Petrofac Limited

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

CONTENTS

GROUP FINANCIAL HIGHLIGHTS

US$2,821 million
Revenue
Six months ended 30 June 2018: US$2,785 million

US$305 million
EBITDA [1,2,3]
Six months ended 30 June 2018: US$334 million

US$139 million
Reported net profit [4]
Six months ended 30 June 2018: US$17 million loss

US$154 million
Business performance net profit [1,2,4]
Six months ended 30 June 2018: US$191 million

12.7 cents
Interim dividend per share
Six months ended 30 June 2018: 12.7 cents

44.9 cents
Diluted earnings per share [1,2,4]
Six months ended 30 June 2018: 56.3 cents

US$123 million
Free cash flow [5]
Six months ended 30 June 2018: US$(126) million

24%
Return on capital employed [2,6]
12 months ended 30 June 2018: 24%

US$8.6 billion
Backlog [7]
As at 31 December 2018: US$9.6 billion

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1 2018 re-presented due to the reclassification of an item from exceptional items and certain re-measurements to business performance as set out in note 6 to the interim condensed consolidated financial statements.

2 Business performance before exceptional items and certain re-measurements. This measurement is shown by Petrofac as a means of measuring underlying business performance.

3 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 to 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 generated from operating activities and investing activities, less interest paid and amounts received from non-controlling interests (see A6 in Appendix A to 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) for the 12 months ended 30 June divided by average capital employed (see A8 in Appendix A to the interim condensed consolidated financial statements).

7 Backlog consists of: the estimated revenue attributable to the uncompleted portion of Engineering & Construction operating segment contracts; and, with regard to Engineering & Production Services, the estimated revenue attributable to the lesser of the remaining term of the contract and five years. The Group uses this key performance indicator as a measure of the visibility of future revenue.

Results

The Group delivered a good set of first half results that reflect solid operational performance across the business. Reported revenue increased 1% to US$2.8 billion (2018: US$2.8 billion), with project phasing and variation orders more than offsetting the impact of prior year asset sales. Business performance net profit was lower at US$154 million (2018: US$191 million) due to project mix, a decline in contract margins, higher overheads and higher tax.

	Six months ended 30 June 2019			Six months ended 30 June 2018 [3]		
	Business performance [2] US$m	Exceptional items and certain re-measurements US$m	Reported US$m	Business performance [2] US$m	Exceptional items and certain re-measurements US$m	Reported US$m
Revenue	**2,821**	**–**	**2,821**	2,785	–	2,785
EBITDA	**305**	**n/a**	**n/a**	334	n/a	n/a
Net profit/(loss) [1]	**154**	**(15)**	**139**	191	(208)	(17)

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 2018 re-presented due to the reclassification of an item from exceptional items and certain re-measurements to business performance as set out in note 6 to the interim condensed consolidated financial statements.

Revenue

Revenue for the first half of the year increased 1% to US$2,821 million (2018: US$2,785 million), with an underlying increase in revenue in all operating segments being offset by prior year assets sales in Integrated Energy Services (IES).

Engineering & Construction (E&C) increased 2%, reflecting project phasing and variation orders. Revenue in Engineering & Production Services (EPS) increased 4%, driven by growth in Projects. IES revenue decreased 27%, despite underlying growth in equity production, reflecting asset sales in the second half of 2018.

Backlog

The Group's backlog decreased 10% to US$8.6 billion at 30 June 2019 (31 December 2018: US$9.6 billion), reflecting low new order intake and progress delivered on the existing project portfolio in the first half of 2019.

	30 June 2019 US$bn	31 December 2018 [1] US$bn
Engineering & Construction	**7.3**	8.0
Engineering & Production Services	**1.3**	1.6
Group	**8.6**	9.6

1 On 1 January 2019, the engineering, procurement and construction management (EPCm) business was reclassified from the EPS operating segment to the E&C operating segment. The EPCm business is presented within E&C in prior period comparative figures.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

Business performance EBITDA decreased 9% to US$305 million (2018 re-presented: US$334 million), predominantly reflecting asset sales in IES in the second half of 2018. EBITDA margin was lower in E&C and EPS, reflecting project mix and a decline in contract margins.

Finance expense/income

Finance expense for the first half of the year were lower at US$30 million (2018: US$39 million) due to lower average gross debt for the period, including repayment of the senior notes in October 2018. Finance income decreased to US$7 million (2018: US$11 million), reflecting the unwinding of discounts on long-term receivables.

Taxation

The Group's business performance effective tax rate (ETR) for the six months ended 30 June 2019 was 27.9% (2018 re-presented: 18.0%) and the reported ETR was 30.0% (2018: negative 59.6%). The increase in ETR reflected the change in mix of profits in the jurisdictions in which the profits are earned.

The Group's ETR is dependent upon several factors, including the timing of profit recognition between the first and second halves of the year on contracts held, as well as the mix of jurisdictions in which contracts income is generated within the E&C and the IES operating segments.

Net profit

Business performance net profit attributable to Petrofac Limited shareholders for the first half of the year decreased 19% to US$154 million (2018 re-presented: US$191 million) driven by project mix, lower contract margins, higher tax and prior year asset sales.

Reported net profit of US$139 million (2018: US$17 million net loss) was impacted by post-tax exceptional items and certain re-measurements of US$15 million (2018 re-presented: US$208 million), predominantly for Group reorganisation and redundancy costs, SFO related legal fees and JSD6000 installation vessel disposal costs. In the prior period, approximately US$188 million of post-tax exceptional items and certain re-measurements were incurred in relation to asset sales and other items (see note 6 to the interim condensed consolidated financial statements).

Business performance net margin decreased to 5.5% (2018 re-presented: 6.9%), reflecting business mix, a decline in contract margins, higher overheads and higher tax.

Earnings per share

Business performance diluted earnings per share decreased 20% to 44.9 cents per share (2018 re-presented: 56.3 cents per share), broadly in line with the decrease in business performance net profit. Reported diluted earnings per share increased to 40.5 cents per share (2018: loss of 5.0 cents per share), reflecting a significant decrease in exceptional items and certain re-measurements.

Operating cash flow

The net cash inflow generated from operating activities was US$190 million during the first half of the year (2018 re-presented[1]: US$148 million outflow). The key components were:

- Operating profit before changes in working capital and other non-current items of US$320 million (2018: US$395 million), which reflects a decrease in profit before tax, exceptional items and certain remeasurements of US$20 million and a decrease in non-cash provisions of US$56 million.
- Net working capital outflows of US$11 million (2018: US$438 million), including:
  - An outflow of US$255 million from an increase in contract assets, principally due to an increase in variation orders pending customer approval (see note 14 to the interim condensed consolidated financial statements);
  - An inflow of US$184 million from an increase in trade and other payables, predominantly due to an increase in trade payables (see note 18 to the interim condensed consolidated financial statements); and,
  - An inflow of US$44 million from an increase in accrued contract expenses.
- An increase in net income taxes paid to US$109 million (2018: US$84 million).

Capital expenditure

Group capital expenditure was unchanged at US$53 million (2018: US$53 million), with decreases in capital expenditure on the JSD6000 installation vessel and the Greater Stella Area development (both sold in 2018) offset by an increase in expenditure on Block PM304 in Malaysia and investment in IT infrastructure and digital initiatives (see A5 in Appendix A to the interim condensed consolidated financial statements).

	Six months ended 30 June 2019 US$m	Six months ended 30 June 2018 US$m
Purchase of property, plant and equipment	**45**	51
Payments for intangible assets	**8**	2
Group capital expenditure	**53**	53

1 Interest paid of US$33m previously reported within operating activity for the six months ended 30 June 2018, was reclassified to financing activity as this presentation provides better comparability with Petrofac's peer group and more faithfully represents the nature of the item in accordance with IAS 7 'Statement of Cash Flows', consequently, net cash flows used in operating activities reduced by US$33m and net cash flows used in financing activities increased by US$33m.

Free cash flow

The Group defines free cash flow as net cash flows generated from operating activities and investing activities, less interest paid and amounts received from non-controlling interests (see A6 in Appendix A to the interim condensed consolidated financial statements).

	Six months ended 30 June 2019 US$m	*Six months ended 30 June 2018 US$m
Net cash flows generated from/(used in) operating activities	**190**	(148)
Net cash flows (used in)/generated from investing activities	**(52)**	55
Interest paid	**(25)**	(33)
Amounts received from non-controlling interest	**10**	–
Free cash flow	**123**	(126)

* Net cash flows used in operating activities re-presented as per footnote 1 on page 4.

Free cash flow for the first half of the year increased to US$123 million (2018: US$126 million outflow) due to higher cash conversion, lower divestment proceeds, lower interest payments and an increase in amounts received from a non-controlling interest.

Balance sheet

IES carrying value

The carrying value of the IES portfolio stood at US$548 million on 30 June 2019 (31 December 2018: US$536 million).

		30 June 2019 US$m	31 December 2018 US$m
Santuario, Magallanes, Arenque [1]	Mexico	**287**	282
PM304	Malaysia	**230**	230
Other (including investment in associates)		**31**	24
Total		**548**	536

1 Share of net assets attributable to Petrofac Limited shareholders.

Working capital

The net working capital balance at 30 June 2019 increased by US$45 million to US$384 million (31 December 2018: US$339 million; see A7 in Appendix A to the interim condensed consolidated financial statements). The key movements in working capital during the period were:

- An increase of US$255 million in contract assets, principally due to an increase in variation orders pending customer approval (see note 14 to the interim condensed consolidated financial statements);
- An increase in trade and other payables of US$151 million, predominantly due to an increase in trade payables (see note 18 to the interim condensed consolidated financial statements); and,
- An increase in accrued contract expenses of US$57 million.

Leases

Net lease liabilities increased 43% to US$198 million at 30 June 2019 (31 December 2018: US$138 million) due to the application of IFRS 16 ‘Leases’ on 1 January 2019 (see notes 2, 22 and A10 in Appendix A to the interim condensed consolidated financial statements).The application of IFRS 16 had no impact on opening reserves. IFRS 16 primarily impacts the accounting for non-cancellable operating leases for office buildings in the United Kingdom, Malaysia and India:

Treatment of former operating leases

- Lease liability: US$85 million recognised within other financial liabilities
- Right-of-use assets: US$47 million recognised within property, plant and equipment
- Onerous operating lease provisions: US$12 million within provisions adjusted against the right-of-use asset
- Rent-free period adjustment: US$9 million within trade and other payables adjusted against the right-of-

use asset

- Joint operation receivable: US$17 million (amounting to 70% of certain lease liabilities in Malaysia) recognised within other financial assets

Treatment of former finance leases

- Former finance lease liability: US$451 million continue to be recognised in other financial liabilities
- Former finance lease assets: US$128 million reclassified within the property, plant and equipment from oil and gas facilities and plant and equipment to right-of-use asset
- Joint operation receivable: US$313 million (amounting to 70% of certain lease liabilities in Malaysia) will continue to be recognised within other financial assets

Total equity

Total equity at 30 June 2019 increased to US$1,059 million (31 December 2018: US$1,009 million), reflecting: the reported profit for the period of US$135 million; dividends paid in the period of US$86 million; and, the purchase of the Company's shares by the Petrofac Employees Benefit Trust (which are held for the purpose of making awards under the Group's share schemes) of US$33 million.

Of the total equity of US$1,059 million at 30 June 2019, US$761 million (31 December 2018: US$707 million) was attributable to Petrofac Limited shareholders and US$298 million (31 December 2018: US$302 million) was attributable to non-controlling interests.

Net cash, liquidity and return on capital employed

Net cash

Net cash stood at US$69 million at 30 June 2019 (31 December 2018: US$90 million net cash), reflecting better than expected working capital inflows at the period end, the phasing of tax and dividend payments, and the purchase of the Company's shares by the Employee Benefit Trust (which are held for the purpose of making awards under the Group's share schemes) (see A11 in Appendix A to the interim condensed consolidated financial statements).

