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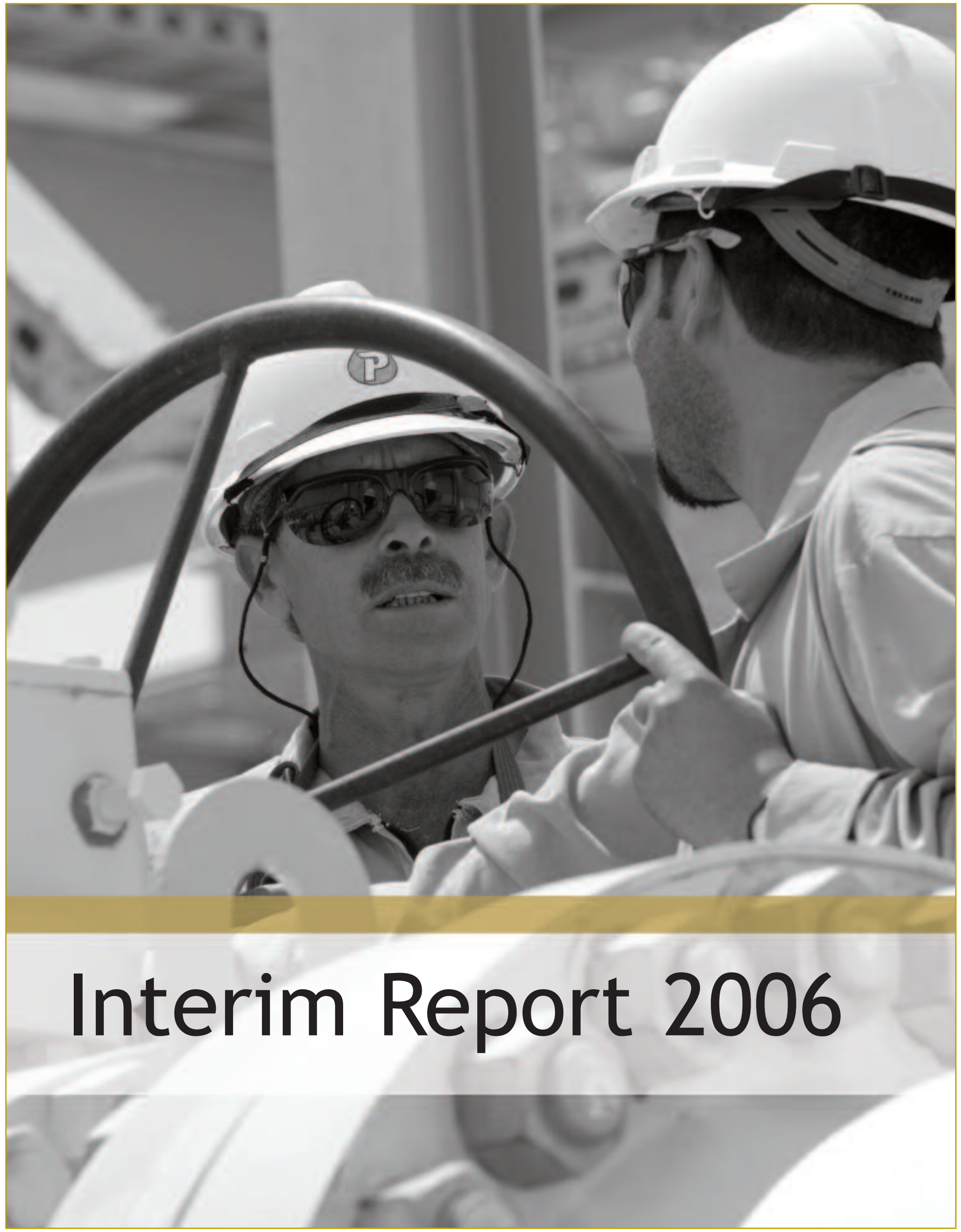
Petrofac



Interim Report 2006

Our **vision** is for Petrofac to be the global oil & gas industry's premier facilities and infrastructure provider, admired by customers and employees for consistently delivering and rewarding excellence.

