of the pandemic resulting in cost increases and some relatively unfavourable commercial settlements in our small and mature E&C portfolio. Asset Solutions delivered a continued robust performance and order intake, and the strong IES performance was primarily driven by increased production and higher oil price.

	Six months ended 30 June 2022			Six months ended 30 June 2021 (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	**1,228**	**–**	**1,228**	1,595	–	1,595
EBITDA	**39**	**n/a**	**n/a**	82	n/a	n/a
EBIT	**2**	**n/a**	**n/a**	49	n/a	n/a
Net (loss)/profit [1]	**(35)**	**21**	**(14)**	41	(130)	(89)

Income statement

Revenue
Revenue for the first half of the year decreased by 23% to US$1.2 billion (2021: US$1.6 billion), largely reflecting the 25% lower opening Group backlog compared with prior year as well as progress delays on certain projects in the E&C portfolio. As a result, E&C revenue decreased by 40% to US$673 million and revenue in Asset Solutions decreased by 3% to US$508 million, due to the slow start in executing new awards. IES revenue increased to US$56 million, primarily reflecting a significant increase in production in PM304 compared with prior year and stronger oil prices.

Earnings Before Interest, Tax (EBIT) [(2)]
EBIT decreased by 96% to US$2 million (2021: US$49 million) largely driven by a US$44 million loss in E&C due to lower revenue and the lingering impact of the pandemic resulting in cost increases and some relatively unfavourable commercial settlements with clients. EBIT in Asset Solutions reduced by 25% to US$33 million due to changes in the contract mix. EBIT in IES increased to US$21 million (2021: US$(6) million) due to the increase in revenue without a commensurate increase in costs.

Six months ended 30 June 2022

	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	**673**	**508**	**56**	**-**	**(9)**	**1,228**
EBITDA[2]	**(38)**	**38**	**44**	**(5)**	**-**	**39**
Depreciation & Amortisation	**6**	**5**	**23**	**3**	**-**	**37**
EBIT[2]	**(44)**	**33**	**21**	**(8)**	**-**	**2**
EBIT margin[2]	**(6.5)%**	**6.5%**	**37.5%**	**n/a**	**n/a**	**0.2%**

Six months ended 30 June 2021 (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	1,113	526	15	-	(59)	1,595
EBITDA[2]	35	49	4	(6)	-	82
Depreciation & Amortisation	14	5	10	4	-	33
EBIT[2]	21	44	(6)	(10)	-	49
EBIT margin[2]	1.9%	8.4%	(40.0)%	n/a	n/a	3.1%

Finance income/(expense)

Net finance expense for the first half of the year was US$43 million (2021: US$14 million). The increase on the prior year period was due to the higher interest cost following the refinancing that took place in November 2021, which included US$600 million of senior secured notes, US$100 million of bilateral term loans, and a US$180 million revolving credit facility, which was partly drawn during the period. The finance expense includes debt amortisation costs in relation to the refinancing.

Finance income	30 June 2022 US$m	30 June 2021 US$m
Bank interest	**1**	1
Unwinding of discount on receivables	**-**	2
Finance income	**1**	3

Finance expense	30 June 2022 US$m	30 June 2021 US$m
Group borrowings	**40**	12
Lease liabilities	**3**	4
Unwinding of discount on provisions	**1**	1
Finance expense	**44**	17

Taxation

The reported income tax expense was nil in the first half (2021: US$5 million tax credit). The current income tax expense was offset by adjustments in respect of previous periods.

The business performance income tax credit was US$1 million (2021: US$6 million credit). The Group's business performance effective tax rate (ETR) for the six months ended 30 June 2022 was 2.4% (2021: negative 17.1%).

Net profit

Business performance net loss attributable to Petrofac Limited shareholders for the first half of the year was US$35 million (2021 restated[3]: US$41 million profit), largely as a result of lower EBIT and a higher finance expense.

The reported net loss attributable to Petrofac Limited shareholders of US$14 million (2021 restated[3]: US$89 million) was after a credit for separately disclosed items and certain remeasurements of US$21 million (2021 restated[3]: US$130 million charge). This is principally comprised of a non-cash net impairment reversal of US$21 million and a non-cash fair value remeasurement credit of US$9 million, offset by a US$9 million charge relating to cloud ERP software implementation costs and other separately disclosed items (see note 5 of the interim condensed consolidated financial statements).

Earnings per share

Business performance diluted earnings per share decreased to a loss of 6.8 cents per share (2021 restated[3]: 12.1 cents profit per share), broadly in line with the decrease in business performance net profit. Reported diluted loss per share decreased to 2.7 cents per share (2021 restated[3]: 26.3 cents per share).

Cash flow

Operating cash flow

Net cash flow used in operating activities was US$220 million in the first half of the year (2021 restated[3]: US$26 million), primarily due to lower EBITDA and a working capital outflow. The operating profit adjustments of US$46 million included US$18 million of provision releases following the completion of a number of contracts in Asset Solutions.

The net working capital outflow of US$66 million (30 June 2021: US$34million) was principally due to an increase in trade receivables as a result of slower payments from clients and a reduction in trade payables and accrued contract expenses in the E&C operating segment. Days sales outstanding (DSO) was higher at 247 days (30 June 2021: 214 days) due to the increase in working capital and decline in revenue.

Separately disclosed items paid of US$110 million includes US$104 million for the SFO Court penalty.

	Six months ended 30 June 2022 US$m	Six months ended 30 June 2021 US$m (restated[3])
EBITDA	**39**	82
Operating profit adjustments	**(46)**	(47)
Cash generated from operations before working capital adjustments and other items	**(7)**	**35**
Net working capital adjustments	**(66)**	(34)
Separately disclosed items paid	**(110)**	(11)
Net income taxes paid	**(37)**	(16)
Net cash flows used in operating activities	**(220)**	(26)

Free cash flow [4]

The free cash outflow for the first half of the year was US$193 million (2021 restated[3]: US$69 million), principally reflecting lower operating cash flow and higher interest payments, partly offset by US$98 million of divestment proceeds related to the Greater Stella Area and the Mexico operations.

	Six months ended 30 June 2022 US$m	Six months ended 30 June 2021 US$m (restated[3])
Net cash flows used in operating activities	**(220)**	(26)
Capital expenditure	**(22)**	(24)
Proceeds from disposals	**98**	9
Dividends received from associates and JV's and other investing activities	**3**	1
Other investing activities	**(1)**	-
Net cash flows generated from/(used in) investing activities	**78)**	(14)
Repayment of lease liabilities	**(13)**	(18)
Net interest paid	**(38)**	(11)
Free cash flow	**(193)**	(69)

Balance sheet

IES carrying amount

The carrying amount of the IES portfolio was US$123 million at 30 June 2022 (31 December 2021: US$99 million), reflecting an increase in the carrying amount of PM304 in Malaysia as a result of a partial reversal of historical impairments due to higher forecast oil prices.

Leases

Net lease liabilities, calculated as gross lease liabilities minus 65.7% 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), was in line with the prior year at US$124 million at 30 June 2022 (31 December 2021: US$124 million) (see A11 in Appendix A to the interim condensed consolidated financial statements).

Total equity
Total equity at 30 June 2022 decreased to US$482 million (31 December 2021: US$485 million), principally reflecting the reported loss for the period of US$19 million, partly offset by other comprehensive income and a credit to equity for a share-based payments charge. No dividends were paid in the period.

Of the total equity of US$482 million at 30 June 2022, US$477 million (31 December 2021: US$475 million) was attributable to Petrofac Limited shareholders and US$5 million was attributable to non-controlling interests (31 December 2021: US$10 million).

Net debt and liquidity

Net debt
Net debt, excluding net finance leases, increased to US$341 million at 30 June 2022 (31 December 2021: US$144 million), largely reflecting the US$193 million free cash outflow in the period. No dividends were paid in the period (2021: none).

Total gross borrowings less associated debt acquisition costs were US$771 million at 30 June 2022 (31 December 2021: US$764 million). This consisted of US$581 million senior secured notes, US$91 million drawn on the revolving credit facility and US$99 million of term loans (all net of debt acquisition costs).

	30 June 2022 US$m	30 December 2021 US$m
Interest-bearing loans and borrowings	**771**	764
Less: Cash and short-term deposits	**(430)**	(620)
Net debt	**341**	144

Liquidity
The Group's total available borrowing facilities, excluding bank overdrafts, were US$880 million at 30 June 2022 (31 December 2021: US$880 million). Details of the Group's borrowing facilities are contained in note 16 to the interim condensed consolidated financial statements.

Of these facilities, US$81 million was undrawn at 30 June 2022 (31 December 2021: US$85 million). Combined with the Group's cash and short-term deposits of US$430 million (31 December 2021: US$620 million), the Group had US$511 million of gross liquidity available at 30 June 2022 (31 December 2021: US$705 million).

Borrowing facilities	**US$ million**	**Maturity date**
Senior secured notes	600	Nov-26
Revolving credit facility	180	Oct-23
Term loan 1	50	Oct-23
Term loan 2	50	Nov-23
Total	**880**	

The revolving credit facility (RCF) and the term loans are subject to two financial covenants relating to leverage (net debt to EBITDA) and interest cover (EBITDA to net interest). At 30 June 2022 the company was in compliance with both covenants (see note 16 of the consolidated financial statements).

	Leverage	**Interest cover**
Covenant	<4.5x	>1.5x

BUSINESS REVIEW
At 30 June 2022

Return on capital employed

The Group's return on capital employed was (0.6)% for the six months ended 30 June 2022 (six months ended 30 June 2021 (restated)[3]: (6.3)%), due to the reduction in business performance earnings before interest, tax and amortisation (EBITA). Details of this alternative performance metric calculation are contained in A9 in Appendix A of the interim condensed consolidated financial statements.

Backlog

The Group's backlog decreased marginally to US$3.7 billion at 30 June 2022 (31 December 2021: US$4.0 billion), reflecting progress delivered on the existing project portfolio and low new order intake in E&C, partly offset by strong order intake in Asset Solutions.

	30 June 2022 US$bn	31 December 2021 US$bn
Engineering & Construction	**1.8**	2.4
Asset Solutions	**1.9**	1.6
Group	**3.7**	4.0

Dividends

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

Notes:

1 Attributable to Petrofac Limited shareholders

2 This measurement is shown by Petrofac as a means of measuring underlying business performance, see note 4 to the interim condensed consolidated financial statements

3 The prior year numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6 of the interim condensed consolidated financial statements

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 A7 in Appendix A to the interim condensed consolidated financial statements).