Total gross borrowings less associated debt acquisition costs were US$924 million at 30 June 2019 (31 December 2018: US$636 million).

	30 June 2019 US$m	31 December 2018 US$m
Cash and short-term deposits	**993**	726
Interest-bearing loans and borrowings	**(924)**	(636)
Net cash	**69**	90

Liquidity

Excluding bank overdrafts, the Group's total available borrowing facilities were US$1,631 million at 30 June 2019 (31 December 2018: US$1,798 million), following the repayment and retirement of US$167 million of Export Credit Agency funding and term loans during the period.

Of these facilities, US$781 million was undrawn as at 30 June 2019 (31 December 2018: US$1,178 million). Combined with the Group's cash balances of US$993 million (31 December 2018: US$726 million), the Group had US$1,774 million of liquidity available at 30 June 2019 (31 December 2018: US$1,904 million).

None of the Company's subsidiaries are subject to any material restrictions on their ability to transfer funds in the form of cash dividends, loans or advances to the Company.

Return on capital employed

The Group's return on capital employed for the twelve months ended 30 June 2019 was unchanged at 24% (12 months ended 30 June 2018: 24%), with the reduction in business performance earnings before interest, tax and amortisation (EBITA) broadly matched by the reduction in average capital employed (see A8 in Appendix A to the interim condensed consolidated financial statements).

Employees

At 30 June 2019, the Group had approximately 11,250 employees, including long-term contractors (31 December 2018: 11,500).

Dividends

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

In line with this policy, the Board has declared an interim dividend of 12.7 cents per share (2018: 12.7 cents). The interim dividend will be paid on 18 October 2019 to eligible shareholders on the register at 20 September 2019 (the 'record date'). Shareholders who have not elected to receive dividends in US dollars will receive a sterling equivalent. Shareholders can elect by close of business on the record date to change their dividend currency election.

Segmental analysis

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

US$ million	Revenue		Net profit [1]		EBITDA	
For the six months ended 30 June	2019	2018	2019	2018	2019	2018
Engineering & Construction [2]	**2,281**	2,228	**148**	177	**217**	228
Engineering & Production Services [2]	**448**	430	**23**	27	**34**	37
Integrated Energy Services	**99**	136	**7**	16	**58**	72
Corporate, others, consolidation adjustments & eliminations	**(7)**	(9)	**(24)**	(29)	**(4)**	(3)
Group	**2,821**	2,785	**154**	191	**305**	334

%	Revenue growth		Net margin		EBITDA margin	
For the six months ended 30 June	2019	2018	2019	2018	2019	2018
Engineering & Construction [2]	**2.4**	(14.7)	**6.5**	7.9	**9.5**	10.2
Engineering & Production Services [2]	**4.2**	(0.5)	**5.1**	6.3	**7.6**	8.6
Integrated Energy Services	**(27.2)**	40.2	**7.1**	11.8	**58.6**	52.9
Group	**1.3**	(10.9)	**5.5**	6.9	**10.8**	12.0

1 Attributable to Petrofac Limited shareholders.

2 On 1 January 2019, the engineering, procurement and construction management (EPCm) business was reclassified from the EPS operating segment to the E&C operating segment. The EPCm business is presented within E&C in prior period comparative figures.

Engineering & Construction

Engineering & Construction delivers onshore and offshore engineering, procurement, construction, installation and commissioning services on a lump-sum basis. Projects can also be delivered on a reimbursable basis through our Engineering, Procurement and Construction Management (EPCm) service line, to align with our clients' individual strategic objectives and operating models.

We have an extensive track record, having delivered more than 200 projects in some of the world's most challenging locations. Our services encompass both greenfield and brownfield developments in upstream and downstream sectors in addition to supporting renewable energy projects.

We have continued to make steady progress delivering our portfolio of projects. In Malaysia, the RAPID project is ready for start up. We have delivered a major milestone on the Upper Zakum Field Development in the UAE, with the handover of the central island. In Saudi Arabia, the Jazan South tank farm is mechanically complete, whilst the Jazan North tank farm and Fadhili projects are nearing mechanical completion. In Kuwait, we are focused on the delivery of priority units on the KNPC Clean Fuels project and water has been introduced into the Lower Fars Heavy Oil plant. Power transmission has commenced from the BorWin 3 offshore grid connection project in the North Sea.

Our EPCm projects are also progressing well. The Al Taweelah Alumina Refinery recently started up and the Rabab Harweel Integrated Project has commenced gas production.

New awards

New order intake for the first half of the year totalled US$1.6 billion, including awards in Algeria, Oman and The Netherlands.

Ain Tsila, Algeria

In March 2019, we were awarded a 42-month contract worth around US$1 billion by Groupment Isarene, the joint operating group set up by Sonatrach, Petroceltic and Enel for the Ain Tsila Development Project in Algeria. Located around 1,100 kilometres south-east of Algiers, the Ain Tsila field will produce gas, LPG and condensate for the local Algerian market and for export. Our scope includes lump-sum engineering, procurement and construction, commissioning, start-up and performance testing.

Mabrouk project, Oman

In June 2019, we secured our third project under a 10-year framework agreement with Petroleum Development Oman (PDO) with the award of the Mabrouk North East Line Pipe Procurement Project. The 19-month project scope includes: management of line pipe material from sourcing, technical and commercial evaluation; planning and control services with management; and, co-ordination of interfaces with all parties involved.

HKZ platform Beta, Netherlands

In late June 2019, we confirmed the award of the Hollandse Kust Zuid (HKZ) offshore grid connection Beta HVAC platform (substation) in the North Sea by TenneT, the Dutch-German transmission grid operator. This follows the award of the contract for the HKZ platform Alpha in July 2018. A total of eight 700-megawatt standardised concept transformer substations will be installed offshore of the Netherlands until 2030. Petrofac is responsible for the engineering, procurement, construction and installation (EPCI) of both the third (HKZ platform Alpha) and fourth (HKZ platform Beta) substations, which have a total contract value of approximately US$200 million.

Results

Revenue for the first half of the year increased 2% to US$2,281 million (2018 restated: US$2,228 million), principally reflecting project phasing and variation orders.

Net margin decreased to 6.5% (2018 restated: 7.9%), driven by project mix, cost overruns and higher tax. Lower margins reduced business performance net profit by 16% to US$148 million (2018 restated: US$177 million).

Engineering & Construction backlog decreased to US$7.3 billion at 30 June 2019 (31 December 2018 restated: US$8.0 billion), reflecting both revenue burn as we executed our existing project portfolio and low new order intake.

Engineering & Construction headcount stood at 6,950 at 30 June 2019 (31 December 2018 restated: 6,850).

Engineering & Production Services

Engineering & Production Services brings together our services' capability across brownfield projects and operations, greenfield projects through concept, feasibility and front-end engineering and full project delivery, as well as a range of operations, maintenance and engineering services for onshore and offshore projects. EPS also provides training and competence solutions to support industry requirements and nationalisation goals.

EPS delivered good operational performance in the first half of the year, with strong growth in project activity more than offsetting lower activity from operations as contracts came to an end.

New awards
During the first half of the year, EPS secured awards and extensions with new and existing clients worth approximately US$0.2 billion, including the extension of our contract to supply operations and maintenance support to Total E&P UK and the appointment as Well Operator by Tullow Oil for the next phase of its Thames Decommissioning Project in the UK. EPS also secured more than US$30 million of new contracts and extensions to provide training solutions for key NOC and IOC clients in Oman, the UAE and Iraq.

Results
Revenue increased 4% to US$448 million (2018 restated: US$430 million), with strong growth in project activity more than offsetting lower operations revenue.

Net margin decreased to 5.1% (2018 restated: 6.3%) due to a decline in contract margins, higher overheads and higher tax. Consequently, business performance net profit decreased 15% to US$23 million (2018 restated: US$27 million).

Engineering & Productions Services backlog decreased to US$1.3 billion at 30 June 2019 (31 December 2018 restated: US$1.6 billion) reflecting low new order intake during the first half of the year.

EPS headcount decreased to 3,600 at 30 June 2019 (31 December 2018 restated: 3,900).

Integrated Energy Services

Integrated Energy Services provides an integrated service for clients under flexible commercial models that are aligned with their requirements. Our projects cover upstream developments - both greenfield and brownfield - and related energy infrastructure projects. IES deploys the Group's capabilities using a range of commercial frameworks, including Production Enhancement Contracts (PECs) and traditional equity upstream investment models such as Production Sharing Contracts (PSCs).

Equity Upstream Investments
Net entitlement production from Petrofac's equity interests decreased to 1.0 million barrels of oil equivalent (mboe) (2018: 1.8 mboe), driven by the sale of the Group's interests in the Greater Stella Area development and the Chergui gas concession in December 2018. Excluding asset sales, net entitlement production increased 8%, reflecting strong growth in production from the Santuario PSC in Mexico.

Production Enhancement Contracts
Petrofac earns a tariff per barrel on PECs for an agreed level of baseline production and an enhanced tariff per barrel on incremental production. We earned tariff income on a total of 1.1 mboe in the period (2018: 1.3 mboe), with a decline in production from both the Magallanes and Arenque PECs.

Results
Revenue decreased 27% to US$99 million (2018: US$136 million), driven by the sale of the Group's interests in the Greater Stella Area development and the Chergui gas concession in December 2018. Excluding asset sales, revenue increased 5%, with higher equity production and realised average prices more than offsetting lower cost recovery and tariff income in Mexico. Average realised prices were US$69 per barrel of oil equivalent for the first half of 2019 (2018: US$56 per barrel of oil equivalent).

EBITDA decreased 19% to US$58 million (2018: US$72 million), driven by prior year asset sales. Excluding asset sales, EBITDA increased 31%, largely reflecting a higher contribution from equity production and an increase in associate income.

Net profit for the first half of the year decreased 56% to US$7 million (2018: US$16 million), driven by asset sales. Excluding asset sales, net profit increased US$12 million, predominantly reflecting higher EBITDA and lower depreciation.

IES' exceptional items and certain re-measurements totalled US$1 million after tax (2018: US$164 million). The prior comparative period charge reflected agreed asset sales during 2018, which triggered US$165 million (post-tax) of non-cash impairments.

IES headcount decreased to 550 at 30 June 2019 (31 December 2018: 600).

Principal risks and uncertainties

Principal risks are those 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.

We manage these 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 2018 Annual Report and Accounts (pages 25 to 29 and 82 to 87).

The Board has oversight of enterprise risk management, 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.

During the first half of 2019 the Board has more formally articulated our risk appetite and has reviewed our principal risks. The revised principal risks facing the Group are set out below.

- Adverse geo-political changes in key geographies
- Low order intake
- Failure to deliver strategic initiatives
- Poor operational and project performance
- Health, Safety, Security, Environment and Asset Integrity (HSSEAI) incidents
- Insufficient IT resilience
- Loss of financial capacity
- Misstatement of financial information*
- Inadequate leadership and talent management
- Non-compliance with laws regulations and ethical standards

** New risk identified in 2019 Board review*

The Audit Committee and the Board has reviewed these principal risks throughout the first half of 2019 and consider that they remain largely unchanged since the December 2018 year end assessment, other than the risks relating to low order intake (which has increased) and insufficient IT resilience (which has decreased). No new emerging risks have been identified for the remainder of 2019.

Outlook

We remain well positioned for the remainder of the year, with backlog of US$8.6 billion at 30 June 2019 (31 December 2018: US$9.6 billion) and US$2.6 billion of secured revenue for the second half of 2019.