Achieving this demands that we:

- work to world-class standards
- focus always on customer satisfaction
- respect the environment and are sensitive to the communities in which we work
- promote and reward on merit

Contents

Group financial highlights[1]

For the six months ended 30 June 2006

US$927m
Revenue
six months ended 30 June 2005 US$692m

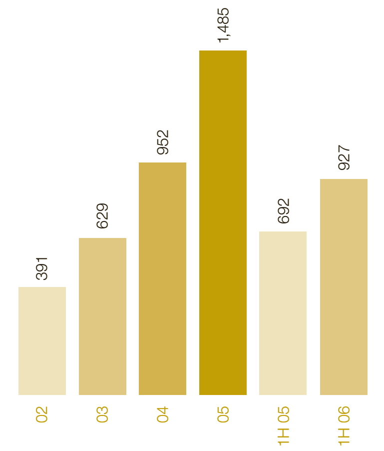
US$3,333m
Backlog[2]
as at 31 December 2005 US$3,244m

US$88.8m
EBITDA[3]
six months ended 30 June 2005 US$54.3m

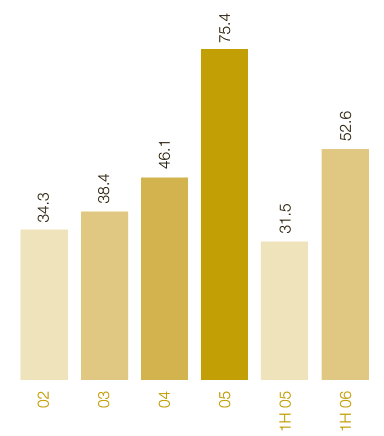
15.2 cents
Earnings per share (diluted)
six months ended 30 June 2005 9.5 cents

US$52.6m
Net profit[4]
six months ended 30 June 2005 US$31.5m

2.40 cents
Interim dividend per share
six months ended 30 June 2005 nil



Revenue (US$ millions)



Net profit (US$ millions)

1 Unless otherwise stated, results on pages 1 to 5 are on continuing operations.
2 Backlog consists of the estimated revenue attributable to the uncompleted portion of lump-sum engineering, procurement and construction contracts and variation orders plus, with regard to engineering services and facilities management contracts, the estimated revenue attributable to the lesser of the remaining term of the contract and, in the case of life-of-field facilities management contracts, five years. The group uses this key performance indicator as a measure of the visibility of future earnings. Backlog is not an audited measure. Other companies in the oil & gas industry may calculate this measure differently.
3 EBITDA means earnings before interest, tax, depreciation and amortisation and is calculated as profit from continuing operations before tax and net finance costs adjusted to add back charges for depreciation, amortisation and impairment.
4 Profit for the period attributable to Petrofac Limited shareholders.

Business review

Results

We are pleased to report that the group has continued to perform well in the first half of 2006 with strong growth in revenue and profit.

In the six months ended 30 June 2006, revenue increased by 34% to US$926.9 million compared to the corresponding period in 2005 (2005: US$692.4 million). EBITDA increased by 63% to US$88.8 million (2005: US$54.3 million) and net profit increased by 67% to US$52.6 million (2005: US$31.5 million). This primarily reflects revenue growth in the Engineering & Construction and Operations Services divisions and margin enhancement in the Engineering & Construction division.

The tax charge for the six months ended 30 June 2006 of US$21.9 million (2005 as restated, see note 5: US$6.2 million) is based on the anticipated divisional effective tax rates for the year ending 31 December 2006 and results in an effective tax rate for the period of 29.4% (2005: 16.5%). The principal reason for the increase in the effective tax rate was the recognition in the 2005 forecast full year effective tax rate of a tax credit of US$7.6 million for tax losses in the holding company of the group's Malaysian upstream investment, following approval of the field development plan.

Net interest payable for the period decreased to US$0.7 million (2005: US$3.4 million) due to higher average cash balances and reduced interest-bearing loans and borrowings.

The net operating cash flow in the period was US$186.6 million (2005: US$12.1 million), representing 210.0% of EBITDA (2005: 22.4%). The group's net cash increased to US$261.4 million at 30 June 2006 (31 December 2005: US$102.0 million) as a result of profits generated and a decrease in net working capital utilised during the period. The net contract related working capital balances at 30 June 2006 were significantly higher than at 31 December 2005 as a result of the increased levels of business activity in the first half of the year. The favourable net working capital movement arose principally from advance payments made by customers on long-term engineering and construction contracts. Interest-bearing loans and borrowings increased marginally during the period to US$118.0 million (31 December 2005: US$106.9 million).