Segmental analysis

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

US$ million	Revenue		EBIT[2]		Net profit[1,2]	
For the six months ended 30 June	**2022**	2021	**2022**	2021 (restated)[3]	**2022**	2021 (restated)[3]
Engineering & Construction	**673**	1,113	**(44)**	21	**(35)**	29
Asset Services	**508**	526	**33**	44	**30**	36
Integrated Energy Services	**56**	15	**21**	(6)	**19**	(4)
Corporate, others, consolidation adjustments & eliminations	**(9)**	(59)	**(8)**	(10)	**(49)**	(20)
Group	**1,228**	1,595	**2**	49	**(35)**	41

%	Revenue growth		EBIT margin		Net margin	
For the six months ended 30 June	**2022**	2021	**2022**	2021 (restated)[3]	**2022**	2021 (restated)[3]
Engineering & Construction	**(39.5)**	(32.0)	**(6.5)**	1.9	**(5.2)**	2.7
Asset Services	**(3.4)**	23.5	**6.5**	8.4	**5.9**	6.7
Integrated Energy Services	**273.3**	(75.4)	**37.5**	(40.0)	**33.9**	(26.7)
Group	**(23.0)**	(24.2)	**0.2**	3.1	**(2.9)**	2.6

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 in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6 of the interim condensed consolidated financial statements

BUSINESS REVIEW

At 30 June 2022

Engineering & Construction

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

Results

E&C financial performance in the first half was in line with the guidance given in the trading update, reflecting the lingering effects of the pandemic, including some relatively unfavourable commercial settlements with clients.

Revenue in the first half of the year decreased 40% to US$0.7 billion, (2021: US$1.1 billion), reflecting the lower levels of activity compared with the prior year period and progress delays on certain projects.

E&C reported a first half EBIT loss of US$44 million due to the immediate recognition of the additional Covid-related project costs to completion, and the impact of operating leverage from lower revenue. In the second half, subject to the outcome of the final commercial settlements, E&C expects to report a marginally positive EBIT profit.

E&C has relatively limited exposure to the current inflationary environment given that procurement is substantially complete on much of the portfolio and construction is mainly based on fixed unit-rate contracts already in place.

New awards

Order intake in the first half comprised over US$200 million of variation orders on existing contracts with the majority of new contracts scheduled for award in the second half of the year. E&C backlog was US$1.7 billion at 30 June 2022 (31 December 2021: US$2.4 billion) as revenue executed exceeded new order intake. US$0.6 billion of backlog is scheduled for execution in the second half of 2022.

The market outlook for E&C continues to improve and we are confident that the opportunities we are bidding on will start to be awarded in the second half of the year. E&C has a US$45 billion 18-month pipeline of opportunities, with US$7 billion of bids already submitted and a further $7 billion under tender. Opportunities scheduled for the second half of 2022 are expected to be awarded evenly over the period. In August 2022 we secured a US$200 million share of an EPC contract with Sonatrach in Algeria, in partnership with Genie Civil et Batiment (GCB). While relatively small, this is evidence of our continued competitiveness with a major client in a core market. Our reinstatement to ADNOC's commercial directory provides significant growth potential from 2023, and activity is picking up across many of our core markets.

The E&C pipeline includes US$7 billion relating to New Energy Services. Approximately 70% of this relates to offshore wind where, through the collaboration with Hitachi, we are well positioned to compete on a large number of HVDC offshore wind opportunities in Germany and the Netherlands. For the other new energies sectors, we have applied a risk factor to the pipeline to reflect that they are less mature and the timing of awards is uncertain.

Headcount

E&C headcount decreased by 2% to 3,276 at 30 June 2022 (31 December 2021: 3,350).

Asset Solutions

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

Results
Asset Solutions delivered a robust financial performance in the first half, with revenue of US$0.5 billion, marginally below prior year due a slower start in executing new awards and the strengthening US dollar.

EBIT margin decreased to 6.5%, in line with expectations and lower than prior year due to contract mix, with several high margin MENA contracts completing over the course of 2021 (H1 2021 EBIT margin: 8.4%).

New Energy Services has an established position in offshore wind, enhanced by the recently signed collaboration with Hitachi. In our other focus areas (carbon capture, hydrogen and waste-to-value), the strong momentum of 2021 has continued into 2022, leading to a series of early-stage awards.

New awards
Asset Solutions secured US$0.9 billion of awards and extensions in the first half of the year, representing a book-to-bill of 1.7x (2021: US$0.4 billion):

- Secured contracts in operations and maintenance with Tullow Oil, Cairn Oil & Gas, and Vedanta limited
- Significant awards in the Wells & Decommissioning service line in Australia, the Gulf of Mexico and Mauritania
- In New Energy Services, secured a large-scale FEED waste-to-value contract

AS backlog was US$1.9 billion at 30 June 2022 (31 December 2021: US$1.6 billion) reflecting high order intake during the first half of the year. Asset Solutions has a US$12 billion 18-month pipeline of opportunities, with US$4 billion scheduled for award by the end of 2022. There are attractive near-term opportunities for all service lines, both in the UK and internationally, as we continue to successfully leverage our market-leading UK integrated services capability to support clients around the globe. While order intake is expected to be first-half weighted, AS expects to deliver a full year book-to-bill of over 1.0x, supporting revenue growth in 2023.

Headcount
Asset Solutions headcount decreased by 6% to 4,078 at 30 June 2022 (31 December 2021: 4,350).

Integrated Energy Services

Integrated Energy Services (IES) is Petrofac's upstream oil and gas business. Following the divestment of the Group's remaining Mexico operations in November 2020, Block PM304, offshore Malaysia, is the sole asset in the portfolio.

Results

IES delivered a strong financial performance in the first half, with a significant increase in revenue to US$56 million (2021: US$15 million) driven by an increase in production and higher oil prices. Alongside this increase, we delivered a material reduction in emissions intensity through a well workover to isolate a gas zone of the reservoir.

Net production for the first half of the year was 553 thousand barrels of oil (kbbls) (H1 2021: 210 kbbls), reflecting the additional production from the East Cendor development, which commenced in June 2021 and the partial reinstatement of the main Cendor field production with a temporary gas lift system following the outage that occurred in December 2020. Net production in the second half is expected to increase further, with guidance for full year average production maintained at 3.0-3.5 kbbls/d (H1 2022 average net production: 2.9 kbbls/d).

Business performance EBITDA increased to US$44 million (2021: US$4 million) driven by the significant increase in revenue while only the variable costs associated with production volume increased materially.

IES' business performance effective tax rate was nil% (2021: 42.9%).

The business performance net profit increased to US$19 million (2021: net loss US$4 million).

Headcount

IES headcount was 238 at 30 June 2022 (31 December 2021: 250).

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 of the financial statements.

Based on this comprehensive assessment, including the expectation that shareholder approval will be obtained for the equity fundraising, 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 2022 remained appropriate, notwithstanding this material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Accordingly, these accounts do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

Principal risks and uncertainties

We manage our principal[1] risks and our emerging[2] risks through our systems of risk management and internal control, which are founded upon deployment of our Enterprise Risk Management Framework (based upon BS ISO 31000/2018) and our Internal Control Framework, details of which are included in the 2021 Annual Report and Accounts (pages 60 to 62 and 106 to 113). The Board maintains oversight over these systems, including identifying and conducting a robust assessment of the principal risks facing the company and their connection to viability. Responsibility for monitoring and reviewing the integrity and effectiveness of the Group's overall systems of risk management and internal controls is delegated to the Audit Committee.

In 2022, we continued to monitor and manage our principal and emerging risks in line with the practices described above. Accordingly, they are reviewed on a quarterly basis by the Group Risk Committee and the Audit Committee. These risks are detailed in the table below with reference to how they have changed in 2022 relative to what was reported in the 2021 annual report.

Principal/ Emerging Risk		Change in 2022	Details
1	Adverse geo-political and macroeconomic changes in key geographies	No change	Geopolitical risks due to Russia-Ukraine conflict has been contained due to the limited exposures in these countries and largely offset by reducing impact of Covid-19 in our key markets.
2	Low order intake	No change	We see increased investment appetite in the oil & gas sector; however, the risk severity remains the same due to delayed recovery and awards in our key markets.
3	Failure to deliver strategic initiatives	No change	Our strategic initiatives to rebalance, reshape and rebuild the organisation are on track.
4	Failure to deliver New Energy Services strategy[2]	Increased	New Energy Services organisation has been established and aligned with our business units and technical operations. Delays in awards in the sector are impacting our stated aims to move from FEED towards EPC and EPCm opportunities.
5	Operational and project performance	No change	The pandemic and associated contractual risks have been largely contained, including settlements with key clients. Our operations, specifically the supply chain and subcontractors remain under pressure due to increased inflation and price volatility.
6	HSE incidents	No change	The health and well-being of our people, suppliers and communities is and remains our top priority. Our HSE performance is in line with our expectations, and we continue to improve our controls as per our risk treatment programme.

1. Principal Risks - risks that, given the Group's current position, could materially threaten our business model, future performance, prospects, solvency, liquidity, reputation, or prevent us from delivering our strategic objectives.
2. Emerging Risks - material risks which have large uncertain outcomes which may become certain in the longer term (beyond our planning horizon) and which could have a material effect on the business strategy if it were to occur

7	Insufficient IT resilience	No change	We continue monitoring cyber risks and effectiveness of relevant controls.
8	Loss of financial capacity	No change	Despite improvements in availability of guarantees, and stabilized liquidity, our financing arrangements remain under pressure due to potential deterioration in our operational results and further deferral of awards in our key markets.
9	Misstatement of financial information	No change	We continue monitoring relevant risks and effectiveness of our financial controls.
10	Breaches of laws, regulations and ethical standards	No change	We continue to improve our compliance controls and enhancing our compliance programme across the organisation.
11	Inability to maintain an effective organisation and workforce	Increased	Risk has been retitled from “Inadequate Leadership and Talent Management”. As the business units are ramping up retention and recruitment risks may have an influence on our operations and potentially affect the effectiveness of our execution.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

	Notes	Business performance[1] US$m	Separately disclosed items (note 5) US$m	Reported six months ended 30 June 2022 Unaudited US$m	Business performance[1] (restated)[2] US$m	Separately disclosed items (note 5) (restated)[2] US$m	Reported six months ended 30 June 2021 (restated)[2] Unaudited US$m
Revenue	3	1,228	–	1,228	1,595	–	1,595
Cost of sales		(1,177)	–	(1,177)	(1,488)	–	(1,488)
Gross profit		51	–	51	107	–	107
Selling, general and administration expenses		(86)	22	(64)	(80)	(129)	(209)
Expected credit loss reversal	6	22	–	22	18	–	18
Other operating income		18	–	18	3	–	3
Other operating expense		(6)	–	(6)	(4)	–	(4)
Operating (loss)/profit		(1)	22	21	44	(129)	(85)
Finance income	7	1	–	1	3	–	3
Finance expense	7	(44)	–	(44)	(17)	–	(17)
Share of net profit of associates and joint ventures		3	–	3	5	–	5
(Loss)/profit before tax		(41)	22	(19)	35	(129)	(94)
Income tax credit/(expense)	8	1	(1)	–	6	(1)	5
Net (loss)/profit		(40)	21	(19)	41	(130)	(89)
Attributable to:							
Petrofac Limited shareholders		(35)	21	(14)	41	(130)	(89)
Non-controlling interests		(5)	–	(5)	–	–	–
		(40)	21	(19)	41	(130)	(89)
(Loss)/earnings per share (US cents)							
Basic	9	(6.8)	4.1	(2.7)	12.1	(38.4)	(26.3)
Diluted	9	(6.8)	4.1	(2.7)	12.1	(38.4)	(26.3)