We continue to expect Engineering & Construction results for the full year to be in line with management guidance, with revenues expected to be around US$4.5 billion and net margins at the low end of guidance. Overall Group profitability in 2019 is expected to be first half weighted, principally reflecting a decline in EPS margins and lower oil prices in the second half. Looking further forward, revenues are expected to decrease in 2020 reflecting low new order intake in recent years.

In line with the Group's strategy, we continue to target best-in-class delivery for our clients and to maintain our competitive advantage. The Group has a busy tendering pipeline with around US$13 billion of bid opportunities due for award in the second half of the year. The strength of our pipeline is indicative of the improving market outlook. Consequently, the Group is committed to invest in maintaining bench strength and technical capability in anticipation of a return to growth in the medium-term.

We are also committed to maintaining a strong balance sheet and capital discipline. Group capital expenditure is expected to be around US$125 million in 2019 (2018: US$98 million). We are reviewing options for our remaining non-core assets, consistent with our strategic objective to enhance returns.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

	Notes	Business performance[1] US$m	Exceptional items and certain re-measurements US$m	Reported six months ended 30 June 2019 Unaudited US$m	*Business performance[1] US$m	*Exceptional items and certain re-measurements US$m	Reported six months ended 30 June 2018 Unaudited US$m
Revenue	3	**2,821**	**–**	**2,821**	2,785	–	2,785
Cost of sales		**(2,491)**	**–**	**(2,491)**	(2,440)	–	(2,440)
Gross profit		**330**	**–**	**330**	345	–	345
Selling, general and administration expenses	5	**(116)**	**–**	**(116)**	(103)	–	(103)
Exceptional items and certain re-measurements	6	**–**	**(15)**	**(15)**	–	(280)	(280)
Other operating income		**9**	**–**	**9**	9	–	9
Other operating expenses		**(5)**	**–**	**(5)**	(3)	–	(3)
Operating profit/(loss)		**218**	**(15)**	**203**	248	(280)	(32)
Finance income		**7**	**–**	**7**	11	–	11
Finance expense		**(30)**	**–**	**(30)**	(39)	–	(39)
Share of net profit of associates and joint ventures		**13**	**–**	**13**	8	–	8
Profit/(loss) before tax		**208**	**(15)**	**193**	228	(280)	(52)
Income tax (expense)/credit	7	**(58)**	**–**	**(58)**	(41)	72	31
Net profit/(loss)		**150**	**(15)**	**135**	187	(208)	(21)
Attributable to:							
Petrofac Limited shareholders		**154**	**(15)**	**139**	191	(208)	(17)
Non-controlling interests		**(4)**	**–**	**(4)**	(4)	–	(4)
		150	**(15)**	**135**	187	(208)	(21)
Earnings/(loss) per share (US cents)							
Basic	8	**45.7**	**(4.5)**	**41.2**	56.3	(61.3)	(5.0)
Diluted	8	**44.9**	**(4.4)**	**40.5**	56.3	(61.3)	(5.0)

* The group has reclassified US$1m of forward rate currency gains for the six months ended 30 June 2018 from exceptional items and certain re-measurements to cost of sales, as set out in note 6 'exceptional items and certain re-measurements' to the interim condensed consolidated financial statements.

1 This measurement is shown by the Group as a means of measuring underlying business performance, see note 2 and Appendix A on page 36.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	**Six months ended 30 June 2019 Unaudited US$m**	Six months ended 30 June 2018 Unaudited **US$m**
Reported net profit/(loss)		**135**	(21)
Other comprehensive income to be reclassified to the interim condensed consolidated income statement in subsequent periods			
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	16	**8**	10
Foreign currency translation gains	16	**4**	6
Other comprehensive income to be reclassified to the interim condensed consolidated income statement in subsequent periods		**12**	16
Other comprehensive income/(loss) reclassified to the interim condensed consolidated income statement			
Net losses/(gains) on maturity of cash flow hedges recycled in the period	16	**2**	(3)
Other comprehensive income/(loss) reclassified to the interim condensed consolidated income statement		**2**	(3)
Total comprehensive income/(loss) for the period		**149**	(8)
Attributable to:			
Petrofac Limited shareholders		**153**	(5)
Non-controlling interests		**(4)**	(3)
		149	(8)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2019

	Notes	30 June 2019 Unaudited US$m	31 December 2018 Audited US$m
Assets			
Non-current assets			
Property, plant and equipment	10	**713**	685
Goodwill		**73**	73
Intangible assets	11	**68**	56
Investments in associates and joint ventures		**38**	30
Other financial assets	12	**382**	406
Contract assets		**42**	40
Deferred consideration		**61**	61
Deferred tax assets		**129**	126
		1,506	1,477
Current assets			
Inventories		**19**	21
Trade and other receivables	13	**1,394**	1,431
Contract assets	14	**2,253**	1,998
Related party receivables	20	**5**	1
Other financial assets	12	**131**	144
Income tax receivable		**6**	8
Cash and short-term deposits	15	**993**	726
		4,801	4,329
Total assets		**6,307**	5,806
Equity and liabilities			
Equity			
Share capital		**7**	7
Share premium		**4**	4
Capital redemption reserve		**11**	11
Employee Benefit Trust shares		**(115)**	(107)
Other reserves	16	**106**	95
Retained earnings		**748**	697
Equity attributable to Petrofac Limited shareholders		**761**	707
Non-controlling interests		**298**	302
Total equity		**1,059**	1,009
Non-current liabilities			
Interest-bearing loans and borrowings	17	**673**	376
Other financial liabilities	12	**358**	341
Provisions		**246**	243
Deferred tax liabilities		**53**	43
		1,330	1,003
Current liabilities			
Trade and other payables	18	**1,113**	962
Contract liabilities	19	**467**	504
Interest-bearing loans and borrowings	17	**251**	260
Other financial liabilities	12	**156**	139
Income tax payable		**185**	244
Accrued contract expenses		**1,702**	1,645
Provisions		**44**	40
		3,918	3,794
Total liabilities		**5,248**	4,797
Total equity and liabilities		**6,307**	5,806

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	Six months ended June 30 2019 Unaudited US$m	*Six months ended 30 June 2018 Unaudited US$m
Operating activities			
Reported profit/(loss) before tax		**193**	(52)
Exceptional items and certain re-measurements		**15**	280
Profit before tax, exceptional items and certain re-measurements		**208**	228
Adjustments to reconcile profit before tax, exceptional items and certain re-measurements to net cash flows:			
Depreciation, amortisation and write-offs	4	**74**	78
Share-based payments		**8**	6
Difference between other long-term employment benefits paid and amounts recognised in the interim condensed consolidated income statement		**5**	2
Net finance expense		**23**	28
Provision for onerous contracts and other provisions		**8**	64
Expected credit loss allowance recognised during the period		**1**	(2)
Share of net profit of associates and joint ventures		**(13)**	(8)
Net other non-cash items		**6**	(1)
		320	395
Working capital adjustments:			
Inventories		**2**	1
Trade and other receivables		**32**	(90)
Contract assets		**(255)**	66
Other current financial assets		**19**	(17)
Trade and other payables		**184**	(13)
Contract liabilities		**(37)**	36
Accrued contract expenses		**44**	(421)
		309	(43)
Net other non-current items		**1**	1
Cash generated from/(used in) operations		**310**	(42)
Restructuring, redundancy, migration and other exceptional items paid		**(11)**	(22)
Net income taxes paid		**(109)**	(84)
Net cash flows generated from/(used in) operating activities		**190**	(148)
Investing activities			
Purchase of property, plant and equipment		**(45)**	(51)
Payments for intangible assets		**(8)**	(2)
Dividend received from associates and joint ventures		**2**	5
Net loans repaid by associates and joint ventures		**–**	7
Proceeds from disposal of a subsidiary		**2**	–
Disposal costs paid/proceeds from disposal of property, plant and equipment		**(6)**	93
Interest received		**3**	3
Net cash flows (used in)/generated from investing activities		**(52)**	55
Financing activities			
Interest-bearing loans and borrowings, net of debt acquisition cost		**775**	648
Repayment of interest-bearing loans, borrowings and leases		**(567)**	(626)
Interest paid		**(25)**	(33)
Amounts received from non-controlling interest		**10**	–
Purchase of Company's shares by Employee Benefit Trust		**(33)**	(37)
Dividends paid		**(86)**	(86)
Net cash flows generated from/(used in) financing activities		**74**	(134)
Net increase/(decrease) in cash and cash equivalents		**212**	(227)
Net foreign exchange difference		**–**	(4)
Cash and cash equivalents at 1 January		**705**	936
Cash and cash equivalents at end of the reporting period	15	**917**	705

* Re-presented due to the reclassification of an item from exceptional items and certain re-measurements to business performance as set out in note 6 'exceptional items and certain re-measurements' to the interim condensed consolidated financial statements. Also, interest paid of US$33m previously reported within operating activity for the six months ended 30 June 2018, was reclassified to financing activity as this presentation provides better comparability with Petrofac's peer group and more faithfully represents the nature of the item in accordance with IAS 7 'Statement of Cash Flows', consequently, net cash flows used in operating activities reduced by US$33m and net cash flows used in financing activities increased by US$33m.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to Petrofac Limited shareholders								
	Issued share capital US$m	Share premium US$m	Capital redemption reserve US$m	*Treasury shares US$m	Other reserves US$m (note 16)	Retained earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
Balance at 1 January 2019 (audited)	7	4	11	(107)	95	697	707	302	1,009
Net profit/(loss)	–	–	–	–	–	139	139	(4)	135
Other comprehensive income	–	–	–	–	14	–	14	–	14
Total comprehensive income	–	–	–	–	14	139	153	(4)	149
Purchase of Company's shares by Employee Benefit Trust	–	–	–	(33)	–	–	(33)	–	(33)
Issue of Company's shares by Employee Benefit Trust	–	–	–	25	(23)	(2)	–	–	–
Transfer to share-based payments reserve for Deferred Bonus Share Plan Invested Shares	–	–	–	–	12	–	12	–	12
Credit to equity for share-based payments charge	–	–	–	–	8	–	8	–	8
Dividends (note 9)	–	–	–	–	–	(86)	(86)	–	(86)
Balance at 30 June 2019 (unaudited)	**7**	**4**	**11**	**(115)**	**106**	**748**	**761**	**298**	**1,059**

For the six months ended 30 June 2018

	Attributable to Petrofac Limited shareholders								
	Issued share capital US$m	Share premium US$m	Capital redemption reserve US$m	*Treasury shares US$m	Other reserves US$m (note 16)	Retained earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
Balance at 1 January 2018	7	4	11	(102)	110	766	796	39	835
Net loss	–	–	–	–	–	(17)	(17)	(4)	(21)
Other comprehensive income	–	–	–	–	12	–	12	1	13
Total comprehensive income	–	–	–	–	12	(17)	(5)	(3)	(8)
Purchase of Company's shares by Employee Benefit Trust	–	–	–	(37)	–	–	(37)	–	(37)
Issue of Company's shares by Employee Benefit Trust	–	–	–	36	(32)	(4)	–	–	–
Transfer to share-based payments reserve for Deferred Bonus Share Plan Invested Shares	–	–	–	–	15	–	15	–	15
Credit to equity for share-based payments charge	–	–	–	–	6	–	6	–	6
Income tax on share-based payments reserve	–	–	–	–	(2)	–	(2)	–	(2)
Dividends (note 9)	–	–	–	–	–	(86)	(86)	–	(86)
Balance at 30 June 2018 (unaudited)	7	4	11	(103)	109	659	687	36	723

* Shares held by Petrofac Employee Benefit Trust.

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 holding company for the international group of Petrofac subsidiaries. Petrofac Limited and its subsidiaries at 30 June 2019 comprise the Petrofac Group (the 'Group'). The Group's principal activity is the provision of services to the oil and gas production and processing industry.