Diluted earnings per share attributable to continuing operations for the six months ended 30 June 2006 increased to 15.23 cents per share (2005: 9.50 cents per share) reflecting the group's improved profitability.

During the first six months of 2006, order intake[1] across the group amounted to, in aggregate, approximately US$1.0 billion. At 30 June 2006, the group's combined backlog for the Engineering & Construction and Operations Services divisions was approximately US$3.3 billion (31 December 2005: US$3.2 billion).

Dividend

The Board has declared an interim dividend of 2.40 cents per share (2005 interim [pre-listing] dividend: 3.01 cents) which will be paid on 27 October 2006 to eligible shareholders on the register at 29 September 2006.

[1]Order intake comprises new contracts awarded, growth in scope of existing contracts and the rolling increment attributable to contracts which extend beyond five years. Order intake is not an audited measure.

Segmental review

US$'000	Revenue		Operating profit		Net profit		EBITDA	
For the six months ended 30 June	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Engineering & Construction	**578,958**	398,987	**55,694**	22,867	**44,320**	21,669	**60,671**	28,055
Operations Services	**325,337**	279,668	**12,296**	12,391	**7,203**	7,544	**14,007**	13,296
Resources	**23,113**	22,572	**7,550**	8,769	**3,898**	8,109	**14,745**	15,730
Consolidation & elimination	**(469)**	(8,817)	**(373)**	(2,946)	**(2,859)**	(5,866)	**(579)**	(2,735)
Group	**926,939**	692,410	**75,167**	41,081	**52,562**	31,456	**88,844**	54,346

Growth/margin analysis	Revenue growth		Operating margin		Net margin		EBITDA margin	
For the six months ended 30 June	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Engineering & Construction	**45.1%**	111.9%	**9.6%**	5.7%	**7.7%**	5.4%	**10.5%**	7.0%
Operations Services	**16.3%**	41.8%	**3.8%**	4.4%	**2.2%**	2.7%	**4.3%**	4.8%
Resources	**2.4%**	4.7%	**32.7%**	38.8%	**16.9%**	35.9%	**63.8%**	69.7%
Group	**33.9%**	71.8%	**8.1%**	5.9%	**5.7%**	4.5%	**9.6%**	7.8%

Engineering & Construction

Given the significant value of contracts awarded towards the end of 2005, the focus of the Engineering & Construction division has been on the mobilisation of these projects and on the execution of other projects in hand.

In the Middle East, contracts for Qatar Petroleum and Kuwait Oil Company (northern oil export system) are substantially complete and we are making good progress with our more recent award with KOC (facilities upgrade project) and with the Kauther and Harweel projects in Oman. We continue to see a high level of activity in the former Soviet Union, particularly in Russia and Kazakhstan. In Russia, we are progressing well with the Kovykta project management contracts and, building on our recently established engineering presence in Moscow, various engineering services projects with other clients. In Kazakhstan, the Kashagan engineering and procurement contract is approaching completion with work under way on the recently awarded related construction management contract whilst work continues on the front-end engineering and design study for the Karachaganak fourth train.

Completion of the BTC/SCP project continues to progress in line with expectations and on a fully reimbursable basis.

Our strong operational performance has increased divisional revenue by 45% to US$579.0 million (2005: US$399.0 million) and net profit by 104% to US$44.3 million (2005: US$21.7 million), representing a net margin of 7.7% (2005: 5.4%). The increase in margin reflects the timing of profit recognition and increased profitability of lump-sum EPC contracts. The division's backlog at 30 June 2006 was US$1.6 billion (31 December 2005: US$2.1 billion).

While the division continues to focus on the successful execution of projects in hand, we are pursuing opportunities for new business on a selective basis in our core regional markets with various contracts currently scheduled to be awarded during the remainder of 2006 and into next year.

Segmental review (continued)

Operations Services

Our facilities management and training businesses continue to trade well in the buoyant UK oil & gas market. During the first half of the year, we signed operations support contracts with CNR International and Marathon and secured a further twelve-month renewal of our contract with Maersk Oil. We were also awarded a small life-of-field service operator contract by Helix Energy Services for a normally unmanned installation in the Camelot field. Petrofac Brownfield, which provides maintenance and modifications engineering services, has continued its significant growth and now employs over 500 staff, three times that of a year ago, and has projects under way for a variety of clients including Lundin Petroleum, Marathon and Talisman Energy. Our international facilities management business continued to perform in line with our expectations during the period with contracts in hand in Kuwait, Iran, Sudan and Papua New Guinea and also now in Equatorial Guinea as part of the Marathon contract referred to earlier.