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

(2) The prior period numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	**Six months ended 30 June 2022 Unaudited US$m**	Six months ended 30 June 2021 (restated)[1] Unaudited US$m
Reported net loss		**(19)**	(89)
Other comprehensive income to be reclassified to the consolidated income statement in subsequent periods			
Net changes in fair value of derivatives designated as hedges	15	**(11)**	1
Foreign currency translation gains	15	**19**	1
Other comprehensive income to be reclassified to the interim condensed consolidated income statement in subsequent periods		**8**	2
Other comprehensive income reclassified to the interim condensed consolidated income statement			
Foreign currency translation gains reclassified to the interim condensed consolidated income statement	15	**–**	8
Net gains/(losses) on maturity of hedges recycled in the period	15	**5**	(2)
Other comprehensive income reclassified to the interim condensed consolidated income statement		**5**	6
Total comprehensive loss for the period		**(6)**	(81)
Attributable to:			
Petrofac Limited shareholders		**(1)**	(81)
Non-controlling interests		**(5)**	–
		(6)	(81)

(1) The prior period numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2022

	Notes	**30 June 2022 Unaudited US$m**	31 December 2021 US$m
Assets			
Non-current assets			
Property, plant and equipment	10	**310**	283
Goodwill		**96**	101
Intangible assets		**35**	43
Investments in associates and joint ventures		**34**	34
Other financial assets	11	**153**	209
Deferred consideration	11	**55**	55
Deferred tax assets		**15**	18
		698	743
Current assets			
Inventories		**20**	23
Trade and other receivables	12	**758**	668
Contract assets	13	**1,483**	1,580
Other financial assets	11	**119**	183
Income tax receivable		**14**	20
Cash and short-term deposits	14	**430**	620
		2,824	3,094
Total assets		**3,522**	3,837
Equity and liabilities			
Equity			
Share capital		**10**	10
Share premium		**251**	251
Capital redemption reserve		**11**	11
Employee Benefit Trust shares		**(65)**	(69)
Other reserves	15	**54**	42
Retained earnings		**216**	230
Equity attributable to Petrofac Limited shareholders		**477**	475
Non-controlling interests		**5**	10
Total equity		**482**	485
Non-current liabilities			
Interest-bearing loans and borrowings	16	**722**	764
Provisions	17	**144**	143
Other financial liabilities	11	**172**	195
Deferred tax liabilities		**31**	29
		1,069	1,131
Current liabilities			
Trade and other payables	18	**857**	1,090
Contract liabilities	19	**158**	58
Interest-bearing loans and borrowings	16	**49**	–
Other financial liabilities	11	**91**	81
Income tax payable		**96**	142
Accrued contract expenses	20	**668**	780
Provisions	17	**52**	70
		1,971	2,221
Total liabilities		**3,040**	3,352
Total equity and liabilities		**3,522**	3,837

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	Six months ended June 30 2022 Unaudited US$m	Six months ended 30 June 2021 (restated)[1] Unaudited US$m
Operating activities			
Reported loss before tax		**(19)**	(94)
Separately disclosed items		**(22)**	129
(Loss)/profit before tax and separately disclosed items		**(41)**	35
Adjustments to reconcile (loss)/profit before tax and separately disclosed items to net cash flows:			
Adjustments for non-cash items:			
Depreciation, amortisation, impairment and write-offs		**37**	33
Expected credit loss reversal recognised during the period		**(22)**	(18)
Share-based payments		**3**	4
Difference between other long-term employment benefits paid and amounts recognised in the interim		**(5)**	(20)
Net movement to other provisions		**(18)**	(7)
Share of net profit of associates and joint ventures		**(3)**	(5)
Net finance expense		**43**	14
Net other non-cash items		**(1)**	(1)
		(7)	35
Working capital adjustments:			
Inventories		**4**	(2)
Trade and other receivables		**(71)**	(52)
Contract assets		**108**	4
Other net financial assets and liabilities		**19**	(58)
Trade and other payables		**(119)**	160
Contract liabilities		**96**	31
Accrued contract expenses		**(103)**	(117)
Net working capital adjustments		**(66)**	(34)
Cash (used in)/generated from operations		**(73)**	1
Separately disclosed items paid		**(110)**	(11)
Net income taxes paid		**(37)**	(16)
Net cash flows used in operating activities		**(220)**	(26)
Investing activities			
Purchase of property, plant and equipment		**(19)**	(19)
Payments for intangible assets		**(3)**	(5)
Contingent consideration paid	11	**(2)**	–
Dividends received from associates and joint ventures		**3**	1
Disposal costs paid		**–**	(1)
Net proceeds from disposal of subsidiaries including deferred and contingent consideration received		**98**	9
Interest received		**1**	1
Net cash flows generated from/(used in) investing activities		**78**	(14)
Financing activities			
Proceeds from interest-bearing loans and borrowings, net of debt acquisition cost		**37**	567
Repayment of interest-bearing loans and borrowings		**(36)**	(429)
Repayment of lease liabilities		**(13)**	(18)
Interest paid		**(38)**	(11)
Net cash flows (used in)/generated from financing activities		**(50)**	109
Net (decrease)/increase in cash and cash equivalents		**(192)**	69
Net foreign exchange difference		**1**	–
Cash and cash equivalents at 1 January		**621**	640
Cash and cash equivalents at end of the reporting period	14	**430**	709

(1) The prior period numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to Petrofac Limited shareholders								
	Issued share capital US$m	Share premium US$m	Capital redemption reserve US$m	Employee Benefit Trust shares(1) US$m	Other reserves US$m (note 15)	Retained earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
At 1 January 2022	10	251	11	(69)	42	230	475	10	485
Reported net loss	–	–	–	–	–	(14)	(14)	(5)	(19)
Other comprehensive income	–	–	–	–	13	–	13	–	13
Total comprehensive income	–	–	–	–	**13**	**(14)**	**(1)**	**(5)**	**(6)**
Issue of Company's shares by Employee Benefit Trust	–	–	–	4	(4)	–	–	–	–
Credit to equity for share-based payments charge	–	–	–	–	3	–	3	–	3
At 30 June 2022 (unaudited)	**10**	**251**	**11**	**(65)**	**54**	**216**	**477**	**5**	**482**

For the six months ended 30 June 2021

	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 US$m (note 15)	Retained earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
At 31 December 2020 (as reported)	7	4	11	(88)	45	454	433	7	440
Impact of change in accounting policy in respect of cloud configuration and customisation costs (note 2.6)	–	–	–	–	(2)	(28)	(30)	–	(30)
At 1 January 2021 (restated)(2)	7	4	11	(88)	43	426	403	7	410
Reported net loss	–	–	–	–	–	(89)	(89)	–	(89)
Other comprehensive income	–	–	–	–	8	–	8	–	8
Total comprehensive income	–	–	–	–	8	(89)	(81)	–	(81)
Issue of Company's shares by Employee Benefit Trust	–	–	–	16	(14)	(2)	–	–	–
Credit to equity for share-based payments charge	–	–	–	–	4	–	4	–	4
At 30 June 2021 (unaudited)	7	4	11	(72)	41	335	326	7	333

For the six months ended 31 December 2021

	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 US$m (note 15)	Retained earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
At 30 June 2021	7	4	11	(72)	41	335	326	7	333
Reported net loss	–	–	–	–	–	(106)	(106)	–	(106)
Other comprehensive income	–	–	–	–	4	–	4	3	7
Total comprehensive income/(loss)	–	–	–	–	4	(106)	(102)	3	(99)
Issue of own shares	3	247	–	–	–	–	250	–	250
Purchase of Company's shares by Employee Benefit Trust	–	–	–	(2)	–	–	(2)	–	(2)
Issue of Company's shares by Employee Benefit Trust	–	–	–	5	(6)	1	–	–	–
Transfer to share-based payments reserve for Deferred Bonus Share Plan Invested Shares	–								
Credit to equity for share-based payments	–	–	–	–	3	–	3	–	3
At 31 December 2021	10	251	11	(69)	42	230	475	10	485

(1) Shares held by Petrofac Employee Benefit Trust.
(2) The prior period numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6.

1 Corporate information

Petrofac Limited (the 'Company') is a limited liability company registered and domiciled in Jersey under the Companies (Jersey) Law 1991 and is the ultimate holding company for the international group of Petrofac subsidiaries. Petrofac Limited and its subsidiaries at 30 June 2022 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 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 11 August 2022.

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 2021. The annual consolidated financial statements for the year ending 31 December 2022 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 2022 was not audited or reviewed by the Group's external auditor. The comparative financial information for the six months ended 30 June 2021, was reviewed but not audited by 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 2021, except for the adoption of new standards effective as of 1 January 2022.

During the year ended 31 December 2021, the Group revised its accounting policy in relation to configuration costs incurred in implementing Software-as-a-Service (SaaS) arrangements in response to the IFRS Interpretations Committee decision (Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)). The Group assessed the impact of this change in accounting policy on such arrangements entered by the Group during prior periods and restated comparative figures accordingly (note 2.6). Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group. The Group has adopted Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37) from 1 January 2022. The Group previously included both incremental costs and directly related overheads to fulfil a contract when determining whether that contract was onerous. Therefore, the Amendments to IAS 37 did not result in a change in accounting policy for performing onerous contracts assessments.

Impact of standards issued but not yet applied by the entity

IFRS 17 is scheduled to replace IFRS 4, which currently permits a number of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by entities that issue insurance contracts. The new standard will be applied by the Group initially in the financial statements for the year ending 31 December 2023. Whilst the Group's activities do not include the issuing of insurance contracts to parties outside of the Group, the Group does have its own captive insurance company, Jermyn Insurance Company Limited. The Directors are considering the potential impact of IFRS 17 on the financial statements of this subsidiary and on the Group's consolidated financial statements and currently believe that the impact of IFRS 17 is not expected to be material for the Group.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2.4 Going concern

Introduction

The Directors have performed a robust going concern assessment for the period to 31 August 2023, to validate the continued application of the going concern basis in the preparation of the financial statements of the Group. This included reviewing and challenging downside scenarios considered to be severe but plausible based on the principal risks and uncertainties, as set out on pages 62 to 69 of the Group's annual report and accounts for the year ended 31 December 2021.