The Group's interim condensed consolidated financial statements for the six months ended 30 June 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 27 August 2019.

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 IAS 34 'Interim Financial Reporting' 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 annual consolidated financial statements for the year ended 31 December 2018.

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.

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 exceptional items and certain re-measurements 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 (refer note 6 and Appendix A on page 36 for details).

2.3 Adoption of new financial reporting standards, amendments and interpretations

Effective new financial reporting standards

The Group adopted IFRS 16 'Leases' on 1 January 2019. The nature and effect of the changes are described below.

IFRS 16 'Leases'

IFRS 16 replaced IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases – Incentives' and SIC-27 'Evaluating the Substance of Transactions involving the Legal Form of a Lease' for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases on their balance sheets as lease liabilities with corresponding right-of-use assets.

The Group applied IFRS 16 retrospectively, using the modified retrospective method, to contracts that were previously identified as operating leases in accordance with IAS 17 and IFRIC 4. Comparative information was not restated. The Group applied IFRS 16 to all non-cancellable leases except for those with low value assets or with a lease term of 12 months or less containing no purchase options. Under this method, the Group measured the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. A right-of-use asset was recognised within the property, plant and equipment line item of the interim condensed consolidated balance sheet at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, provision for onerous operating leases and rent-free period adjustments relating to such leases recognised in the balance sheet immediately before the date of initial application. On adoption of IFRS 16, these adjustments to the right-of use asset comprised a provision for onerous operating leases of US$12m and rent-free period adjustment of US$9m.

A receivable of US$17m, amounting to 70% of certain lease liabilities in Malaysia, was recognised within the other financial assets line items (non-current US$10m and current US$7m) representing amounts due from joint operation partners. This adjustment was necessary as the Group is required to recognise 100% of the lease liability in the Group's interim condensed consolidated balance sheet to reflect the legal position of the Group as the contracting counterparty for such leases.

The application of IFRS 16 at 1 January 2019, had no impact on the opening reserves but impacted the following interim condensed consolidated balance sheet line items:

	Impact US$m
Property, plant and equipment	47
Other financial assets	10
Total non-current assets	**57**
Other financial assets	7
Total current assets	**7**
Total assets	**64**
Other financial liabilities	65
Provisions	(9)
Total non-current liabilities	**56**
Trade and other payables	(9)
Other financial liabilities	20
Provisions	(3)
Total current liabilities	**8**
Total liabilities	**64**

For leases that were previously classified as finance leases under IAS 17, the carrying amounts of the lease asset and the lease liability of US$128m and US$451m respectively, at the date of initial application were the carrying amounts of the right-of-use asset and lease liability immediately before that date was measured applying IAS 17. The lease liability of US$451m at the date of initial application included 70% gross up of US$313m on such liabilities in respect of oil and gas facilities in Malaysia to reflect the legal position of the Group as the contracting counterparty for such leases that will continue to be recognised as a receivable from joint operation partners within other financial assets line items (non-current US$237m and current US$76m) of the interim condensed consolidated balance sheet. Refer note 22 for specific lease disclosures.

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, plant and equipment. Before the adoption of IFRS 16, the Group, as lessee, classified each of its leases at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance expense in the interim condensed consolidated income statement) and a reduction of the lease liability using the effective interest rate method. In an operating lease, the leased asset was not capitalised and the lease payments were recognised either in the cost of sales or selling, general and administration expenses line items of in the interim condensed consolidated income statement on a straight-line basis over the lease term.

Upon adoption of IFRS 16, the Group, as a lessee, applied a single recognition and measurement approach for all leases, except for short-term leases (i.e. lease term of 12 months or less and containing no purchase options) and leases of low-value assets (i.e. below US$5,000). The Group recognised lease liabilities for making lease payments and right-of-use assets representing the right to use the underlying assets.

2 Summary of significant accounting policies continued

As at 1 January 2019:

- For leases previously classified as operating leases under IAS 17, right-of-use assets of US$47m were recognised within property, plant and equipment line item of the interim condensed consolidated balance sheet. For leases that were previously classified as finance leases under IAS 17, the carrying amounts of the lease asset, previously included within oil and gas facilities and plant and equipment which form part of the property, plant and equipment line item of the interim condensed consolidated balance sheet, of US$128m at the date of initial application were the carrying amounts of the right-of-use asset immediately before that date was measured applying IAS 17
- For leases previously classified as operating leases under IAS 17, lease liabilities of US$85m were recognised within other financial liabilities line items (non-current US$65m and current US$20m) of the interim condensed consolidated balance sheet. The lease liability of US$85m at the date of initial application included 70% gross up of US$17m on such liabilities, representing amounts due from joint operation partners, to reflect the legal position of the Group as the contracting counterparty for such leases
- For leases that were previously classified as finance leases under IAS 17, the carrying amounts of the lease liability of US$451m at the date of initial application were the carrying amounts of the lease liability immediately before that date measured applying IAS 17. The lease liability of US$451m at the date of initial application included 70% gross up of US$313m on such liabilities, representing amounts due from joint operation partners, to reflect the legal position of the Group as the contracting counterparty for such leases
- For leases previously classified as operating leases under IAS 17, onerous operating lease provisions of US$12m, included within the provisions line item of the interim condensed consolidated balance sheet. and rent-free period adjustment of US$9m, included within trade and other payables line item of the interim condensed consolidated balance sheet, relating to such leases recognised in the interim condensed consolidated balance sheet immediately before the date of initial application were adjusted against the right-of-use asset

For the six months ended 30 June 2019:

- Depreciation expense in the interim condensed consolidated income statement increased by US$7m for leases previously classified as operating leases compared to the six months ended 30 June 2018
- Finance expense in the interim condensed consolidated income statement increased by US$2m for leases previously classified as operating leases compared to the six months ended 30 June 2018
- Lease expense recognised in the cost of sales or selling, general and administration expenses line items of in the interim condensed consolidated income statement reduced by US$8m
- Cash outflows from operating activities decreased by US$8m and cash outflows from financing activities increased by the same amount

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use assets

The Group recognises right-of-use assets, within property, plant and equipment line item of the interim condensed consolidated balance sheet, at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate, defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of property, plant and equipment that are considered of low value (i.e. below US$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term in cost of sales or selling, general and administration expenses line items. If the lease contract is cancellable by both lessee and lessor with no or insignificant penalty the lease contract is considered to be cancellable, since the requirement under IFRS 16 for enforceability of the contract is not met, therefore, such lease is recognised as a short-term lease, the decision taken had no material impact on the interim condensed consolidated financial statements, refer note 22 for amounts recognised in the interim condensed consolidated income statement associated with the short-term and low value asset leases.

Significant judgement in determining the lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Going concern

The Company's business activities together with the factors likely to affect its future development, performance and position are set out in the Group's annual report and accounts for the year ended 31 December 2018 on pages 14 to 19. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 40 to 43. In addition, note 33 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Company has considerable financial resources together with long-term contracts with customers and suppliers across different geographic areas and industries. Consequently, the Directors believe that the Company is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the interim condensed consolidated financial statements for the six months ended 30 June 2019.

3 Revenue from contracts with customers

	Six months ended 30 June 2019 Unaudited US$m	Six months ended 30 June 2018 Unaudited US$m
Rendering of services	**2,748**	2,679
Sale of crude oil and gas	**73**	106
	2,821	2,785

Included in revenues from rendering of services are Engineering & Production Services revenues of a "pass-through" nature with zero or low margins amounting to US$123m (six months ended 30 June 2018: US$169m).

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

	Six months ended 30 June 2019 (unaudited)				Six months ended 30 June 2018 (unaudited)			
	Engineering & Construction US$m	**Engineering & Production Services US$m**	**Integrated Energy Services US$m**	**Six months ended 30 June 2019 US$m**	Engineering & Construction US$m	Engineering & Production Services US$m	Integrated Energy Services US$m	Six months ended 30 June 2018 US$m
Geographical markets								
Oman	667	10	–	677	171	164	–	335
Kuwait	507	3	–	510	783	1	–	784
Saudi Arabia	280	–	–	280	536	–	–	536
United Kingdom	–	273	–	273	–	257	26	283
United Arab Emirates	205	8	–	213	136	54	–	190
India	162	–	–	162	–	–	–	–
Iraq	62	94	–	156	–	108	–	108
Turkey	128	2	–	130	–	89	–	89
Russia	114	2	–	116	18	2	–	20
Malaysia	27	6	40	73	35	7	3	45
Thailand	47	8	5	60	–	–	19	19
Germany	27	–	–	27	134	–	–	134
Mexico	–	–	50	50	–	2	45	47
Algeria	42	1	–	43	128	–	–	128
Bahrain	–	18	–	18	–	10	–	10
Singapore	–	2	4	6	–	–	28	28
Tunisia	–	1	–	1	–	2	15	17
Others	9	17	–	26	–	12	–	12
Total revenue from contracts with customers	**2,277**	**445**	**99**	**2,821**	1,941	708	136	2,785
Type of goods or service								
Lump-sum	2,209	85	–	2,294	1,941	107	–	2,048
Reimbursable	68	360	26	454	–	601	30	631
Sale of crude oil and gas	–	–	73	73	–	–	106	106
Total revenue from contracts with customers	**2,277**	**445**	**99**	**2,821**	1,941	708	136	2,785
Customer type								
Government	1,679	88	55	1,822	1,586	225	45	1,856
Non-government	598	357	44	999	355	483	91	929
Total revenue from contracts with customers	**2,277**	**445**	**99**	**2,821**	1,941	708	136	2,785
Timing of revenue recognition								
Services transferred over time	2,277	445	26	2,748	1,941	708	30	2,679
Goods transferred at a point in time	–	–	73	73	–	–	106	106
Total revenue from contracts with customers	**2,277**	**445**	**99**	**2,821**	1,941	708	136	2,785

The Group recognised additional expected credit loss provision on trade receivables and contract assets arising from contracts with customers, included within selling general and administration expenses in the interim condensed consolidated income statement, amounting to US$1m for the six months ended 30 June 2019 (six months ended 30 June 2018: US$2m reversal).

4 Segment information

The Group organisational structure comprises the following three operating segments:

- Engineering & Construction (E&C), 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
- Engineering & Production Services (EPS), which includes all reimbursable engineering and production services to the oil and gas industry
- Integrated Energy Services (IES), which is focused on delivering value from the existing asset portfolio

The Chief Operating Decision Maker (CODM) regularly reviews 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. 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 exceptional items and certain remeasurements to provide users of the interim condensed consolidated financial statements with a clear and consistent presentation of the underlying business performance of the Group; refer to note 6 and appendix A on page 36 for details.

On 1 January 2019, the Engineering, Procurement and Construction Management (EPCm) line of business was reorganised and subsequently reclassified from the Engineering & Production Services (EPS) operating segment to the Engineering & Construction (E&C). Consequently, the comparative segmental information was restated to reflect the revised Group organisational structure.

The following tables represent revenue and profit/(loss) information relating to the Group's operating segments for the six months ended 30 June 2019 and the restated comparative information for the six months ended 30 June 2018:

Six months ended 30 June 2019 (unaudited)

	Engineering & Construction US$m	Engineering & Production Services US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Business performance US$m	Exceptional items and certain re-measurements US$m	Reported US$m
Revenue								
External sales	2,277	445	99	–	–	2,821	–	2,821
Inter-segment sales	4	3	–	–	(7)	–	–	–
Total revenue	**2,281**	**448**	**99**	**–**	**(7)**	**2,821**	**–**	**2,821**
Operating profit/(loss)	196	30	–	(8)	–	218	(15)	203
Finance income	–	1	3	3	–	7	–	7
Finance expense	(1)	(1)	(7)	(21)	–	(30)	–	(30)
Share of net profit of associates and joint ventures	–	–	13	–	–	13	–	13
Profit/(loss) before tax	195	30	9	(26)	–	208	(15)	193
Income tax (expense)/credit	(51)	(7)	(2)	2	–	(58)	–	(58)
Net profit/(loss) after tax	144	23	7	(24)	–	150	(15)	135
Non-controlling interests	4	–	–	–	–	4	–	4
Net profit/(loss) for the period attributable to Petrofac Limited shareholders	**148**	**23**	**7**	**(24)**	**–**	**154**	**(15)**	**139**
EBITDA[1]	**217**	**34**	**58**	**(4)**	**–**	**305**		

[1] Earnings before interest, tax, depreciation and amortisation (unaudited).