The training business continues to perform well in the UK and the services offered were further strengthened during the period with the opening of Rubicon Response's integrated Emergency Response Service Centre (ERSC) in Aberdeen. We continue to make steady progress internationally with recent awards in the Gulf of Mexico and the acquisition of a small Sakhalin-based training business.

Divisional revenue for the period increased by 16% to US$325.3 million (2005: US$279.7 million) reflecting new business and increased pass-through revenue, while net profit, at US$7.2 million (2005: US$7.5 million), was marginally lower than the corresponding period last year, due principally to leasing costs associated with new offices as the division invests for further growth. The lower margin reflects both these additional costs and the increase in pass-through revenue. The division's backlog increased to a record US$1.7 billion at 30 June 2006 (31 December 2005: US$1.1 billion).

In August 2006, we announced that our international facilities management business had signed a service operator contract with Dubai Petroleum Establishment (DPE), wholly owned by the Government of Dubai, for the provision of well and facilities management services to Dubai's offshore oil & gas assets. The transition process has commenced and we will take full responsibility for these operations from April 2007. The award of this major contract was as a result of significant investment over a number of years in our international business development activities and represents a material increase in scale for the international Operations Services business.

Resources

The Resources division's operational assets, Ohanet and the KPC refinery, performed well during the period and in line with our expectations. Divisional revenue increased marginally to US$23.1 million (2005: US$22.6 million) on a similar portfolio of assets. Net profit for the period was US$3.9 million (2005: US$8.1 million). Net profit reported for the first half of 2005 reflected a forecast full year effective tax rate which included recognition of an income tax credit of US$7.6 million, of which US$3.5 million was recognised in the first half of 2005, from tax losses in the holding company of our Malaysian investment.

We continue to make good progress with the development of the Cendor field in Block PM304, Malaysia, proceeding on schedule and within budget. The mobile offshore production and drilling units are on station and, with drilling under way, commercial production is due to commence during the second half of the year. With regard to our UKCS interests, work is progressing well on the field development plan for blocks 211/18a and 211/18c in the West Don field, which was acquired earlier in the year, and we increased our interest in Block 9/28a part B (containing the Crawford Field) from 5.58% to 29%, assuming operatorship of the field.

Outlook

Market conditions continue to be strong and we believe are likely to remain so as the relative under-investment in the oil & gas industry in recent years is addressed through long-term programmes of capital expenditure by our clients.

With a continuing focus on project execution, our Engineering & Construction division is well positioned to maintain its strong financial performance and generate an improving net margin, in particular as existing lump-sum contracts near completion during the remainder of 2006. We continue to see strong demand for our services which has allowed us to be more selective in our bidding activity, targeting contracts due for award in the second half of this year.

Our Operations Services division has achieved significant growth in recent years and, following the investment made in the first half of this year, is well placed to deliver full year performance in line with our expectations. Looking further ahead, the recent award of the service operator contract by DPE should make an important contribution to the division's growth from April 2007.

The principal focus of our Resources division has been to bring the Cendor development to production and to progress our other investments which are currently under development. We continue to appraise a range of new opportunities, both in upstream assets and energy infrastructure, which will leverage our capabilities in facilities engineering and operational management, and are confident of expanding our investment portfolio in the coming months.

The importance of having the right people in support of contract execution cannot be overstated and is key to generating a strong and sustainable financial return. We now have approaching 8,000 employees, compared to less than 5,000 only a year ago, and are well placed to continue to capitalise on opportunities for further growth through our established presence, in particular in the Middle East and India, and our commitment to employee share ownership.

We believe the group is well positioned to benefit from our clients' increased demand for services and to deliver another year of strong growth.