The Directors evaluated the Group's funding position, liquidity and financial covenant profile to ensure it will have sufficient access to liquidity and covenant headroom for the Group to meet its obligations as they fall due for a period of at least 12 months from the date of signing the Group's interim financial statements on 11 August 2022. The going concern assessment period is from 11 August 2022 to 31 August 2023 (the "Assessment Period"). Furthermore, and in accordance with the Financial Reporting Council's guidance, the Directors considered events or conditions that may cast significant doubt on the Group's ability to continue as a going concern in the period beyond the Assessment Period. The Directors concluded that the disclosures contained herein sufficiently address relevant events and conditions in both the Assessment Period and the period beyond.

Approach

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

- reviewed the Group's forecast cash flows, liquidity, covenant compliance and borrowing requirements over the Assessment Period. Cash flow and liquidity projections were based on management's best estimates of future commodity prices, new order intake, project and contract schedules and costs, commercial settlements, oil and gas production and capital expenditure.
- Evaluated a range of severe but plausible downside scenarios to reflect uncertainties inherent in forecasting future operational and financial performance, including changes in geo-political or macro-economic environments. These include, but are not limited to, lower order intake, cost overruns, adverse commercial settlements, and a deterioration in net working capital and adverse outcomes on contingent liabilities.
- appraised the mitigation actions available to management including, but not limited to, reducing costs, through further headcount, salary and third-party cost reductions, and conserving cash, through working capital management and reductions in uncommitted capital expenditure. Under each scenario, mitigating actions are deemed to be in the control of management.
- performed a stress test analysis to establish the impact on the Assessment Period of a remote downside scenario, which extended the severe but plausible downside scenario analysis by modelling the impact of no new orders being secured in the Assessment Period.

Key risks

The risks to which forecast cash flows are most sensitive over the Assessment Period are: (i) lower new order intake; (ii) contract cost overruns, (iii) adverse commercial settlements and (iv) working capital movements. With a low Engineering & Construction backlog and high working capital balances, including an increase in uncollected assessed variation orders in the E&C operating segment during 2021 and 2022, these four risks could have a significant impact on the performance of the Group, and its ability to maintain covenant compliance over the Assessment Period. The Directors noted that the impact of COVID-19 related delays and cost increases was already reflected in the Group's financial performance in 2020 through to 2022 and in future margin forecasts. Therefore, notwithstanding the ongoing inherent risks of EPC contracts, with a number of projects scheduled for completion in 2022, the Directors have concluded that the risk of further COVID-19 related disruption and cost increases in the Assessment Period is low.

Compliance with financial covenants

The Group complied with its financial covenants throughout 2021 and Q1 and Q2 2022. The extended impact of COVID-19, which added incremental unrecoverable costs on existing mature projects and further delayed new contract awards in the E&C segment, resulted in lower EBITDA in Q2 2022 and higher net debt than had been forecast previously. In preparing the forecast to 31 December 2023, the Directors determined that an amendment to the existing financial covenants was required in order to maintain compliance during 2022 and 2023, both in the base case and in the mitigated severe but plausible downside case, due to the carryover effect of the trading result in Q2 2022 (covenants are calculated on a rolling 12-month basis).

Amendments to the calculation of EBITDA – for the purposes of the covenant calculation only - for both the leverage and interest cover covenants in the Revolving Credit Facility (RCF) and the two term loan facilities were approved by the RCF lenders and one term loan lender on 30 June 2022 and the other term loan lender on 22 July 2022. The Group is therefore projected to comply with its financial covenants in the mitigated severe but plausible downside scenario.

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

- the Group's lenders have been supportive over a number of years including, with respect to financial covenant setting during the debt refinancing in October 2021 and the amendments to financial covenants in March and in June / July 2022
- the Group has a positive outlook following the settlement of the SFO investigation, the reinstatement to ADNOC's bidding list, the capital raise and debt refinancing, the increase in energy prices and the associated improved macro-economic outlook for the industries in which it operates.
- the Group continues to forecast positive liquidity throughout the Assessment Period with improvement expected thereafter.

Assessment

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

- the Group retains sufficient liquidity to support operations, and settle debt as it becomes due, throughout the Assessment Period in the mitigated severe but plausible downside scenario.
- the Group remains compliant with the amended financial covenants throughout the Assessment Period in the mitigated severe but plausible downside scenario.
- the Group remains liquid in the remote downside scenario of securing no new orders in the Assessment Period, as demonstrated in the unmitigated stress test scenario, though in such a scenario it would breach its financial covenants.
- the Group has a proven track record of taking timely actions to effectively mitigate downside risks, including cutting costs, conserving cash and divesting assets.
- the Group's reinstatement to ADNOC's bidding list will provide a wider accessible market than assumed in the Group's business plan projections.
- the recent developments in Russia are not expected to have a material impact on the business over the Assessment Period with less than 0.5% of the backlog at 30 June 2022 derived from Russian projects and no new awards in Russia assumed in this period.
- a sustained oil price above $100 per barrel (the price used in the Group's business plan) would provide additional headroom on liquidity and financial covenant ratios (a sustained improvement of $10 per barrel would equate to approximately US$8 million EBITDA improvement). Additionally, sustained high energy prices and heightened energy security considerations are likely to increase investments in our core markets as well as in new energies.

Conclusion

The Directors concluded, after rigorously evaluating relevant, available information, that there are no events or conditions that cast significant doubt upon the Group's ability to continue as a going concern during the Assessment Period that require disclosure in the Group's interim financial statements for the half year ended 30 June 2022. This conclusion required a significant judgement with respect to the risk of a covenant breach over the period to 31 August 2023, as described above.

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, with the Directors expecting to remain compliant with the covenants at 30 September 2023 and to have options to either repay, extend or refinance the Revolving Credit Facility and term loans, which are otherwise available for use until October 2023, and November 2023, for the second term loan. The Group is forecast to maintain positive liquidity in the absence of any such refinancing in the mitigated severe but plausible downside scenario. The Directors' assessment considered the continued support from the Group's lenders and the positive outlook for the business as described above.

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 half year ended 30 June 2022 remains appropriate.

2.5 Significant judgements and estimates

The preparation of the Group's interim 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 2021.

2.6 Change in accounting policy

In April 2021, IFRIC published an agenda decision clarifying the accounting for implementation costs of Software-as-a-Service arrangements. As stated in note 2.3, SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As a result of this agenda decision, the Group has changed its accounting policy for such implementation costs and, to the extent that these costs do not give rise to an identifiable intangible asset, they are expensed in the consolidated income statement (having been capitalised previously).

The Group has assessed the impact of this change in accounting policy on cloud computing arrangements entered into during prior years and restated the comparative figures. As a result, an amount of US$5m of costs previously capitalised during the interim period ended 30 June 2021 have now been expensed in the consolidated income statement. This restatement has affected the consolidated income statement and statement of cash flows as shown on the following page.

The restatement represents a non-cash adjustment. The revision to the accounting policy has been accounted for retrospectively, resulting in a prior year restatement, and the comparative financial information has been restated as presented on the following page.

	30 June 2021 As reported US$m	Restatement US$m	30 June 2021 Restated US$m
Income statement and statement of comprehensive income impact			
Separately disclosed items – expense cloud configuration and customisation costs previously capitalised (note 5)	(124)	(5)	(129)
Business performance selling, general and administration expenses – amortisation previously expensed	(82)	2	(80)
Operating loss	(82)	(3)	(85)
Loss before tax	(91)	(3)	(94)
Net loss	(86)	(3)	(89)
Net loss attributable to Petrofac Limited shareholders	(86)	(3)	(89)
Comprehensive loss for the year	(78)	(3)	(81)
Loss per share (US cents):			
Loss per share – basic and diluted (note 9)	(25.4)	(0.9)	(26.3)

	30 June 2021 As reported US$m	Restatement US$m	30 June 2021 Restated US$m
Statement of cash flows impact			
Profit before tax and separately disclosed items	33	2	35
Depreciation, amortisation, business performance impairment and write-offs	35	(2)	33
Separately disclosed items paid – operating costs	(6)	(5)	(11)
Net cash flows used in operating activities	(21)	(5)	(26)
Payments for intangible assets	(10)	5	(5)
Net cash flows used in investing activities	(19)	5	(14)
Net decrease in cash and cash equivalents	69	-	69

3 Revenue from contracts with customers

	Six months ended 30 June 2022 Unaudited US$m	Six months ended 30 June 2021 Unaudited US$m
Rendering of services	**1,173**	1,581
Sale of crude oil and gas	**55**	14
	1,228	1,595

Revenues from rendering of services include "pass-through" revenues with zero or low margins amounting to US$26m (six months ended 30 June 2021: US$85m) in the Engineering & Construction operating segment and US$126m (six months ended 30 June 2021: US$41m) in the Asset Solutions operating segment.

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

	Six months ended 30 June 2022 (unaudited)				Six months ended 30 June 2021 (unaudited)			
	Engineering & Construction US$m	**Asset Solutions US$m**	**Integrated Energy Services US$m**	**Six months ended 30 June 2022 US$m**	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Six months ended 30 June 2021 US$m
Geographical markets								
United Kingdom	42	295	–	337		265	–	265
Algeria	191	–	–	191	209	–	–	209
Oman	139	8	–	147	217	6	–	223
Thailand	118	12	8	138	199	8	–	207
Iraq	29	49	–	78	29	58	–	87
Kuwait	66	3	–	69	158	1	–	159
United Arab Emirates	39	25	–	64	50	19	–	69
Singapore	–	–	47	47	–	–	14	14
United States of America	–	32	–	32	–	20	–	20
Bahrain	–	26	–	26	–	31	–	31
Netherlands	8	9	–	17	114	8	–	122
India	12	2	–	14	18	–	–	18
Kazakhstan	–	12	–	12	–	16	–	16
Malaysia	1	9	1	11	2	9	1	12
Australia	–	5	–	5	–	2	–	2
Saudi Arabia	4	–	–	4	5	–	–	5
Germany	3	–	–	3	6	–	–	6
Turkey	–	2	–	2	6	2	–	8
Russia	(2)	1	–	(1)	98	1	–	99
Others	20	12	–	32	–	23	–	23
Total revenue from contracts with customers	**670**	**502**	**56**	**1,228**	1,111	469	15	1,595
Type of goods or service								
Fixed-price	600	98	–	698	986	60	–	1,046
Reimbursable	70	404	1	475	125	409	1	535
Sale of crude oil and gas	–	–	55	55	–	–	14	14
Total revenue from contracts with customers	**670**	**502**	**56**	**1,228**	1,111	469	15	1,595
Customer type								
Government	408	97	8	513	738	106	–	844
Non-government	262	405	48	715	373	363	15	751
Total revenue from contracts with customers	**670**	**502**	**56**	**1,228**	1,111	469	15	1,595
Timing of revenue recognition								
Services transferred over time	670	502	1	1,173	1,111	469	1	1,581
Goods transferred at a point in time	–	–	55	55	–	–	14	14
Total revenue from contracts with customers	**670**	**502**	**56**	**1,228**	1,111	469	15	1,595