	Engineering & Construction US$m	Engineering & Production Services US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Total US$m
Other segment information						
Depreciation (note 10)	**21**	**4**	**40**	**3**	**–**	**68**
Amortisation and write off	**–**	**–**	**5**	**1**	**–**	**6**
Exceptional items and certain re-measurements, pre-tax (note 6)	**6**	**–**	**1**	**8**	**–**	**15**
Other long-term employment benefits	**12**	**1**	**–**	**–**	**–**	**13**
Share-based payments	**5**	**1**	**1**	**1**	**–**	**8**

4 Segment information continued

Six months ended 30 June 2018 – restated (unaudited)

	Engineering & Construction US$m	Engineering & Production Services US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	*Business performance US$m	*Exceptional items and certain re-measurements US$m	Reported US$m
Revenue								
External sales	2,223	426	136	–	–	2,785	–	2,785
Inter-segment sales	5	4	–	–	(9)	–	–	–
Total revenue	2,228	430	136	–	(9)	2,785	–	2,785
Operating profit/(loss)	208	34	10	(4)	–	248	(280)	(32)
Finance income	–	–	8	3	–	11	–	11
Finance expense	–	–	(9)	(30)	–	(39)	–	(39)
Share of net profit of associates and joint ventures	–	–	8	–	–	8	–	8
Profit/(loss) before tax	208	34	17	(31)	–	228	(280)	(52)
Income tax (expense)/credit	(36)	(6)	(1)	2	–	(41)	72	31
Net profit/(loss) after tax	172	28	16	(29)	–	187	(208)	(21)
Non-controlling interests	5	(1)	–	–	–	4	–	4
Net profit/(loss) for the period attributable to Petrofac Limited shareholders	177	27	16	(29)	–	191	(208)	(17)
EBITDA[1]	228	37	72	(3)	–	334		

* Re-presented due to the reclassification of an item from exceptional items and certain re-measurements to business performance as set out in note 6 'exceptional items and certain re-measurements' to the interim condensed consolidated financial statements.

[1] Earnings before interest, tax, depreciation and amortisation (unaudited).

	Engineering & Construction US$m	Engineering & Production Services US$m	Integrated Energy Services US$m	Corporate & others US$m	Consolidation adjustments & eliminations US$m	Total US$m
Other segment information						
Depreciation (note 10)	20	3	54	1	–	78
Exceptional items and certain re-measurements, pre-tax (note 6)	8	23	236	13	–	280
Other long-term employment benefits	10	1	–	–	–	11
Share-based payments	6	–	–	–	–	6

5 Selling, general and administration expenses

The increase in selling, general and administration expenses of US$13m was mainly due to increase in proposal costs of US$6m associated with the Engineering & Construction operating segment that was not reclassified to cost of sales since there were fewer projects secured for six months ended 30 June 2019 compared to prior period.

6 Exceptional items and certain re-measurements

	Six months ended 30 June 2019 Unaudited US$m	Six months ended 30 June 2018 Unaudited US$m
Impairment of assets	**–**	244
Group reorganisation and redundancy costs	**4**	6
Onerous leasehold property provisions	**–**	17
Other exceptional items	**11**	13
	15	280
Foreign exchange translation gains on tax balances	**–**	(1)
Tax relief on exceptional items and certain re-measurements	**–**	(71)
	–	(72)
Interim condensed consolidated income statement charge for the period	**15**	208

See note 2 and appendix A on page 36 for further details on APMs

[1] Re-presentation of business performance and exceptional items and certain re-measurements
During 2018, Management reassessed the reporting of alternative performance measures ("APMs") for details refer page 137 of 2018 Annual Report and Accounts. Consequently, the Group re-presented its six months ended 30 June 2018 comparative information relating to business performance and exceptional items and certain re-measurements and reclassified forward rate gains relating to Kuwaiti dinar forward currency contracts in the E&C operating segment of US$1m from exceptional items and certain re-measurements line item to cost of sales line item in the interim condensed consolidated income statement. This resulted in an increase in business performance diluted earnings per share to 56.3 US cents. The reported total loss and reported diluted loss per share remained unaffected. The Group's business performance effective tax rate reduced to 18.0%. The re-presentation had no impact on the interim condensed consolidated balance sheet.

Impairment of assets
No impairment on assets was recognised for the six months ended 30 June 2019 (six months ended 30 June 2018: Greater Stella Area pre-tax impairment charge of US$79m, post-tax US$55m; pre-tax impairment charge associated with Group's assets in Mexico of US$157m, post-tax US$110m in the Integrated Energy Services operating segment; and a pre-tax loss on disposal associated with the disposal of the JSD6000 installation vessel of US$8m, post-tax US$8m in the Engineering & Construction operating segment).

The Group determined at the end of the reporting period whether there were indicators of impairment in the carrying amount of its property, plant and equipment and intangible assets. Where indicators exist, an impairment test is undertaken which requires management to estimate the recoverable amount of its assets which is initially based on its value in use. When necessary, fair value less costs of disposal is estimated, for example, by reference to quoted market values, similar arm's length transactions involving these assets or risk adjusted discounted cash flow models. For the following specific assets, certain assumptions and estimates have been made in determining recoverable amounts. Should any changes occur in these assumptions, further impairment may be required in future periods:

- In respect of oil and gas assets in Mexico there were no indicators for impairment at 30 June 2019, mainly relating to the oil price assumptions and the reserves for oil and gas production. The recoverable amount of the assets is influenced by the timing and outcome of ongoing contractual negotiations in respect of the outstanding Production Enhancement Contracts ("PECs") migration to Production Sharing Contracts ("PSCs") or migration to other form of contract. Key judgements include the expected working interest in the PSCs or other form of contract and financial and fiscal terms achieved upon migration. Management considered the impact of delays in migration and judged that the carrying amount of the assets in Mexico of US$554m reflected an expected outcome of a commercial negotiation in respect of migrations.
- Block PM304 oil and gas asset in Malaysia had a carrying amount of US$230m, the recoverable amount, which was based on fair value less cost of disposal, was higher than the asset's carrying amount

Group reorganisation and redundancy costs
Group reorganisation and redundancy costs comprised, Group reorganisation related professional services fees in the Corporate reporting segment of US$3m (post-tax US$3m); and staff redundancy costs of US$1m (post-tax US$1m) associated with the Integrated Energy Services operating segment (six months ended 30 June 2018: US$6m, post-tax US$6m of staff redundancy costs relating to the Engineering & Production Services operating segment).

Onerous leasehold property provisions
No onerous operating lease provision was recognised for the six months ended 30 June 2019. The Group applied IFRS 16 'Leases' on 1 January 2019, being the date of initial application, and at that date the outstanding onerous operating lease provision of US$12m recognised in the provisions line item of the interim condensed consolidated balance sheet was adjusted against the carrying amount of the right-of-use asset, note 2 (six months ended 30 June 2018: US$17m, post-tax US$17m was recognised for the estimated future costs relating to vacant and underutilised leasehold office buildings in the UK for which leases expire between 2020 and 2028).

Other exceptional items
Other exceptional items comprised US$5m (post-tax US$5m) of professional services fees relating to Corporate reporting segment and US$6m (post-tax US$6m) of additional disposal costs associated with the disposal of JSD6000 installation vessel arising from a revision to disposal cost estimates during the period (six months ended 30 June 2018: professional services fees of US13m, post-tax US$13m).

Taxation
No foreign exchange gains on the translation of deferred tax balances denominated in Malaysia Ringgits were recognised during the period in respect of the Group's assets in Malaysia (six months ended 30 June 2018: US$1m).

7 Income tax

Income tax expense or credit is recognised based on Management's best estimate of the income tax rate applicable to the profit or loss before tax for the interim period. The major components of the income tax expense or credit are as follows:

	*Business performance US$m	Exceptional items and certain re-measurements US$m	Reported sx months ended 30 June 2019 Unaudited US$m	Business performance US$m	Exceptional items and certain re-measurements US$m	Reported six months ended 30 June 2018 Unaudited US$m
Current income tax						
Current income tax expense	50	–	50	60	–	60
Adjustments in respect of previous periods	1	–	1	(1)	–	(1)
Deferred tax						
Relating to origination and reversal of temporary differences	7	–	7	(18)	(72)	(90)
Income tax expense/(credit) reported in the interim condensed consolidated income statement	58	–	58	41	(72)	(31)

* This measurement is shown by the Group as a means of measuring underlying business performance, see note 2 and appendix A on page 36.

The Group's business performance effective tax rate for the six months ended 30 June 2019 was 27.9% (six months ended 30 June 2018: 18.0% - represented, refer note 6) and reported effective tax rate was 30.0% (six months ended 30 June 2018: negative 59.6%).

The Group's effective tax rate is dependent upon several factors, including the timing of profit recognition between the first and second halves of the year on contracts held, as well as the mix of jurisdictions in which contracts income is generated within the Engineering & Construction and the Integrated Energy Services operating segments.

8 Earnings 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 2019 Unaudited US$m	*Six months ended 30 June 2018 Unaudited US$m
Business performance net profit attributable to Petrofac Limited shareholders for basic and diluted earnings per share	**154**	191
Reported net profit/(loss) attributable to Petrofac Limited shareholders for basic and diluted earnings per share	**139**	(17)

* Re-presented due to the reclassification of an item from exceptional items and certain re-measurements to business performance as set out in note 6 'exceptional items and certain re-measurements' to the interim condensed consolidated financial statements.

	At 30 June 2019 Shares Unaudited million	At 30 June 2018 Shares Unaudited million
Weighted average number of ordinary shares for basic earnings per share[1]	**337**	339
Effect of dilutive potential ordinary shares granted under share-based payment plans[2]	**6**	–
Adjusted weighted average number of ordinary shares for diluted earnings per share	**343**	339

	Six months ended 30 June 2019 Unaudited US cents	*Six months ended 30 June 2018 Unaudited US cents
Basic earnings per share		
Business performance	**45.7**	56.3
Reported	**41.2**	(5.0)
Diluted earnings per share[2]		
Business performance	**44.9**	56.3
Reported	**40.5**	(5.0)

* Re-presented due to the reclassification of an item from exceptional items and certain re-measurements to business performance as set out in note 6 'exceptional items and certain re-measurements' to the interim condensed consolidated financial statements.
[1] The weighted number of ordinary shares in issue during the period excludes those held by the Employee Benefit Trust.
[2] For the six months ended 30 June 2018, 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.

9 Dividends paid and proposed

	Six months ended 30 June 2019 Unaudited US$m	**Six months ended 30 June 2018 Unaudited** US$m
Declared and paid during the period		
Equity dividends on ordinary shares:		
Final dividend for 2017: US$0.253 per share	**–**	86
Final dividend for 2018: US$0.253 per share	**86**	–
	86	86

The Company proposed an interim dividend of US$0.127 per share which was approved by the Board of Directors on 27 August 2019 for payment on 18 October 2019.