Rodney Chase
Chairman

Ayman Asfari
Group Chief Executive

Interim condensed consolidated income statement

For the six months ended 30 June 2006

	Notes	6 months ended 30 June 2006 Unaudited US$'000	6 months ended 30 June 2005 Unaudited US$'000	Year ended 31 December 2005 Audited US$'000
Continuing operations				
Revenue	3	**926,939**	692,410	1,485,472
Cost of sales	4	**(809,660)**	(618,197)	(1,324,673)
Gross profit		**117,279**	74,213	160,799
Selling, general and administration expenses		**(42,438)**	(34,073)	(74,928)
Other income		**829**	2,819	5,223
Other expenses		**(503)**	(1,878)	(2,491)
Profit from continuing operations before tax and net finance costs		**75,167**	41,081	88,603
Finance costs		**(3,552)**	(4,786)	(8,448)
Finance income		**2,870**	1,389	3,193
Profit before tax		**74,485**	37,684	83,348
Income tax (expense)/income – UK		**(4,329)**	525	(7,106)
– Overseas		**(17,546)**	(6,753)	(845)
	5	**(21,875)**	(6,228)	(7,951)
Profit for the period from continuing operations		**52,610**	31,456	75,397
Discontinued operations				
Loss for the period from discontinued operations		**(49)**	(202)	(815)
Profit for the period		**52,561**	31,254	74,582
Attributable to:				
Petrofac Limited shareholders		**52,513**	31,254	74,582
Minority interests		**48**	–	–
		52,561	31,254	74,582
Earnings per share (US cents)	6			
From continuing and discontinued operations:				
– Basic		**15.25**	10.90	24.52
– Diluted		**15.21**	9.44	22.17
From continuing operations:				
– Basic		**15.26**	10.97	24.79
– Diluted		**15.23**	9.50	22.41

The attached notes 1 to 16 form part of these condensed consolidated financial statements.

Interim condensed consolidated balance sheet

At 30 June 2006

	Notes	30 June 2006 Unaudited US$'000	30 June 2005 Unaudited US$'000	31 December 2005 Audited US$'000
Assets				
Non-current assets				
Property, plant and equipment	9	**125,294**	123,806	120,431
Goodwill	10	**53,361**	49,631	49,183
Intangible assets	11	**12,532**	372	2,982
Available-for-sale financial assets		**4,379**	2,273	2,413
Other financial assets		**906**	4,533	680
Deferred income tax assets		**5,885**	2,094	5,576
		202,357	182,709	181,265
Current assets				
Inventories		**1,109**	1,635	1,156
Work in progress		**354,389**	153,609	235,047
Trade and other receivables		**278,802**	222,186	325,716
Due from related parties	16	**20,177**	31,490	28,402
Other financial assets	12	**14,497**	10,105	4,501
Cash and short-term deposits		**379,338**	141,427	208,896
		1,048,312	560,452	803,718
Assets of discontinued operation classified as held for sale		**1,667**	1,914	1,667
Total assets		**1,252,336**	745,075	986,650
Equity and Liabilities				
Equity attributable to Petrofac Limited shareholders				
Share capital		**8,629**	7,184	8,629
Share premium		**66,210**	29,219	66,210
Capital redemption reserve		**10,881**	10,881	10,881
Treasury shares	14	**(8,144)**	–	(17)
Other reserves		**16,476**	(5,516)	(12,426)
Retained earnings		**167,938**	87,179	121,850
		261,990	128,947	195,127
Minority interests		**257**	–	–
Total equity		**262,247**	128,947	195,127
Non-current liabilities				
Interest-bearing loans and borrowings		**74,212**	85,717	76,187
Provisions		**9,723**	6,934	8,284
Other financial liabilities		**10,577**	6,381	1,222
Deferred income tax liabilities		**2,659**	2,922	3,121
		97,171	101,954	88,814
Current liabilities				
Trade and other payables		**226,082**	146,242	219,425
Due to related parties	16	**110**	1,526	1,335
Interest-bearing loans and borrowings		**43,739**	69,308	30,683
Other financial liabilities	12	**5,494**	5,920	15,810
Income tax payable		**19,724**	4,937	2,210
Billings in excess of cost and estimated earnings		**130,370**	15,922	69,776
Accrued contract expenses		**467,399**	270,319	363,470
		892,918	514,174	702,709
Total liabilities		**990,089**	616,128	791,523
Total equity and liabilities		**1,252,336**	745,075	986,650

The attached notes 1 to 16 form part of these condensed consolidated financial statements.