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 industry
- Asset Solutions, which mainly includes reimbursable engineering and production services activities to the oil and gas industry
- Integrated Energy Services, which produces and sells hydrocarbons extracted from the Block PM304 fields in Malaysia

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 notes 5 and appendix A for details. Consequently, the CODMs assess the performance of the operating segments based on a measure of business performance 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 2022 and the restated comparative information for the six months ended 30 June 2021:

Six months ended 30 June 2022 (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	670	502	56	–	–	1,228	–	1,228
Inter-segment sales	3	6	–	–	(9)	–	–	–
Total revenue	**673**	**508**	**56**	**–**	**(9)**	**1,228**	**–**	**1,228**
Operating (loss)/profit	(44)	30	21	(8)	–	(1)	22	21
Finance income	–	–	–	1	–	1	–	1
Finance expense	(1)	–	(2)	(41)	–	(44)	–	(44)
Share of net profit of associates and joint ventures	–	3	–	–	–	3	–	3
(Loss)/profit before tax	(45)	33	19	(48)	–	(41)	22	(19)
Income tax credit/(expense)	5	(3)	–	(1)	–	1	(1)	–
Net (loss)/profit	(40)	30	19	(49)	–	(40)	21	(19)
Attributable to:								
Petrofac Limited shareholders	(35)	30	19	(49)	–	(35)	21	(14)
Non-controlling interests	(5)	–	–	–	–	(5)	–	(5)
	(40)	**30**	**19**	**(49)**	**–**	**(40)**	**21**	**(19)**
EBIT[(1),(4)]	**(44)**	**33**	**21**	**(8)**	**–**	**2**		
EBITDA[(2),(3)]	**(38)**	**38**	**44**	**(5)**	**–**	**39**		

Notes:
(1) Earnings before interest and tax
(2) Earnings before interest, tax, depreciation and amortisation
(3) See Appendix A3
(4) See Appendix A4

4 Segment information continued

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Total US$m
Other segment information					
Depreciation	6	4	23	1	34
Amortisation, business performance impairment and write off	–	1	–	2	3
Separately disclosed items credit, pre-tax (note 5)	–	(1)	28	(5)	22
Expected credit loss allowance credit	(18)	(2)	–	(2)	(22)
Other long-term employment benefits	1	1	–	–	2
Share-based payments	1	1	–	1	3

Six months ended 30 June 2021 (unaudited and restated[1])

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Business performance US$m	Separately disclosed items[1] US$m	Reported US$m
Revenue								
External sales	1,111	469	15	–	–	1,595	–	1,595
Inter-segment sales	2	57	–	–	(59)	–	–	–
Total revenue	1,113	526	15	–	(59)	1,595	–	1,595
Operating profit/(loss)	21	39	(6)	(10)	–	44	(129)	(85)
Finance income	–	–	2	1	–	3	–	3
Finance expense	(1)	(1)	(3)	(12)	–	(17)	–	(17)
Share of net profit of associates and JV's	–	5	–	–	–	5	–	5
Profit/(loss) before tax	20	43	(7)	(21)	–	35	(129)	(94)
Income tax credit/(expense)	9	(7)	3	1	–	6	(1)	5
Net profit/(loss)	29	36	(4)	(20)	–	41	(130)	(89)
Attributable to:								
Petrofac Limited shareholders	30	35	(4)	(20)	–	41	(130)	(89)
Non-controlling interests	(1)	1	–	–	–	–	–	–
	29	36	(4)	(20)	–	41	(130)	(89)
EBIT[2],[4]	21	44	(6)	(10)	–	49		
EBITDA[3],[4]	35	49	4	(6)	–	82		

	Engineering & Construction US$m	Asset Solutions US$m	Integrated Energy Services US$m	Corporate & others US$m	Total US$m
Other segment information					
Depreciation	14	4	10	1	29
Amortisation, business performance impairment and write off (restated)[1]	–	1	–	3	4
Separately disclosed items, pre-tax (note 5) (restated)[1]	2	7	5	115	129
Expected credit loss allowance credit	(15)	(1)	(2)	–	(18)
Other long-term employment benefits	2	1	–	1	4
Share-based payments	2	1	–	1	4

Notes:
(1) The prior period numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration & customisation costs in April 2021; note 2.6.
(2) Earnings before interest and tax
(3) Earnings before interest, tax, depreciation and amortisation
(4) See Appendix A3 and A4

5 Separately disclosed items

	Six months ended 30 June 2022 Unaudited US$m	Six months ended 30 June 2021 (restated)[1] Unaudited US$m
Impairment (reversal) / charge of assets	(21)	2
Fair value re-measurements (note 11)	(9)	6
Cloud ERP software implementation costs (expensed due to change in accounting policy – note 2.6)	4	5
UK Serious Fraud Office proceedings	–	106
Other separately disclosed items	4	10
	(22)	129
Foreign exchange translation loss on deferred tax balance	–	1
Tax charge on separately disclosed items	1	–
	1	1
Interim condensed consolidated income statement (credit)/charge for the period	(21)	130

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

(1) The prior period numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6.

Impairment of assets

At 30 June 2022, internal and external impairment related indicators of reversal of impairment existed, predominantly due to the volatility in global oil prices. Consequently, the Group performed an impairment review of the carrying value amount of its Block PM304 oil and gas assets on a fair value less cost of disposal basis (Level 3 of the ‘fair value hierarchy’ contained within IFRS 13 ‘Fair Value Measurement’) using a post-tax discount rate of 10.0%. These reviews involved assessing the field operational performance, robustness of the future development plans and oil price and licence extension assumptions. This assessment resulted in an impairment reversal of US$22m (six months ended 30 June 2021: US$nil) allocated to property, plant and equipment in the Integrated Energy Services operating segment.

The average oil price assumptions used by management were US$100 per barrel for the remainder of 2022, US$80 for 2023, US$65 per barrel for 2024 and US$60 per barrel for the remaining period of the assessment. The oil price assumption and the likelihood of a licence extension beyond 2026 were the most sensitive inputs in determining the fair value less cost of disposal; a 10% decrease in oil prices would result in an impairment charge of US$29m.

At 30 June 2022, management identified impairment indicators for one of the Group’s subsidiaries in the United Kingdom and as a result reviewed the carrying amount of property, plant and equipment including right-of-use assets relating to that subsidiary using the value-in-use basis. The value-in-use was calculated using the latest approved cash flow forecasts for the years to 2024 and no increase in cash flows for the period 2025 and beyond. This review resulted in an impairment charge of US$1m in the Asset Solutions operating segment (six months ended 30 June 2021: US$2m) relating to the right-of-use asset associated with a facility in the UK.

Fair value re-measurements

During 2022, the Group reached an agreement in respect of the contingent consideration receivable arising from the 2020 disposal of the Group’s operations in Mexico and received a final settlement amounting to US$47m, of which US$46m was allocated to the contingent consideration receivable (with the remaining US$1m allocated to other receivables). As a result, the Group recognised a fair value gain of US$9m in the Integrated Energy Services operating segment (six months ended 30 June 2021: US$5m downward fair value adjustment following management’s reassessment of the fair value of the contingent consideration receivable).

During 2021, management reviewed the carrying amount of the contingent consideration payable associated with the acquisition of W&W Energy Services Inc ('W&W'), following a change to the contingent consideration earn-out terms. This resulted in a negative fair value adjustment of US$1m being recognised in the Asset Solutions operating segment during the six months ended 30 June 2021. At the end of the period, the fair value of contingent consideration payable was calculated using an expected value pay-out approach applying a discount rate of 15.2% (Level 3 of the ‘fair value hierarchy’ contained within IFRS 13 ‘Fair Value Measurement’). The fair value represented management’s best estimate based on the expected financial performance targets that will be achieved by W&W, over the remaining evaluation period i.e. 2022 and 2023.

5 Separately disclosed items continued

Software implementation costs

Following IFRIC's agenda decision published in April 2021, the Group revised its accounting policy regarding the customisation and configuration costs incurred when implementing a SaaS arrangement (see note 2.6). The Group is currently undertaking a major systems implementation for a new cloud computing software, which resulted in costs of US$4m being recognised as an expense in the current period (six months ended 30 June 2021(restated): US$5m). The first two phases of the implementation have been successfully completed.

Due to the size, nature and incidence of these costs, they are presented as a separately disclosed item, as they are not reflective of underlying performance. Additionally, as this is a large and complex implementation, it is expected that it will be completed over the next two to three years, especially following the disruption caused by COVID-19.

UK Serious Fraud Office proceedings

In the prior year, following the UK Serious Fraud Office ("SFO") investigation launched in 2017, the Company reached a plea agreement with the SFO in September 2021. As a result, on 4 October 2021 the Southwark Crown Court ordered the Company to pay a penalty of £77.0m and all amounts were paid during period.

Other separately disclosed items

In 2022, the Group sold the remaining deferred consideration receivable amounting to US$43m from Ithaca Energy UK Ltd and recognised a loss of US$3m in the Integrated Energy Services operating segment (note 11). Additionally, the Group incurred a further US$1m of professional services fees relating to the Corporate reporting segment (six months ended 30 June 2021: US$5m).

In the prior year, a loss on disposal of US$4m was recognised in the Asset Solutions operating segment that related to the disposal of the Group's survival and marine, health and safety, fire and major emergency management capability and facilities in Scotland. Additionally, in the prior year, the Engineering & Construction operating segment incurred US$1m of reorganisation and redundancy costs and there was a foreign currency translation loss of US$1m relating to the translation of deferred tax balances denominated in Malaysia ringgits in respect of the Group's assets in Malaysia, relating to the Integrated Energy Services operating segment.

6 Expected credit loss ("ECL") allowance

	Six months ended 30 June 2022 Unaudited US$m	Six months ended 30 June 2021 Unaudited US$m
ECL on trade receivables (note 12)	(1)	(1)
ECL on contract assets (note 13)	(19)	(16)
ECL on other financial assets (note 11)	(1)	(1)
ECL on cash and bank balances (note 14)	(1)	–
Total ECL credit	(22)	(18)

The reversal of the ECL provision is mainly due to Group's reassessment of reduction in the probability of default from a customer in the Engineering and Construction Operating segment where the balance had been assessed as impaired in prior years. The probability of default was reassessed based on ongoing negotiations and continued recent collections from the customer. 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 2022 Unaudited US$m	Six months ended 30 June 2021 Unaudited US$m
Finance income		
Bank interest	**1**	1
Unwinding of discount on receivables (note 11)	**–**	2
	1	3
Finance expense		
Group borrowings	**(40)**	(12)
Lease liabilities	**(3)**	(4)
Unwinding of discount on provisions (note 17)	**(1)**	(1)
	(44)	(17)

Group borrowing costs have increased during the six months ended 30 June 2022 following the debt refinancing exercise and the issuing of the senior secured notes (note 16), completed in October 2021.