10 Property, plant and equipment

The increase in property, plant and equipment of US$28m was mainly due to the recognition of the right-of-use asset transition adjustment at the date of initial application of IFRS 16 'Leases' of US$47m ,note 2 (for six months ended 30 June 2018: US$nil); additions to Group's oil and gas assets in Malaysia and Mexico of US$10m and US$4m respectively in the Integrated Energy (for six months ended 30 June 2018: expenditure relating to Greater Stella Area of US$6m and Group's oil and gas assets in Mexico of US$7m); additions to right-of-use assets in respect of office buildings of US$13m (for six months ended 30 June 2018: US$nil), additions to temporary camp facilities of US$8m and additions to office furniture and equipment of US$12m in the Engineering & Construction operating segment (for six months ended 30 June 2018: temporary camp facilities relating to two projects in the Engineering & Construction operating segment of US$8m). This increase was partly offset by depreciation charge for the period of US$68m (for six months ended 30 June 2018: US$78m).

11 Intangible assets

The increase in intangible assets of US$12m mainly related to capitalised development costs of US$9m (for six months ended 30 June 2018: US$nil) associated with the development of Group-wide cloud-based Enterprise Resource Planning ("ERP") and digital systems.

12 Other financial assets and other financial liabilities

Other financial assets	Classification	At 30 June 2019 Unaudited US$m	At 31 December 2018 Audited US$m
Non-current			
Receivable from joint operation partners for leases	Amortised cost	210	237
Deferred consideration receivable from Ithaca Energy UK Ltd	Amortised cost	62	59
Pánuco contingent consideration	Fair value through profit and loss	45	45
Contingent consideration receivable from Perenco (Oil and Gas) International Limited	Fair value through profit and loss	42	42
Receivable from Shanghai Zhenhua Heavy Industries Co Ltd	Amortised cost	4	4
Forward currency contracts designated as hedges	Designated as cash flow hedges	1	1
Advances relating to provision for decommissioning liability	Amortised cost	18	18
		382	406
Current			
Receivable from joint operation partners for leases	Amortised cost	86	76
Contingent consideration receivable from Ithaca Energy UK Ltd	Fair value through profit and loss	19	19
Forward currency contracts designated as hedges	Designated as cash flow hedges	6	25
Forward currency contracts undesignated	Fair value through profit and loss	10	14
Restricted cash	Amortised cost	10	10
		131	144
Other financial liabilities			
Non-current			
Lease creditors	Loans and borrowings	358	339
Forward currency contracts designated as hedges	Designated as cash flow hedges	–	2
		358	341
Current			
Lease creditors	Loans and borrowings	136	112
Forward currency contracts designated as hedges	Designated as cash flow hedges	11	17
Forward currency contracts undesignated	Fair value through profit and loss	2	3
Interest payable	Amortised cost	7	7
		156	139

Receivable from joint operation partners for leases
The current and non-current receivables from joint operation partners represented 70% of the lease liability in respect of oil and gas facilities, office building, vehicles and transport vessels in Malaysia that are recognised 100% in the Group's interim condensed 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 30% share of this liability was US$127m (31 December 2018: US$134m). At 30 June 2019, 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 operation partners is fully recoverable through a recourse available to the non-defaulting partner through a transfer or an assignment of defaulting partner's equity interest.

Deferred consideration receivable from Ithaca Energy UK Ltd
The deferred consideration, recoverable over a period of four years under the terms of the Sales and Purchase Agreement, of US$62m 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%. Unwinding of the discount on the deferred consideration of US$3m was recognised during the six months ended 30 June 2019, within the finance income line item of the interim condensed consolidated income statement (six months ended 30 June 2018: US$nil). There was no significant increase in the credit risk for such financial asset since the initial recognition.

Pánuco contingent consideration
A reconciliation of the fair value measurement of the Pánuco contingent consideration is presented below:

	At 30 June 2019 **Unaudited** **US$m**	At 31 December 2018 Audited US$m
Opening balance	**45**	88
Fair value loss	**–**	(43)
As at end of the reporting period	**45**	45

There is considerable uncertainty on the timing and ultimate terms of the Pánuco Production Enhancement Contract ("PEC") migration to a Production Sharing Contract ("PSC"). Management has considered alternative scenarios to assess the recoverability of the Pánuco contingent consideration including, but not limited to, the impact of delay in migration or renegotiation of the contingent consideration in the event of migration to another form of contract. Based on this assessment no fair value movement was recognised during the six months ended 30 June 2019. This is a significant accounting estimate made by Management to determine the fair value of the contingent consideration at 30 June 2019. A further fair value loss could be recognised as an exceptional item in the interim condensed consolidated income statement if the outcome of the migration is less beneficial to the Group than Management's current expectation.

Contingent consideration receivable from Perenco (Oil and Gas) International Limited ("Perenco")
At 30 June 2019, the fair value of contingent consideration receivable from Perenco was US$42m (31 December 2018: US$42m). No fair value movement was recognised during the period. The fair value of the contingent consideration took into consideration Management's expectation of future field development programme and migration terms to the Group's Magallanes and Arenque Production Enhancement Contracts by applying a risk factor (a Level 3 measurement of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement') to the maximum contingent consideration receivable. A 10% increase in risk factor would result in a negative fair value change of US$7m. Management has also considered alternative scenarios to assess the recoverability of the contingent consideration receivable from Perenco including, but not limited to, the impact of delay in migration or renegotiation of the contingent consideration in the event of migration to another form of contract. This is a significant accounting estimate made by Management to determine the fair value of the contingent consideration at 30 June 2019. A fair value loss could be recognised as an exceptional item in the interim condensed consolidated income statement if the outcome of the migration is less beneficial to the Group than Management's current expectation.

Advances relating to provision for decommissioning liability
Advances relating to decommissioning provisions represent advance payments to regulators for future decommissioning liabilities, relating to the Group's assets in Malaysia and Mexico.

Contingent consideration receivable from Ithaca Energy UK Ltd ("Ithaca")
At 30 June 2019, the fair value of contingent consideration receivable from Ithaca was US$19m (31 December 2018: US$19m), of which US$10m was received during July 2019. No fair value movement was recognised during the period. The fair value of the contingent consideration reflected Management's expectation of meeting certain performance conditions by applying a risk factor (a Level 3 measurement of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement') to the maximum contingent consideration receivable. A 10% increase in risk the factor would result in a negative fair value change of US$3m.

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.

12 Other financial assets and other financial liabilities continued

Fair value measurement

The following financial instruments are measured at fair value using the hierarchy below for determination and disclosure of their respective fair values:

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

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at:

	Level	Carrying amount		Fair value	
		30 June 2019 Unaudited US$m	31 December 2018 Audited US$m	**30 June 2019 Unaudited US$m**	31 December 2018 Audited US$m
Financial assets					
Measured at amortised cost					
Cash and short-term deposits	Level 2	**993**	726	**993**	726
Restricted cash	Level 2	**10**	10	**10**	10
Receivable from joint operation partners for leases	Level 3	**296**	313	**296**	313
Deferred consideration receivable from Ithaca Energy UK Ltd	Level 3	**62**	59	**62**	59
Receivable from Shanghai Zhenhua Heavy Industries Co Ltd	Level 3	**4**	4	**4**	4
Advances relating to provision for decommissioning liability	Level 3	**18**	18	**18**	18
Measured at fair value through profit and loss					
Pánuco contingent consideration	Level 3	**45**	45	**45**	45
Contingent consideration receivable from Perenco (Oil and Gas) International Limited	Level 3	**42**	42	**42**	42
Contingent consideration receivable from Ithaca Energy UK Ltd	Level 3	**19**	19	**19**	19
Sterling forward currency contracts – undesignated	Level 2	**8**	13	**8**	13
Euro forward currency contracts – undesignated	Level 2	**2**	1	**2**	1
Designated as cash flow hedges					
Euro forward currency contracts	Level 2	**4**	25	**4**	25
Russian ruble forward currency contracts	Level 2	**3**	1	**3**	1
Financial liabilities					
Measured at amortised cost					
Interest-bearing loans and borrowings					
Term loans	Level 2	**400**	424	**400**	425
Revolving Credit Facility	Level 2	**448**	77	**450**	80
Export Credit Agency funding	Level 2	**–**	114	**–**	115
Bank overdrafts	Level 2	**76**	21	**76**	21
Lease creditors	Level 2	**494**	451	**494**	451
Interest payable	Level 2	**7**	7	**7**	7
Measured at fair value through profit and loss					
Sterling forward currency contracts – undesignated	Level 2	**2**	1	**2**	1
Euro forward currency contracts – undesignated	Level 2	**–**	2	**–**	2
Designated as cash flow hedges					
Euro forward currency contracts	Level 2	**5**	7	**5**	7
Kuwaiti dinar forward currency contracts	Level 2	**3**	8	**3**	8
Russian ruble forward currency contracts	Level 2	**1**	3	**1**	3
Sterling forward currency contracts	Level 2	**2**	1	**2**	1

Management assessed the carrying amounts of trade and other receivables and trade and other payables to approximate their fair values largely due to the short-term maturities of these instruments.

When the fair values of financial assets and financial liabilities recognised in the interim condensed 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 ("DCF") model. The inputs to these models are taken from observable markets 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 following methods and assumptions were used to estimate the fair values for material financial instruments:

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts and commodity forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.
- The fair value of deferred consideration receivable from Ithaca Energy UK Ltd is equivalent to its amortised costs determined as the present value of discounted future cash flows using the discount rate of 8.4% which includes the counterparty's risk of default.
- The fair value of long-term interest-bearing loans and borrowings, lease creditors 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.

13 Trade and other receivables

	30 June 2019 Unaudited US$m	31 December 2018 Audited US$m
Trade receivables	**788**	829
Advances provided to vendors and sub-contractors	**393**	355
Prepayments and deposits	**24**	23
Receivables from joint operation partners	**54**	95
Other receivables	**135**	129
	1,394	1,431

The decrease in trade receivables of US$41m was mainly due to a reduction in outstanding trade receivables of U$69m relating to an engineering, procurement and construction management contract in the Engineering & Construction operating segment. At 30 June 2019, the Group had an expected credit loss provision of US$21m (31 December 2018: US$21m) against outstanding trade receivable balance of US$809m.

The increase in advances provided to vendors and sub-contractors of US$38m was mainly due to advances of US$32m relating to a contract in the Engineering & Construction operating segment.

The decrease in receivables from joint operation partners of US$41m was mainly due to substantial completion of a contract in the Engineering & Construction operating segment in which the Group was a joint operator.

14 Contract assets

	30 June 2019 Unaudited US$m	31 December 2018 Audited US$m
Work in progress	**1,777**	1,505
Retention receivables	**289**	308
Accrued income	**187**	185
	2,253	1,998

The increase in work in progress during the period of US$272m was mainly due to recognition of variation orders pending customer's approval of US$207m. At 30 June 2019, the Group had an expected credit loss provision of US$6m (31 December 2018: US5m) against an outstanding work in progress balance of US$1,783m.

At 30 June 2019, work in progress includes variation orders pending customer's approval of US$430m (31 December 2018: US$235m).

The decrease in retention receivables of US$19m is mainly due to a receipt of US$17m relating to a contract in the Engineering & Construction operating segment. At 30 June 2019, the Group had an expected credit loss provision of US$34m (31 December 2018: US$34m) and US$2m (31 December 2018: US$2m) against an outstanding retention receivable balance of US$323m and an outstanding accrued income balance of US$189m respectively.