Interim condensed consolidated cash flow statement

For the six months ended 30 June 2006

	6 months ended 30 June 2006 Unaudited US$'000	6 months ended 30 June 2005 Unaudited US$'000	Year ended 31 December 2005 Audited US$'000
Operating activities			
Net profit/(loss) before income taxes and minority interests			
Continuing operations	**74,485**	37,684	83,348
Discontinued operations	**(49)**	(202)	(815)
	74,436	37,482	82,533
Adjustments for:			
Depreciation, amortisation and impairment	**13,677**	13,265	27,281
Share-based payments	**315**	–	897
Difference between end-of-service benefits paid and amounts recognised in the income statement	**1,439**	1,022	2,372
Finance costs, net	**682**	3,350	5,195
Gain on disposal of investments	**–**	(1,819)	(2,390)
Gain on disposal of property, plant and equipment	**(6,605)**	(119)	(271)
Other non-cash items, net	**816**	(454)	(1,755)
Operating profit before working capital changes	**84,760**	52,727	113,862
Trade and other receivables	**48,349**	(3,264)	(106,794)
Work in progress	**(119,342)**	(44,572)	(126,010)
Due from related parties	**8,225**	(10,601)	(7,513)
Inventories	**47**	67	546
Current financial assets	**348**	9,457	15,121
Trade and other payables	**9,355**	(12,173)	61,010
Billings in excess of cost and estimated earnings	**60,594**	(56,233)	(2,379)
Accrued contract expenses	**103,929**	91,311	184,462
Due to related parties	**(1,225)**	73	(118)
Current financial liabilities	**(193)**	(266)	4,261
	194,847	26,526	136,448
Other non-current items, net	**69**	(1,645)	(4,022)
Cash generated from operations	**194,916**	24,881	132,426
Interest paid	**(3,331)**	(5,296)	(9,097)
Income taxes paid, net	**(5,542)**	(7,548)	(15,085)
Net cash flows from operating activities	**186,043**	12,037	108,244
Of which discontinued operations	***(537)***	*(112)*	*(619)*

The attached notes 1 to 16 form part of these condensed consolidated financial statements.

Interim condensed consolidated cash flow statement
(continued)

For the six months ended 30 June 2006

	Notes	6 months ended 30 June 2006 Unaudited US$'000	6 months ended 30 June 2005 Unaudited US$'000	Year ended 31 December 2005 Audited US$'000
Investing activities				
Purchase of property, plant and equipment		**(27,566)**	(6,257)	(17,556)
Acquisition of subsidiary, net of cash acquired	8	**(568)**	(4,073)	(4,073)
Purchase of minority interest		**–**	–	(1,644)
Purchase of intangible oil & gas assets		**(1,137)**	(372)	(3,079)
Purchase of available-for-sale financial assets		**(501)**	(691)	(691)
Proceeds from disposal of property, plant and equipment		**16,575**	1,955	647
Proceeds from disposal of assets of discontinued operation classified as held for sale		**–**	–	1,832
Proceeds from disposal of available-for-sale financial assets		**–**	3,247	4,545
Net foreign exchange differences		**2,480**	474	(135)
Interest received		**2,054**	2,060	3,442
Net cash flows used in investing activities		**(8,663)**	(3,657)	(16,712)
Of which discontinued operations		***2***	*1,895*	*1,892*
Financing activities				
Proceeds from interest-bearing loans and borrowings		**767**	20,347	28,339
Repayment of interest-bearing loans and borrowings		**(9,400)**	(31,176)	(32,026)
Purchase of derivative financial instruments		**–**	–	(689)
Shareholders' loan note transactions, net		**148**	2,983	4,968
Transactions with employee share plan, net		**–**	655	537
Treasury shares purchased	14	**(8,127)**	–	–
Exercise of option to acquire group shares		**–**	(2,400)	(2,400)
Equity dividends paid		**(6,820)**	(6,586)	(15,243)
Net cash flows used in financing activities		**(23,432)**	(16,177)	(16,514)
Of which discontinued operations		***–***	*–*	*–*
Net increase/(decrease) in cash and cash equivalents		**153,948**	(7,797)	75,018
Cash and cash equivalents at 1 January		**202,841**	127,823	127,823
Cash and cash equivalents at period end	13	**356,789**	120,026	202,841

The attached notes 1 to 16 form part of these condensed consolidated financial statements.