8 Income tax

	Business Performance [(1)] US$m	**Separately disclosed items US$m**	**Reported six months ended 30 June 2022 Unaudited US$m**	Business performance [(1)] US$m	Separately disclosed items US$m	Reported six months ended 30 June 2021 Unaudited US$m
Current income tax						
Current income tax expense	**13**	**–**	**13**	18	–	18
Adjustments in respect of previous periods	**(16)**	**1**	**(15)**	(16)	–	(16)
Deferred tax						
Relating to origination and reversal of temporary differences	**2**	**–**	**2**	(7)	1	(6)
Adjustments in respect of deferred tax of previous years	**–**	**–**	**–**	(1)	–	(1)
Income tax (credit)/expense reported in the interim condensed consolidated income statement	**(1)**	**1**	**–**	(6)	1	(5)

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

The Group's business performance effective tax rate for the six months ended 30 June 2022 was 2.4% (six months ended 30 June 2021: negative 17.1%) and reported effective tax rate was nil (six months ended 30 June 2021: 5.3%). The change from the prior period was mainly due to the change in the profit mix, along with a reduction in the release of uncertain tax treatment items and losses in territories for which no tax relief was available.

The adjustments in respect of previous periods for the six months ended 30 June 2022 mainly relate to the release of uncertain tax treatment items in various territories because of the successful outcomes of tax assessments.

9 Earnings/(loss) per share

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

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

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

	Six months ended 30 June 2022 Unaudited US$m	Six months ended 30 June 2021 (restated)[1] Unaudited US$m
Business performance net (loss)/profit attributable to Petrofac Limited shareholders for basic and diluted earnings per share	**(35)**	41
Separately disclosed items attributable to Petrofac Limited shareholders for basic and diluted earnings per share	**21**	(130)
Reported net loss attributable to Petrofac Limited shareholders for basic and diluted earnings per share	**(14)**	(89)

	30 June 2022 Shares Unaudited Million	30 June 2021 Shares Unaudited Million
Weighted average number of ordinary shares for basic earnings per share[2]	**514**	338
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	**514**	338

	Six months ended 30 June 2022 Unaudited US cents	Six months ended 30 June 2021 (restated)[1] Unaudited US cents
Basic earnings per share		
Business performance	**(6.8)**	12.1
Separately disclosed items	**4.1**	(38.4)
Reported	**(2.7)**	(26.3)
Diluted earnings per share[3]		
Business performance	**(6.8)**	12.1
Separately disclosed items	**4.1**	(38.4)
Reported	**(2.7)**	(26.3)

Notes

(1) The prior period numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6.

(2) The weighted number of issued ordinary shares excludes those held by the Employee Benefit Trust.

(3) For the six months ended 30 June 2022 and 2021, 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 increase in property, plant and equipment of US$27m was due to additions of US$44m and a net reversal of impairment charge of US$21m (note 5) partially offset by a depreciation charge for the six months ended 30 June 2022 of US$34m (including depreciation of right of use assets of US$11m), disposals of US$1m and foreign currency translation adjustments of US$3m.

Of the total additions of US$44m, US$24m relates to additions of oil and gas assets in Block PM304 in Malaysia, US$5m is transfers from intangible assets to oil and gas assets relating to Block PM304 in Malaysia and US$11m of additions to right of use assets as a result of new lease agreements and extensions of existing lease agreements.

As noted above, during the six months ended 30 June 2022, the Group reassessed its estimates and reversed US$22m of the initially recognised impairment in relation to its Block PM304 oil and gas assets on a fair value less cost of disposal basis (Level 3 of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement'). The impairment loss and subsequent reversal have been recorded as Separately Disclosed Items (note 5) and allocated to property, plant and equipment.

11 Other financial assets and other financial liabilities

Other financial assets	30 June 2022 Unaudited US$m	31 December 2021 US$m
Non-current		
Receivable from joint operation partners for leases	**76**	93
Deferred consideration receivable from Ithaca Energy UK Ltd	**–**	5
Advances relating to provision for decommissioning	**37**	32
Restricted cash	**40**	79
	153	209
Current		
Receivable from joint operation partners for leases	**34**	34
Deferred consideration receivable from Ithaca Energy UK Ltd	**–**	49
Contingent consideration arising from the disposal of Group's operations in Mexico	**–**	36
Receivable from Shanghai Zhenhua Heavy Industries Co Ltd	**5**	5
Restricted cash	**70**	58
Derivative contracts not designated as hedges	**10**	1
	119	183
Other financial liabilities		
Non-current		
Lease liabilities	**170**	190
Contingent consideration payable arising from acquisition of W&W Energy Services Inc	**2**	5
	172	195
Current		
Lease liabilities	**64**	61
Contingent consideration payable arising from acquisition of W&W Energy Services Inc	**3**	2
Interest payable	**9**	9
Derivative contracts designated as hedges	**11**	–
Derivative contracts not designated as hedges	**–**	5
Embedded derivative in respect of the revolving credit facility (note 16)	**4**	4
	91	81

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. The Group's 35.3% share of this liability at 30 June 2022 was US$59m (31 December 2021: US$59m). At 30 June 2022, 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.

11 Other financial assets and other financial liabilities continued

Deferred consideration receivable from Ithaca Energy UK Ltd
The deferred consideration receivable from Ithaca Energy UK Ltd relating to the disposal of Petrofac GSA Holdings Limited, is measured at amortised cost using a discount rate of 8.4%. During the six months ended 30 June 2022, the Group received US$12m of the deferred consideration from Ithaca Energy UK Ltd and also sold the remaining receivable, with a carrying value of US$43m. Upon sale of the receivable, the Group recognised a loss of US$3m in the Integrated Energy Services operating segment for the six months ended 30 June 2022.

	30 June 2022 Unaudited US$m	31 December 2021 US$m
Opening balance (non-current and current)	**54**	48
Unwinding of discount (note 7)	**–**	5
Expected credit loss allowance credit	**1**	1
Loss on sale of receivable (note 5)	**(3)**	–
Receipts	**(52)**	–
As at end of the reporting period	**–**	54

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.

Contingent consideration arising from the disposal of the Group's operations in Mexico
In April 2022, the Group reached full and final settlement in respect of the contingent consideration receivable arising from the 2020 disposal of the Group's operations in Mexico and received US$47m, of which US$46m was allocated to the contingent consideration receivable. As a result, the Group recognised a fair value gain of US$9m (note 5).

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.

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

	30 June 2022 Unaudited US$m	31 December 2021 US$m
Opening balance	**7**	4
Fair value loss (note 5)	**–**	3
Payments	**(2)**	–
As at end of the reporting period	**5**	7

11 Other financial assets and other financial liabilities continued

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 2022 Unaudited US$m	31 December 2021 US$m	**30 June 2022 Unaudited US$m**	31 December 2021 US$m
Financial assets					
Measured at amortised cost					
Restricted cash	Level 2	**110**	137	**110**	137
Receivable from joint operation partners for leases	Level 2	**110**	127	**110**	127
Deferred consideration receivable from Ithaca Energy UK Ltd	Level 2	**–**	54	**–**	54
Receivable from Shanghai Zhenhua Heavy Industries Co Ltd	Level 2	**5**	5	**5**	5
Advances relating to provision for decommissioning	Level 2	**37**	32	**37**	32
Measured at fair value through profit and loss					
Contingent consideration arising from the disposal of the Group's operations in Mexico	Level 3	**–**	36	**–**	36
Contingent consideration arising from the disposal of the JSD6000 installation vessel	Level 3	**55**	55	**55**	55
Derivative contracts	Level 2	**10**	1	**10**	1
Financial liabilities					
Measured at amortised cost					
Senior secured notes (note 16)	Level 1	**581**	580	**453**	595
Term loans	Level 2	**99**	99	**99**	99
Revolving Credit Facility	Level 2	**91**	85	**91**	85
Interest payable	Level 2	**9**	9	**9**	9
Measured at fair value through profit and loss					
Contingent consideration payable	Level 3	**5**	7	**5**	7
Derivative contracts	Level 2	**11**	5	**11**	5
Embedded derivative in respect of the revolving credit facility	Level 3	**4**	4	4	4

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 and are discussed further below.

- The fair value of the contingent consideration arising from the disposal of the Group's operations in Mexico at 30 June 2022 was US$nil (31 December 2021: US$36m). The estimation of the fair value of the contingent consideration as at 31 December 2021 reflected management's expectation of (i) the final determination of the completion consideration amount; (ii) proceeds associated with a ruling by the Tax Administration Service in Mexico; and (iii) achieving the contingent consideration criteria in the SPA associated with the migration of Magallanes and Arenque Production Enhancement Contracts to Production Sharing Contracts. Management applied risk factors (a Level 3 measurement of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement') to the maximum contingent consideration amounts receivable to estimate the fair value of the contingent consideration.

The following methods and assumptions were used to estimate the fair values for material financial instruments:

- The fair value of deferred consideration receivable from Ithaca Energy UK Ltd as at 31 December 2021 was equivalent to its amortised cost determined as the present value of discounted future cash flows using the discount rate of 8.4%.
- The fair value of long-term interest-bearing loans and borrowings (excluding senior secured notes) and receivable from joint operation partners for leases are equivalent to their amortised costs determined as the present value of discounted future cash flows using the effective interest rate.
- The contingent consideration payable of US$5m (31 December 2021: US$7m) arising from acquisition of W&W Energy Services Inc, calculated using expected value pay-out approach using a discount rate of 15.2% (Level 3 of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement'), represented management's best estimate based on the expected financial performance targets that will be achieved by W&W, over the remaining evaluation period.

12 Trade and other receivables

	30 June 2022 Unaudited US$m	31 December 2021 US$m
Trade receivables	**496**	405
Advances to vendors and sub-contractors	**113**	147
Prepayments and deposits	**28**	21
Receivables from joint operation partners	**55**	47
Other receivables (including related party receivables)	**66**	48
	758	668

The increase in trade receivables of US$91m was mainly due to one contract in the Engineering & Construction operating segment of US$102m offset by a number of smaller reductions across several other projects. At 30 June 2022, the Group had an expected credit loss allowance of US$19m (31 December 2021: US$23m of which US$3m was transferred to ECL against retention receivables during the period) against a total trade receivable balance of US$515m (31 December 2021: US$428m).

The decrease in advances to vendors and sub-contractors of US$34m was mainly due increased progress on projects relating to contracts in the Engineering & Construction segment resulting in previous advances being settled whilst no significant advances were received for the new projects during the period.

Other receivables include related party receivables of US$1m as at 30 June 2022 (31 December 2021: US$1m).