15 Cash and cash equivalents

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

	30 June 2019 Unaudited US$m	31 December 2018 Audited US$m
Cash at bank and in hand	**898**	630
Short-term deposits	**96**	97
Cash and short-term deposits	**994**	727
ECL allowance	**(1)**	(1)
	993	726
Bank overdrafts (note 17)	**(76)**	(21)
	917	705

16 Other reserves

	Net unrealised gains/(losses) on derivatives US$m	Foreign currency translation US$m	Reserve for share-based payments US$m	Total US$m
Balance at 1 January 2018 (audited)	40	(18)	87	109
Net gains on maturity of cash flow hedges recycled in the year	(3)	–	–	(3)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	(24)	–	–	(24)
Foreign currency translation	–	17	–	17
Issue of Company's shares by Employee Benefit Trust	–	–	[1](34)	(34)
Transfer to share-based payments reserve for Deferred Bonus Share Plan Invested Shares	–	–	15	15
Credit to equity for share-based payments charge	–	–	17	17
Income tax on share-based payments reserve	–	–	(2)	(2)
Balance at 31 December 2018 (audited)	13	(1)	83	95
Attributable to:				
Petrofac Limited shareholders	13	(1)	83	95
Non-controlling interests	–	–	–	–
Balance at 31 December 2018 (audited)	13	(1)	83	95
Balance at 1 January 2019 (audited)	13	(1)	83	95
Net losses on maturity of cash flow hedges recycled in the period	2	–	–	2
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	8	–	–	8
Foreign currency translation	–	4	–	4
Issue of Company's shares by Employee Benefit Trust	–	–	(23)	(23)
Transfer to share-based payments reserve for Deferred Bonus Share Plan Invested Shares	–	–	12	12
Credit to equity for share-based payments charge	–	–	8	8
Income tax on share-based payments reserve	–	–	–	–
Balance at 30 June 2019 (unaudited)	**23**	**3**	**80**	**106**
Attributable to:				
Petrofac Limited shareholders	23	3	80	106
Non-controlling interests	–	–	–	–
Balance at 30 June 2019 (unaudited)	**23**	**3**	**80**	**106**

[1] Includes US$32m relating to shares vested during the six months ended 30 June 2018.

The forward currency points element and ineffective portion of derivative financial instruments relating to forward currency contracts amounting to US$9m loss (six months ended 30 June 2018: US$1m loss) have been recognised in cost of sales.

17 Interest-bearing loans and borrowings

	30 June 2019 Unaudited US$m	31 December 2018 Audited US$m
Non-current		
Revolving Credit Facility	**450**	80
Term loans	**225**	300
	675	380
Less: Debt acquisition costs net of accumulated amortisation and effective interest rate adjustments	**(2)**	(4)
	673	376
Current		
Export Credit Agency funding (SACE and UKEF Facilities)	**–**	115
Term loans	**175**	125
Bank overdrafts	**76**	21
	251	261
Less: Debt acquisition costs net of accumulated amortisation and effective interest rate adjustments	–	(1)
	251	260
Total interest-bearing loans and borrowings	**924**	636

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

Revolving Credit Facility
The Group has a US$1,200m committed Revolving Credit Facility with a syndicate of international banks, which is available for general corporate purposes. US$200m of the facility will mature in June 2020 and the remaining US$1,000m will mature in June 2021. As at 30 June 2019, US$450m was drawn under this facility (31 December 2018: US$80m).

Interest is payable on the drawn balance of the facility and in addition utilisation fees are payable depending on the level of utilisation.

Export Credit Agency funding
During 2019, the term loan facilities guaranteed, respectively, by the Italian Export Credit Agency (SACE) and the UK Export Credit Agency (UKEF) were repaid in full. As at 30 June 2019, no amounts were due under the SACE facility (31 December 2018: US$43m) nor the UKEF facility (31 December 2018: US$72m).

Term loans
At 30 June 2019, the Group had in place five bilateral term loans with a combined total of approximately US$431m. As at that date, US$400m was drawn under these facilities (31 December 2018: US$425m). Of the total, US$100m is scheduled to mature in August 2019, US$75m in February 2020, and US$225m in August 2020.

Bank overdrafts
Bank overdrafts are available 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. The Group was compliant with these covenants at 30 June 2019.

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.

18 Trade and other payables

	30 June 2019 Unaudited US$m	31 December 2018 Audited US$m
Trade payables	**529**	336
Accrued expenses	**400**	431
Other taxes payable	**57**	71
Other payables	**127**	124
	1,113	962

The increase in trade payables of US$193m is mainly due to an increase of approximately US$200m in the Engineering & Construction operating segment mainly arising from increase in construction activity for late life contracts.

19 Contract liabilities

	30 June 2019 Unaudited US$m	31 December 2018 Audited US$m
Billings in excess of costs and estimated earnings	**228**	374
Advances received from customers	**239**	130
	467	504

The decrease in billings in excess of costs and estimated earnings of US$146m was mainly due to revenue recognised during the period from amounts included in contract liabilities at the beginning of the year of US$200m, this decrease was partly offset by advance billings of US$54m relating to two contracts in the Engineering & Construction operating segment.

The increase in advances received from customers of US$109m was mainly due to receipt of advances for four contracts in the Engineering & Construction operating segment of US$173m, this increase was offset by revenue recognised during the period from amounts included in contract liabilities at the beginning of the year of US$55m.

20 Related party transactions

The following table provides the total amount of transactions which have been entered into with related parties:

Related party receivables	30 June 2019 Unaudited US$m	31 December 2018 Audited US$m
Joint ventures	**1**	–
Associates	**4**	1
	5	1

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.

Other Directors' interests include market-rate services of US$103,000 (six months ended 30 June 2018: US$246,000), incurred in the ordinary course of business by the Engineering & Production Services operating segment. The Group Chief Executive is a beneficiary of a trust which has invested in a fund that has an equity interest in the company which provided the services. In May 2017, the board of directors approved a donation of up to US$5m over the course of 5 years to the American University of Beirut (AUB) to establish the Petrofac Fund for Engineers endowment fund, which will provide scholarships and internships to engineering students in memory of Mr Maroun Semaan, Petrofac's co-founder. For six months ended 30 June 2019, a US$nil (six months ended 30 June 2018: US$nil) donation from the approved amount was made to the AUB. The Group Chief Executive is a trustee of the AUB.

21 Commitments and contingent liabilities

Capital commitments
At 30 June 2019 the Group had capital commitments of US$24m (31 December 2018: US$21m).

Included in the US$24m of commitments are:

	30 June 2019 Unaudited US$m	31 December 2018 Audited US$m
Production Enhancement Contracts (PEC) in Mexico	**5**	16
Appraisal and development expenditure relating to the Group's assets in Malaysia	**1**	3
Commitments in respect of the construction of a new training centre in Oman	**1**	2
Commitments in respect of development of the Group's cloud-based Enterprise Resource Planning ("ERP"), digital systems and other information technology equipment	**17**	–

Contingent liabilities
As described in pages 5, 27 and 76 of the 2018 Annual Report and Accounts, on 12 May 2017, the UK Serious Fraud Office ("SFO") announced an investigation into the activities of Petrofac, its subsidiaries, and their officers, employees and agents for suspected bribery, corruption, and/or money laundering. In February 2019 a former employee of a Petrofac subsidiary admitted offences contrary to the UK Bribery Act 2010. No charges have been brought against any Group company or any other officers or employees to date. Although not charged, a number of Petrofac individuals and entities are alleged to have acted together with the individual concerned. The SFO investigation is ongoing. The existence of any possible future financial obligations (such as fines or penalties), or other consequences, is unable to be determined at this time.

The Group is aware of challenges to the historical application of National Insurance Contributions to workers in the UK Continental Shelf. At this point, the Group considers this to be a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and, accordingly, no provision has been recognised. Management does not believe it is possible to make a reliable estimate of the potential financial effect in the event that the Group was determined to have any liability that may arise from this matter.

22 Lease disclosures

a. Right-of-use assets

The table below provides details of right-of-use assets recognised within property, plant and equipment line item of the interim condensed consolidated balance sheet:

	Oil and gas facilities US$m	Land, buildings and leasehold improvements US$m	Plant and equipment US$m	Vehicles US$m	Total US$m
Finance lease asset carrying amounts under IAS 17 'Leases' reclassified at the date of initial application (note 2)	127	–	1	–	128
Transition adjustment (note 2)	–	41	–	6	47
Additions	–	15	–	–	15
Depreciation charge for the period	(9)	(5)	–	(2)	(16)
At 30 June 2019 (unaudited)	**118**	**51**	**1**	**4**	**174**

b. Lease liabilities

The table below provides details of lease liabilities recognised within other financial liabilities line item of the interim condensed consolidated balance sheet:

	US$m
Finance lease liabilities carrying amounts under IAS 17 reclassified at the date of initial application (note 2)	451
Transition adjustment (note 2)	85
Additions	15
Interest	6
Payments made by the Group	(28)
Principal payments made by joint operation partners	(35)
At 30 June 2019 (unaudited)	**494**

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	US$m
Operating lease commitments as at 31 December 2018	100
Weighted average incremental borrowing rate as at 1 January 2019	5.5%
Discounted operating lease commitments at 1 January 2019	85
Commitments relating to leases previously classified as finance leases	451
Lease liabilities as at 1 January 2019 (unaudited)	**536**

c. Amounts recognised in the interim condensed consolidated income statement in respect of leases

	US$m
Depreciation charge for the period in respect of right-of-use assets	16
Finance expense recognised during the period associated with lease liabilities	6
Lease expense recognised during the period for short-term leases and leases for low-value assets	4

Appendices

For the six months ended 30 June 2019

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.

<table>
<tr><th>APM</th><th>Description</th><th>Closest equivalent IFRS measure</th><th>Adjustments to reconcile to primary statements</th><th>Rationale for adjustments</th></tr>
<tr><td>Group's business performance net profit attributable to Petrofac Limited shareholders (note A1)</td><td>Measures net profitability</td><td>Group's net profit/(loss)</td><td rowspan="2">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 the contribution of impairments of assets, fair value re-measurements, losses on disposal, restructuring and redundancy costs, onerous leasehold property provision, certain Corporate reporting segment professional services and amortisation of debt acquisition cost, contract migration costs and material deferred tax movements arising due to foreign exchange differences in jurisdictions where tax is computed based on the functional currency of the country

A re-presentation was made to the Group's business performance APM during 2018, refer note 6 for details</td><td rowspan="2">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</td></tr>
<tr><td>Business performance basic and diluted earnings per share attributable to Petrofac Limited shareholders (note A2)</td><td>Measures net profitability</td><td>Basic and diluted earnings per share</td></tr>
<tr><td>Business performance earnings before interest, tax, depreciation and amortisation ("EBITDA") (note A3)</td><td>Measures operating profitability</td><td>Operating profit/(loss)</td><td>Excludes exceptional items and certain re-measurements, depreciation and amortisation and includes share of net profits from associates and joint ventures</td><td>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</td></tr>
<tr><td>Business performance effective tax rate ('ETR') (note A4)</td><td>Measures tax charge</td><td>Income tax expense</td><td>Excludes income tax credit related to exceptional items and certain re-measurements</td><td>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</td></tr>
<tr><td>Capital expenditure (note A5)</td><td>Measures net cash cost of capital investment</td><td>Net cash flows (used in)/generated from investing activities</td><td>Excludes dividends received from associates and joint ventures, net loans repaid by associates and joint ventures, proceeds from disposal of a subsidiary, disposal costs paid/proceeds from disposal of property, plant and equipment and interest received</td><td>Excludes items not considered relevant to capital investment</td></tr>
<tr><td>Free cash flow (note A6)</td><td>Measures net cash generated after operating and investing activities to finance returns to shareholders</td><td>Net cash flows generated from/(used in) operating activities plus net cash flows (used in)/generated from investing activities minus interest paid plus amounts received from non-controlling interest</td><td>n/a</td><td>n/a</td></tr>
</table>

APM	Description	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements	Rationale for adjustments
Working capital, balance sheet measure (note A7)	Measures the investment in working capital	No direct equivalent. Calculated as inventories plus trade and other receivables plus contract assets minus trade and other payables minus contract liabilities minus accrued contract expenses	n/a	n/a
Return on capital employed ('ROCE') (note A8)	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 A9)	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 A10)	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 A11)	Measure indebtedness	No direct equivalent. Calculated as interest bearing loans and borrowings minus cash and short-term deposits	n/a	n/a
Net debt/EBITDA (note A12)	Measures leverage	No direct equivalent. Calculated as net debt divided by EBITDA	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 2019

A1. Business performance net profit attributable to Petrofac Limited shareholders

	Six months ended 30 June 2019 Unaudited US$m	*Six months ended 30 June 2018 Unaudited US$m
Reported net profit/(loss) (A)	**135**	(21)
Adjustments – exceptional items and certain re-measurements (note 6):		
Impairment of Assets	**–**	244
Fair value re-measurements	**–**	–
Loss on disposal	**–**	–
Group reorganisation and redundancy costs	**4**	6
Onerous leasehold property provisions	–	17
Other exceptional items	**11**	13
Pre-tax exceptional items and certain re-measurements (B)	**15**	280
Foreign exchange translation (gains)/losses on deferred tax balances	**–**	(1)
Tax relief on exceptional items and certain re-measurements	**–**	(71)
Tax credit on exceptional items and certain re-measurements (C)	**–**	(72)
Post-tax exceptional items and certain re-measurements (D = B + C)	**15**	208
Group's business performance net profit (A + D)	**150**	187
Loss attributable to non-controlling interest	**4**	4
Business performance net profit attributable to Petrofac Limited shareholders	**154**	191

* Re-presented due to the reclassification of an item from exceptional items and certain re-measurements to business performance as set out in note 6 'exceptional items and certain re-measurements' to the interim condensed consolidated financial statements.