Interim condensed consolidated statement of changes in equity

For the six months ended 30 June 2006

	Attributable to shareholders of Petrofac Limited								
	Issued share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Treasury shares US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
For the six months ended 30 June 2006									
Balance at 1 January 2006	8,629	66,210	10,881	(17)	(12,426)	121,850	195,127	–	195,127
Foreign currency translation	–	–	–	–	3,736	–	3,736	–	3,736
Net loss on maturity of cash flow hedges recognised in income statement	–	–	–	–	5,064	–	5,064	–	5,064
Net changes in fair value of derivatives	–	–	–	–	18,322	–	18,322	–	18,322
Changes in the fair value of available-for-sale financial assets	–	–	–	–	1,465	–	1,465	–	1,465
Share-based payments charge	–	–	–	–	315	–	315	–	315
Total income and expenses for the period recognised in equity	–	–	–	–	28,902	–	28,902	–	28,902
Net profit for the period	–	–	–	–	–	52,513	52,513	48	52,561
Total income and expenses for the period	–	–	–	–	28,902	52,513	81,415	48	81,463
Treasury shares (note 14)	–	–	–	(8,127)	–	–	(8,127)	–	(8,127)
Dividends (note 7)	–	–	–	–	–	(6,425)	(6,425)	–	(6,425)
Minority interests acquired (note 8)	–	–	–	–	–	–	–	209	209
Balance at 30 June 2006 (unaudited)	**8,629**	**66,210**	**10,881**	**(8,144)**	**16,476**	**167,938**	**261,990**	**257**	**262,247**
For the six months ended 30 June 2005									
Balance at 1 January 2005	7,166	28,553	10,881	–	27,047	64,911	138,558	–	138,558
Foreign currency translation	–	–	–	–	(2,497)	–	(2,497)	–	(2,497)
Net gain on maturity of cash flow hedges recognised in income statement	–	–	–	–	(9,148)	–	(9,148)	–	(9,148)
Net changes in fair value of derivatives	–	–	–	–	(19,824)	–	(19,824)	–	(19,824)
Changes in the fair value of available-for-sale financial assets	–	–	–	–	(1,094)	–	(1,094)	–	(1,094)
Total income and expenses for the period recognised in equity	–	–	–	–	(32,563)	–	(32,563)	–	(32,563)
Net profit for the period	–	–	–	–	–	31,254	31,254	–	31,254
Total income and expenses for the period	–	–	–	–	(32,563)	31,254	(1,309)	–	(1,309)
Petrofac ESOP transactions, net	18	666	–	–	–	–	684	–	684
Exercise option to acquire group shares	–	–	–	–	–	(2,400)	(2,400)	–	(2,400)
Dividends (note 7)	–	–	–	–	–	(6,586)	(6,586)	–	(6,586)
Balance at 30 June 2005 (unaudited)	7,184	29,219	10,881	–	(5,516)	87,179	128,947	–	128,947

The attached notes 1 to 16 form part of these condensed consolidated financial statements.

Interim condensed consolidated statement of changes in equity

(continued)

For the six months ended 30 June 2006

	Attributable to shareholders of Petrofac Limited						
	Issued share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Treasury shares US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000
For the year ended 31 December 2005							
Balance at 1 January 2005	7,166	28,553	10,881	–	27,047	64,911	138,558
Foreign currency translation	–	–	–	–	(4,248)	–	(4,248)
Net gain on maturity of cash flow hedges recognised in income statement	–	–	–	–	(5,628)	–	(5,628)
Net changes in fair value of derivatives	–	–	–	–	(28,549)	–	(28,549)
Changes in the fair value of available-for-sale financial assets	–	–	–	–	(1,048)	–	(1,048)
Total income and expenses for the year recognised in equity	–	–	–	–	(39,473)	–	(39,473)
Net profit for the year	–	–	–	–	–	74,582	74,582
Total income and expenses for the year	–	–	–	–	(39,473)	74,582	35,109
Petrofac ESOP transactions, net	65	1,398	–	(17)	–	–	1,446
Conversion of debt instruments	1,398	36,259	–	–	–	–	37,657
Exercise option to acquire group shares	–	–	–	–	–	(2,400)	(2,400)
Dividends (note 7)	–	–	–	–	–	(15,243)	(15,243)
Balance at 31 December 2005 (audited)	8,629	66,210	10,881	(17)	(12,426)	121,850	195,127

The attached notes 1 to 16 form part of these condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2006

1 Corporate information

Petrofac Limited is a limited liability company registered in Jersey under the Companies (Jersey) Law 1991 and is the holding company for the international group of Petrofac subsidiaries (together 'the group'). The group's principal activity is the provision of facilities solutions to the oil & gas production and processing industry. The interim condensed consolidated financial statements of the group for the six months ended 30 June 2006 were authorised for issue in accordance with a resolution of the Board of Directors on 15 September 2006.