13 Contract assets

	30 June 2022 Unaudited US$m	31 December 2021 US$m
Work in progress	**1,252**	1,325
Retention receivables	**193**	211
Accrued income	**38**	44
	1,483	1,580

At 30 June 2022, work in progress included variation orders pending customer's approval of US$412m (31 December 2021: US$337m). At 30 June 2022, the Group had an expected credit loss allowance of US$4m (31 December 2021: US$5m) against a work in progress balance of US$1,256m (31 December 2021: US$1,330m). The overall decrease in work in progress is due to the maturation of the overall project portfolio, with several projects nearing completion and achieving project milestones, resulting in the issuing of associated customer invoices.

The decrease in retention receivables of US$18m was mainly due to reversal and collection of US$35m during the period, partially offset by US$15m reduction in ECL allowance in the Engineering & Construction operating segment. At 30 June 2022, the Group had an expected credit loss allowance of US$1m (31 December 2021: US$16m, of which US$3m was transferred from ECL against trade receivables during the period) and US$1m (31 December 2021: US$2m) respectively against a retention receivable balance of US$194m (31 December 2021: US$227m) and an accrued income balance of US$39m (31 December 2021: US$46m) respectively.

14 Cash and short-term deposits

	30 June 2022 Unaudited US$m	31 December 2021 US$m
Cash at bank and in hand	**397**	498
Short-term deposits	**33**	123
ECL allowance	**–**	(1)
Cash and short-term deposits	**430**	620

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

	30 June 2022 Unaudited US$m	31 December 2021 US$m
Cash and short-term deposits	**430**	621
ECL allowance	**-**	(1)
Cash and cash equivalents (net)	**430**	620

15 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 2021	(4)	(29)	76	43
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	1	–	–	1
Foreign currency translation	–	3	–	3
Foreign currency translation losses reclassified to the consolidated comprehensive income	–	8	–	8
Issue of Company's shares by Employee Benefit Trust	–	–	(20)	(20)
Credit to equity for share-based payments charge	–	–	7	7
Balance at 31 December 2021	(3)	(18)	63	42
Attributable to:				
Petrofac Limited shareholders	(3)	(18)	63	42
Non-controlling interests	–	–	–	–
Balance at 31 December 2021	(3)	(18)	63	42
Balance at 1 January 2022	(3)	(18)	63	42
Net losses on maturity of cash flow hedges recycled in the period	5	–	–	5
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	(11)	–	–	(11)
Foreign currency translation	–	19	–	19
Issue of Company's shares by Employee Benefit Trust	–	–	(4)	(4)
Credit to equity for share-based payments charge	–	–	3	3
Balance at 30 June 2022 (unaudited)	**(9)**	**1**	**62**	**54**
Attributable to:				
Petrofac Limited shareholders	(9)	1	62	54
Non-controlling interests	–	–	–	–
Balance at 30 June 2022 (unaudited)	**(9)**	**1**	**62**	**54**

16 Interest-bearing loans and borrowings

	30 June 2022 Unaudited US$m	31 December 2021 US$m
Non-current		
Senior secured notes	**581**	580
Term loans	**50**	99
Revolving Credit Facility	**91**	85
	722	764
Current		
Term loans	**49**	–
	49	–
Total interest-bearing loans and borrowings	**771**	764

16 Interest-bearing loans and borrowings continued

Details of the Group's interest-bearing loans and borrowings as at 30 June 2022 are as follows:

Senior secured notes

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

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

Revolving credit facility

The Group has a US$180m committed revolving credit facility with a syndicate of international banks, which is available for general corporate purposes. The facility is due to mature in October 2023 with options to extend[(1)]. At 30 June 2022, US$99m was drawn under this facility (31 December 2021: US$95m). Interest is payable on the drawn balance of the facility and in addition, utilisation fees are payable depending on the level of utilisation.

The facility agreement provides for the Group to pay a certain proportion of any up-front fee incurred by the 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 was estimated at US$4m (Level 3 of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement') as at 30 June 2022 (31 December 2021: US$4m)

(1) The option to extend the revolving credit facility, by an incremental six months to April 2024 and October 2024, is subject to the approval of lenders.

Term loans

At 30 June 2022, the Group had in place two bilateral term loans with a combined total of US$99m (31 December 2021: two bilateral term loans with a combined total of US$99m). At 30 June 2022, US$99m was drawn under these facilities, of which US$50m is scheduled to mature in October 2023 and US$49m in November 2023 (31 December 2021: US$99m, with US$50m is scheduled to mature in October 2023 and US$49m in November 2023).

As the approval for the amendment to the covenant calculation effective from 30 June 2022 (see below) was received from one of the term loan lenders after the balance sheet date (with all other lenders consenting by 30 June 2022), the loan from that lender has been reclassified as current as at 30 June 2022.

Bank overdrafts

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

Compliance with covenants

The revolving credit facility and the term loans (together, the 'Senior Loans') are subject to two financial covenants relating to leverage and interest cover. These covenants are tested at 30 June and 31 December (and additionally on any quarter end date falling on 31 March or 30 September on which the revolving credit facility is more than 33% drawn). The leverage financial covenant is defined as the ratio of net debt (including net leases but excluding cash over which there are exchange control restrictions), at the end of the reporting period to the previous 12 months' EBITDA. The interest cover financial covenant is defined as the ratio of the previous 12 months' EBITDA to the previous 12 months' net finance expense (excluding debt acquisition cost amortisation).

The Group was compliant with its covenants throughout the period. However, as noted in the going concern disclosure (note 2.4), the extended impact of COVID-19 resulted in a deterioration in EBITDA in Q2 2022 and due to the carryover effect of this result on the subsequent financial covenants (calculated on a rolling 12-month basis), Senior Loan lenders granted an amendment such that certain costs were agreed to be excluded from the computation of EBITDA for the quarter ended 30 June 2022 for the purposes of the covenant calculations.

The financial covenants remain as follows:

– Leverage financial covenant: shall not exceed a ratio of 4.5:1 throughout 2022, falling to 3.5:1 thereafter.

– Interest cover financial covenant: shall not be less than a ratio of 1.0:1 at 30 September 2022, if tested at this date and 1.75:1 thereafter.

The Senior Loans are senior unsecured obligations of the Company and will rank equally in right of payment with each other and with the Company's other existing and future unsecured and unsubordinated indebtedness.

17 Provisions

Non-current

The increase in non-current provisions of US$1m in the period was due to an increase in provisions for decommissioning relating to Block PM304 in Malaysia of US$8m (six months ended 30 June 2021: US$6m) and a new long-term employment benefit provision of US$1m (six months ended 30 June 2021: US$4m) partially offset by long-term employment benefit provisions paid of US$7m (six months ended 30 June 2021: US$24m) and a decrease in other provisions of US$1m (six months ended 30 June 2021: US$nil).

Current

The decrease in current provisions of US$18m was mainly due to a net utilisation of an onerous contract provision relating to a contract in the Engineering & Construction operating segment of US$20m offset by additional onerous contracts provisions recognised of US$11m (six months ended 30 June 2021: net onerous contract provision recognised of US$8m). Furthermore, total other provisions have reduced by US$9m, comprising US$4m in the Integrated Energy Services operating segment where the provision was released following the expiry of the claim period relating to the associated potential liability and US$5m of releases across a number of smaller provisions in the Asset Solutions operating segment.

18 Trade and other payables

	30 June 2022 Unaudited US$m	31 December 2021 US$m
Trade payables	**457**	561
Accrued expenses	**230**	267
SFO court penalty (note 5)	**-**	104
Other taxes payable	**30**	18
Other payables	**140**	140
	857	1,090

The decrease in trade payables of US$104m was primarily due to a decrease of US$112m in the Engineering & Construction operating segment, of which US$37m relates to one project mainly arising from settlements made with suppliers, offset by new invoices received and not settled as at 30 June 2022.

The increase in other payables of US$14m relates to one contract with a supplier in the Engineering & Construction operating segment, where the guarantee provided by supplier has expired and hence the retention withheld has been increased.

The SFO court penalty of US$104m (as at 31 December 2022) was settled during the period.

19 Contract liabilities

	30 June 2022 Unaudited US$m	31 December 2021 US$m
Billings in excess of costs and estimated earnings	**97**	40
Advances received from customers	**61**	18
	158	58

At 30 June 2022, billings in excess of costs and estimated earnings included an offset for assessed variation orders pending customer approval of US$nil (31 December 2021: US$1m).

An increase in billings in excess of costs and estimated earnings of US$57m was mainly due to advanced billings to customers of US$87m relating to four contracts in the Engineering & Construction operating segment offset by revenue recognised in excess of billings of US$30m on various contracts.

Increase in advances received from customers of US$43m is due to advances received from an ongoing contract in the Engineering and Construction operating segment and advances received on contracts awarded in the current year.

20 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$112m was mainly due to higher payment milestones relating to vendors and subcontractors achieved during the period in the Engineering & Construction operating segment.

21 Related party transactions

As at 30 June 2022, the Group had receivables from joint ventures and other related parties of US$343,000 (2021: US$1m) and US$314,000 (2021 nil), respectively.

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 2021, US$1m payments were made to the AUB (six months ended 30 June 2021: US$nil). One of the Group's Non-executive Directors who is also a significant shareholder of the Company is a trustee of the AUB.

22 Commitments and contingent liabilities

Capital commitments

At 30 June 2022 the Group had capital commitments of US$17m (31 December 2021: US$15m):

	30 June 2022 Unaudited US$m	31 December 2021 US$m
Block PM304 in Malaysia	**9**	11
Commitments in respect of development of the Group's digital systems and other information technology equipment	**4**	1

Contingent liabilities

National Insurance Contributions to workers in the UK Continental Shelf

A Group subsidiary is subject to challenges by HMRC on the historical application of National Insurance Contributions (NICs) to workers in the UK Continental Shelf. In October 2020, a decision was issued by HMRC against Petrofac Facilities Management Limited (PFML) in respect of the historic application of NICs. PFML has appealed against the decision and no payment has been made to HMRC pending the outcome of the First-tier Tribunal (Tax). Management, taking into consideration advice from independent legal and tax specialists, believes that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and accordingly, no provision has been recognised. The maximum potential exposure to PFML in relation to NICs and interest should it be unsuccessful in defending its position is approximately £129m, equivalent to US$157m.

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. The possible recoverability of the amounts receivable from the customers, should the Group be unsuccessful in defending its position, may be subject to further negotiations with the customers. The Group is in the process of estimating the possible recoverable amount if it is unsuccessful in defending its position.