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

	Six months ended 30 June 2019 Unaudited US$m	*Six months ended 30 June 2018 Unaudited US$m
Reported net profit/(loss) attributable to Petrofac Limited shareholders (E)	**139**	(17)
Add: post-tax exceptional items and certain re-measurements (appendix A note A1)	**15**	208
Business performance net profit attributable to Petrofac Limited shareholders (E_1)	**154**	191

* Re-presented due to the reclassification of an item from exceptional items and certain re-measurements to business performance as set out in note 6 'exceptional items and certain re-measurements' to the interim condensed consolidated financial statements.

	30 June 2019 Unaudited shares Million	30 June 2019 Unaudited shares million
Weighted average number of ordinary shares for basic earnings per share[1] (F) (note 8)	**337**	339
Weighted average number of ordinary shares for diluted earnings per share[1] (F_1) (note 8)	**343**	339

	Six months ended 30 June 2019 Unaudited US$m	*Six months ended 30 June 2018 Unaudited US$m
Basic earnings per share		
Business performance (E_1 / F x 100)	**45.7**	56.3
Reported (E / F x 100)	**41.2**	(5.0)
Diluted earnings per share[2]		
Business performance (E_1 / F_1 x 100)	**44.9**	56.3
Reported (E / F_1 x 100)	**40.5**	(5.0)

* Re-presented due to the reclassification of an item from exceptional items and certain re-measurements to business performance as set out in note 6 'exceptional items and certain re-measurements' to the interim condensed consolidated financial statements.

1 The weighted number of ordinary shares in issue during the period excludes those held by the Employee Benefit Trust.

2 For the six months ended 30 June 2018, 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 2019 Unaudited US$m	*Six months ended 30 June 2018 Unaudited US$m
Reported operating profit/(loss)	**203**	(32)
Adjustments:		
Pre-tax exceptional items and certain re-measurements (appendix A note A1)	**15**	280
Share of net profit of associates and joint ventures	**13**	8
Depreciation (note 10)	**68**	78
Amortisation and write off (note 4)	**6**	–
Business performance EBITDA	**305**	334

* Re-presented due to the reclassification of an item from exceptional items and certain re-measurements to business performance as set out in note 6 'exceptional items and certain re-measurements' to the interim condensed consolidated financial statements.

A4. Business performance ETR

	Six months ended 30 June 2019 Unaudited US$m	*Six months ended 30 June 2018 Unaudited US$m
Reported income tax expense/(credit)	**58**	(31)
Add: Tax credit on exceptional items and certain re-measurements (appendix A note A1)	**–**	72
Business performance income tax expense (G)	**58**	41
Group's business performance net profit (appendix A note A1)	**150**	187
Group's business performance net profit before tax (H)	**208**	228
Business performance ETR (G / H x 100)	**27.9%**	18.0%

* Re-presented due to the reclassification of an item from exceptional items and certain re-measurements to business performance as set out in note 6 'exceptional items and certain re-measurements' to the interim condensed consolidated financial statements.

A5. Capital expenditure

	Six months ended 30 June 2019 Unaudited US$m	Six months ended 30 June 2018 Unaudited US$m
Net cash flows used in/(generated from) investing activities	**52**	(55)
Adjustments:		
Dividend received from associates and joint ventures	**2**	5
Net loans repaid by/(paid to) associates and joint ventures	**–**	7
Proceeds from disposal of property, plant and equipment	**(6)**	93
Proceeds from disposal of subsidiaries	**2**	–
Interest received	**3**	3
Capital expenditure	**53**	53

A6. Free cash flow

	Six months ended 30 June 2019 Unaudited US$m	Six months ended 30 June 2018 Unaudited US$m
Net cash flows generated from/(used in) operating activities	**190**	(148)
Net cash flows (used in)/generated from investing activities	**(52)**	55
Interest paid	**(25)**	(33)
Amounts received from non-controlling interest	**10**	–
Free cash flow	**123**	(126)

Appendices

For the six months ended 30 June 2019

A7. Working capital

	30 June 2019 Unaudited US$m	31 December 2018 Audited US$m
Inventories	**19**	21
Trade and other receivables (note 13)	**1,394**	1,431
Contract assets (note 14)	**2,253**	1,998
Current Assets (I)	**3,666**	3,450
Trade and other payables (note 18)	**1,113**	962
Contract liabilities (note 19)	**467**	504
Accrued contract expenses	**1,702**	1,645
Current Liabilities (J)	**3,282**	3,111
Working capital (I - J)	**384**	339

A8. Return on capital employed

	Six months ended 30 June 2019 Unaudited US$m	*Six months ended 30 June 2018 Unaudited US$m
Reported operating profit/(loss)	**203**	(32)
Adjustments:		
Pre-tax exceptional items and certain re-measurements (appendix A note A1)	**15**	280
Share of profits from associates and joint ventures	**13**	8
Amortisation and write off (note 4)	**6**	–
Business performance EBITA (K)	**237**	256
Total assets opening balance	**5,806**	7,563
Less: 70% on leases in respect of oil and gas facilities relating to Block PM304 in Malaysia	**(313)**	(381)
Adjusted total assets opening balance (L)	**5,493**	7,182
Total assets closing balance	**6,307**	6,580
Less: 70% on leases in respect of oil and gas facilities relating to Block PM304 in Malaysia (note A10)	**(296)**	(348)
Adjusted total assets closing balance (M)	**6,011**	6,232
Average total assets (N = (L + M) / 2)	**5,752**	6,707
Current liabilities opening balance	**3,794**	4,982
Less: 70% on leases in respect of oil and gas facilities relating to Block PM304 in Malaysia (note A10)	**(76)**	(76)
Adjusted current liabilities opening balance (O)	**3,718**	4,906
Current liabilities closing balance	**3,918**	4,351
Less: 70% on leases in respect of oil and gas facilities relating to Block PM304 in Malaysia (note A10)	**(86)**	(76)
Adjusted current liabilities closing balance (P)	**3,832**	4,275
Average current liabilities (Q = (O + P) / 2)	**3,775**	4,591
Capital employed (R = N – Q)	**1,977**	2,116
Return on capital employed (K / R x 100 x 2)	**24.0%**	24.2%

* Re-presented due to the reclassification of an item from exceptional items and certain re-measurements to business performance as set out in note 6 'exceptional items and certain re-measurements' to the interim condensed consolidated financial statements.

A9. Cash conversion

	Six months ended 30 June 2019 Unaudited US$m	*Six months ended 30 June 2018 Unaudited US$m
Cash generated from/(used in) operations (S)	**310**	(42)
Business performance EBITDA (T)	**305**	334
Cash conversion (S / T x 100)	**101.6%**	(12.6%)

* Re-presented due to the reclassification of an item from exceptional items and certain re-measurements to business performance as set out in note 6 'exceptional items and certain re-measurements' to the interim condensed consolidated financial statements.

A10. Net lease liabilities

	30 June 2019 Unaudited US$m	31 December 2018 Audited US$m
Non-current liability for leases (note 12)	358	339
Current liability for leases (note 12)	136	112
Total gross liability for leases	494	451
70% gross up on non-current liability for leases in respect of oil and gas facilities relating to Block PM304 in Malaysia (note 12)	210	237
70% gross up on current liability for leases in respect of oil and gas facilities relating to Block PM304 in Malaysia (note 12)	86	76
Total 70% on leases in respect of oil and gas facilities relating to Block PM304 in Malaysia	296	313
Net non-current liability for leases	148	102
Net current liability for leases	50	36
Net liability for leases	**198**	138

A11. Net debt

	30 June 2019 Unaudited US$m	31 December 2018 Audited US$m
Interest-bearing loans and borrowings (U) (note 17)	924	636
Less: Cash and short-term deposits (V) (note 15)	(993)	(726)
Net (cash)/debt (U – V)	**(69)**	(90)

A12. Net debt / EBITDA

	30 June 2019 Unaudited US$m	31 December 2018 Audited US$m
Net Debt (W) (appendix A note A11)	NA	NA
Business performance EBITDA (X) (note A3)	NA	NA
Net debt / EBITDA (W / X)	**NA**	NA

A13. New order intake

	Six months ended 30 June 2019 Unaudited US$m	*Six months ended 30 June 2018 Unaudited US$m
Engineering & Construction operating segment		
Net awards	1,159	1,427
Net variation orders	432	281
	1,591	1,708
Engineering & Production Services operating segment		
Net awards	190	385
Net variation orders	(2)	41
	188	426
New order intake	1,779	2,134

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that, to the best of their knowledge, the interim condensed consolidated financial statements on pages 14 to 35 has been prepared in accordance with IAS 34 'Interim Financial Reporting', and that the interim management report on pages 1 to 13 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 in the Petrofac Annual Report and Accounts 2018.

By the order of the Board

Ayman Asfari
Chief Executive Officer
27 August 2019

Alastair Cochran
Chief Financial Officer
27 August 2019

Independent review report to Petrofac Limited

Introduction

We have been engaged by Petrofac Limited ('the Company') to review the interim condensed consolidated financial statements in the interim report for the six months ended 30 June 2019 which comprises the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated balance sheet, the interim condensed consolidated statement of cash flows, the interim condensed consolidated statement of changes in equity and the related explanatory notes 1 to 22 that have been reviewed. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim condensed consolidated financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards ('IFRS'). The interim condensed consolidated financial statements included in this interim report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our Responsibility

Our responsibility is to express to the Company a conclusion on the interim condensed consolidated financial statements in the interim report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements in the interim report for the six months ended 30 June 2019 are not prepared, in all material respects, in accordance with International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

London

27 August 2019

SHAREHOLDER INFORMATION
At 30 June 2019

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

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Jersey JE2 3RA

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25 Bank Street
Canary Wharf
London E14 5JP

Corporate and Financial PR
Tulchan Communications Group
85 Fleet Street
London EC4Y 1AE

Financial calendar[1]

20 September 2019	Interim dividend record date
18 October 2019	Interim dividend payment
31 December 2019	2019 financial year end
25 February 2020	2019 full year results announcement

[1] Dates are based on current expectations.

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