APPENDICES

For the six months ended 30 June 2022

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
Business performance effective tax rate ('ETR') (note A5)	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 A6)	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
Free cash flow (note A7)	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

APPENDICES

For the six months ended 30 June 2022

APM	Description	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements	Rationale for adjustments
Working capital, balance sheet measure (note A8)	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
Return on capital employed ('ROCE') (note A9)	Measures the efficiency of generating operating profits from capital employed	No direct equivalent. Calculated as business performance earnings before interest, tax and amortisation (EBITA) divided by capital employed (average total assets minus average current liabilities after adjusting for certain leases)	n/a	n/a
Cash conversion (note A10)	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 A11)	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 A12)	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 A13)	Provides visibility of future revenue	No direct equivalent. Calculated as net awards plus net variation orders	n/a	n/a

APPENDICES

For the six months ended 30 June 2022

A1. Business performance net profit attributable to Petrofac Limited shareholders

	Six months ended 30 June 2022 Unaudited US$m	Six months ended 30 June 2021 (restated)[1] Unaudited US$m
Reported net loss (A)	**(19)**	(89)
Adjustments – separately disclosed items (note 5):		
Impairment (reversal) / charge on assets	**(21)**	2
Fair value re-measurements	**(9)**	6
Cloud ERP implementation costs	**4**	5
UK SFO proceedings	**–**	106
Other separately disclosed items	**4**	10
Pre-tax separately disclosed items (B)	**(22)**	129
Tax charge on separately disclosed items	**1**	–
Foreign exchange translation loss on deferred tax balance	**–**	1
Separately disclosed tax items (C)	**1**	1
Post-tax separately disclosed items (D = B + C)	**(21)**	130
Group's business performance net (loss) / profit (A + D)	**(40)**	41
Loss attributable to non-controlling interest	**(5)**	–
Business performance net (loss)/profit attributable to Petrofac Limited shareholders	**(35)**	41

(1) The prior period numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6.

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

	Six months ended 30 June 2022 Unaudited US$m	Six months ended 30 June 2021 (restated)[1] Unaudited US$m
Reported net loss attributable to Petrofac Limited shareholders (E)	**(14)**	(89)
Add: post-tax separately disclosed items (appendix A, note A1)	**(21)**	130
Business performance net profit attributable to Petrofac Limited shareholders (E_1)	**(35)**	41

(1) The prior period numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6.

	30 June 2022 Unaudited shares Million	30 June 2021 Unaudited shares Million
Weighted average number of ordinary shares for basic earnings per share[2] (F) (note 9)	**514**	338
Weighted average number of ordinary shares for diluted earnings per share[3] (F_1) (note 9)	**514**	338

	Six months ended 30 June 2022 Unaudited US$m	Six months ended 30 June 2021 (restated)[1] Unaudited US$m
Basic earnings/(loss) per share		
Business performance (E_1 / F x 100)	**(6.8)**	12.1
Reported (E / F x 100)	**(2.7)**	(26.3)
Diluted earnings/(loss) per share[3]		
Business performance (E_1 / F_1 x 100)	**(6.8)**	12.1
Reported (E / F_1 x 100)	**(2.7)**	(26.3)

Notes
(1) The prior period numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6.
(2) The weighted number of issued ordinary shares excludes those held by the Employee Benefit Trust.
(3) For the six months ended 30 June 2022, potentially issuable ordinary shares under the share-based payment plans are excluded from the diluted earnings per ordinary share calculation, as their inclusion would decrease the loss per ordinary share.

A3. Business performance EBITDA

	Six months ended 30 June 2022 Unaudited US$m	Six months ended 30 June 2021 (restated)[1] Unaudited US$m
Reported operating profit / (loss)	**21**	(85)
Adjustments:		
Pre-tax separately disclosed items (appendix A, note A1)	**(22)**	129
Share of net profit of associates and joint ventures	**3**	5
Depreciation (note 4)	**34**	29
Amortisation, business performance impairment and write off (note 4)	**3**	4
Business performance EBITDA	**39**	82

(1) The prior period numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6.

A4. Business performance EBIT

	Six months ended 30 June 2022 Unaudited US$m	Six months ended 30 June 2021 (restated)[1] Unaudited US$m
Reported operating profit / (loss)	**21**	(85)
Adjustments:		
Pre-tax separately disclosed items (appendix A, note A1)	**(22)**	129
Share of net profit of associates and joint ventures	**3**	5
Business performance EBIT	**2**	49

(1) The prior period numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6.

A5. Business performance ETR

	Six months ended 30 June 2022 Unaudited US$m	Six months ended 30 June 2021 (restated)[1] Unaudited US$m
Reported income tax expense	**-**	(5)
Add: Tax expense on separately disclosed items (appendix A, note A1)	**(1)**	(1)
Business performance income tax credit (G)	**(1)**	(6)
Business performance net (loss)/profit (appendix A, note A1)	**(40)**	41
Business performance net profit before tax (H)	**(41)**	35
Business performance ETR (G / H x 100)	**2.4%**	(17.1%)

(1) The prior period numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6.

APPENDICES

For the six months ended 30 June 2022

A6. Capital expenditure

	Six months ended 30 June 2022 Unaudited US$m	Six months ended 30 June 2021 Unaudited US$m
Net cash flows (generated from) / used in investing activities	**(78)**	14
Adjustments:		
Dividend received from associates and joint ventures	**3**	1
Contingent consideration paid	**(2)**	–
Net proceeds from disposal of subsidiaries, including receipt against deferred and contingent consideration	**98**	9
Disposal costs paid	**-**	(1)
Interest received	**1**	1
Capital expenditure	**22**	24

A7. Free cash flow

	Six months ended 30 June 2022 Unaudited US$m	Six months ended 30 June 2021 (restated)(1),(2) Unaudited US$m
Net cash flows used in operating activities	**(220)**	(26)
Net cash flows generated from / (used in) investing activities	**78**	(14)
Interest paid	**(38)**	(11)
Repayment of lease liabilities	**(13)**	(18)
Free cash flow	**(193)**	(69)

(1) The prior period numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6.
(2) The definition of free cash flow has been amended to include the repayment of lease liabilities.

A8. Working capital

	30 June 2022 Unaudited US$m	31 December 2021 (restated)(1) US$m
Inventories	**20**	23
Trade and other receivables (note 12)	**758**	668
Contract assets (note 13)	**1,483**	1,580
Restricted cash	**110**	137
Assets (I)	**2,371**	2,408
Trade and other payables (note 18)	**857**	1,090
Contract liabilities (note 19)	**158**	58
Accrued contract expenses	**668**	780
Liabilities (J)	**1,683**	1,928
Working capital (I - J)	**688**	480

(1) In the normal course of business, the Group issues guarantees and bonds (via banks and sureties) in respect of contract performance, advance payments and retentions, and, in certain limited instances, pledges cash collateral ('restricted cash') against such instruments. Therefore, the definition of the Group's APM for working capital has been amended during the year (and the prior year comparative restated) to include 'restricted cash' (a component of 'other financial assets') as this provides useful information to aid the understanding of the Group's working capital position.

A9. Return on capital employed

	Six months ended 30 June 2022 Unaudited US$m	Six months ended 30 June 2021 (restated)[1] Unaudited US$m
Reported operating loss (12 months)	**(24)**	(202)
Adjustments:		
Operating profit - separately disclosed items (12 months)	**8**	270
Share of profits from associates and joint ventures (12 months)	**5**	7
Amortisation (12 months)	**5**	7
Business performance EBITA (12 months) (K)	**(6)**	82
Total assets opening balance	**4,322**	5,437
Less: lease adjustment relating to Block PM304 in Malaysia	**(158)**	(221)
Adjusted total assets opening balance (L)	**4,164**	5,216
Total assets closing balance	**3,522**	4,322
Less: lease adjustment relating to Block PM304 in Malaysia (note A10)	**(110)**	(158)
Adjusted total assets closing balance (M)	**3,412**	4,164
Average total assets (N = (L + M) / 2)	**3,788**	4,690
Current liabilities opening balance	**3,526**	3,420
Less: lease adjustment relating to Block PM304 in Malaysia (note A10)	**(50)**	(125)
Adjusted current liabilities opening balance (O)	**3,476**	3,295
Current liabilities closing balance	**1,971**	3,526
Less: lease adjustment relating to Block PM304 in Malaysia (note A10)	**(34)**	(50)
Adjusted current liabilities closing balance (P)	**1,937**	3,476
Average current liabilities (Q = (O + P) / 2)	**2,707**	3,386
Capital employed (R = N – Q)	**1,081**	1,305
Return on capital employed (K / R x 100)	**(0.6)%**	6.3%

(1) The prior period numbers are restated in relation to the adoption of the IFRIC decision on cloud configuration and customisation costs in April 2021; see note 2.6.

A10. Cash conversion

	Six months ended 30 June 2022 Unaudited US$m	Six months ended 30 June 2021 Unaudited US$m
Cash (used in)/generated from operations (S)	**(73)**	1
Business performance EBITDA (T)	**39**	82
Cash conversion (S / T x 100)	**(187.2%)**	1.2%

A11. Net lease liabilities

	30 June 2022 Unaudited US$m	31 December 2021 US$m
Non-current liability for leases (note 11)	**170**	190
Current liability for leases (note 11)	**64**	61
Total gross liability for leases	**234**	251
Gross up on non-current liability for leases relating to Block PM304 in Malaysia (note 11)	**76**	93
Gross up on current liability for leases relating to Block PM304 in Malaysia (note 11)	**34**	34
Gross up on total liability for leases relating to Block PM304 in Malaysia	**110**	127
Net non-current liability for leases	**94**	97
Net current liability for leases	**30**	27
Net liability for leases	**124**	124

APPENDICES

For the six months ended 30 June 2022

A12. Net debt

	30 June 2022 Unaudited US$m	31 December 2021 US$m
Interest-bearing loans and borrowings (U) (note 16)	**771**	764
Less: Cash and short-term deposits (V) (note 14)	**(430)**	(620)
Net debt (U – V)	**341**	144

A13. New order intake

	Six months ended 30 June 2022 Unaudited US$m	Six months ended 30 June 2021 Unaudited US$m
Engineering & Construction operating segment		
New awards	**28**	107
Net variation orders	**185**	(32)
	213	75
Asset Solutions operating segment		
New awards	**960**	454
Net variation orders	**(112)**	(17)
	848	437
New order intake	**1,061**	512

STATEMENT OF DIRECTORS' RESPONSIBILITIES
At 30 June 2022

The Directors confirm that, to the best of their knowledge, the interim condensed consolidated financial statements on pages 16 to 38 have been prepared in accordance with IAS 34 'Interim Financial Reporting', and that the interim management report on pages 3 to 14 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

Sami Iskander
Chief Executive Officer
11 August 2022

Afonso Reis e Sousa
Chief Financial Officer
11 August 2022

SHAREHOLDER INFORMATION
At 30 June 2022

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

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St Helier
Jersey JE2 3RA

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London EC2Y 8HQ

Company Secretary and registered office
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Corporate Brokers
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Corporate and Financial PR
Tulchan Communications Group
85 Fleet Street
London EC4Y 1AE

Financial calendar

31 December 2022	2022 Financial year end
7 March 2023	2022 Full year results announcement

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