2 Basis of preparation and accounting policies

Basis of preparation

The condensed consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value. The functional currency of the consolidated financial statements is United States dollars (US$), as a significant proportion of the group's assets, liabilities, income and expenses are US$ denominated. The consolidated financial statements are presented in US$ and all values are rounded to the nearest thousand (US$'000) except where otherwise stated.

Statement of compliance

The interim condensed consolidated financial statements of Petrofac Limited and all its subsidiaries have been prepared in accordance with accounting principles generally accepted in the island of Jersey and, in accordance with International Financial Reporting Standard (IFRS) IAS 34 'Interim Financial Statements' and in compliance with the applicable requirements of Jersey law. They do not include all of the information required in the full annual financial statements, and should be read in conjunction with the consolidated financial statements of the group as at and for the year ended 31 December 2005.

Accounting policies

The accounting policies and methods of computation adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the group's financial statements for the year ended 31 December 2005, except as referred to below.

The group has adopted new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. The principal effects of the adoption of these new and amended standards are discussed below:

IFRS 6 'Exploration for and evaluation of mineral resources'

The group has adopted IFRS 6 'Exploration for and evaluation of mineral resources' with effect from 1 January 2006. IFRS 6 prescribes guidelines relating to the measurement and recognition of exploration and evaluation expenditures.

The adoption of IFRS 6 did not affect the group's operating results or financial position as its policy for capitalisation of acquisition and appraisal expenditures was consistent with IFRS 6.

Amendment to IAS 21 'The effects of changes in foreign exchange rates – net investments in foreign operations'

The group adopted Amendment to IAS 21 'Net investment in foreign operations' with effect from 1 January 2005. The amendment to IAS 21 requires all exchange differences arising from the group's net investment in subsidiaries to be taken directly to equity, irrespective of which group entity provides the investment.

The adoption of this amendment to IAS 21 did not affect the group's operating results or financial position for the period ended 30 June 2005.

3 Segment information

The group's primary continuing operations are organised on a worldwide basis into three business segments: Engineering & Construction, Operations Services and Resources. The following tables present revenue and profit information relating to the group's primary business segments for the six months ended 30 June 2006, six months ended 30 June 2005 and the year ended 31 December 2005. Included within the consolidation and eliminations columns are certain balances, which due to their nature, are not allocated to segments.

3 Segment information (continued)

	Continuing operations							
	Engineering & Construction Unaudited US$'000	Operations Services Unaudited US$'000	Resources Unaudited US$'000	Consolidation & eliminations Unaudited US$'000	Total Unaudited US$'000	Discontinued operations Unaudited US$'000	Eliminations Unaudited US$'000	Total operations Unaudited US$'000
Six months ended 30 June 2006								
Revenue								
External sales	578,832	324,994	23,113	–	926,939	33	–	926,972
Inter-segment sales	126	343	–	(469)	–	–	–	–
Total revenue	**578,958**	**325,337**	**23,113**	**(469)**	**926,939**	**33**	**–**	**926,972**
Results								
Segment operating results	55,694	12,296	7,550	342	75,882	(51)	–	75,831
Unallocated corporate costs, net	–	–	–	(715)	(715)	–	–	(715)
Profit/(loss) before tax and net finance costs	55,694	12,296	7,550	(373)	75,167	(51)	–	75,116
Finance costs	(147)	(1,312)	(128)	(1,965)	(3,552)	–	–	(3,552)
Finance income	3,313	83	56	(582)	2,870	2	–	2,872
Profit/(loss) before income tax	58,860	11,067	7,478	(2,920)	74,485	(49)	–	74,436
Income tax (expense)/income	(14,540)	(3,816)	(3,580)	61	(21,875)	–	–	(21,875)
Minority interests	–	(48)	–	–	(48)	–	–	(48)
Net profit/(loss)	**44,320**	**7,203**	**3,898**	**(2,859)**	**52,562**	**(49)**	**–**	**52,513**
Other segment information								
Depreciation	4,977	1,613	7,195	(206)	13,579	–	–	13,579
Other amortisation	–	98	–	–	98	–	–	98
Six months ended 30 June 2005								
Revenue								
External sales	390,216	279,622	22,572	–	692,410	115	–	692,525
Inter-segment sales	8,771	46	–	(8,817)	–	115	(115)	–
Total revenue	398,987	279,668	22,572	(8,817)	692,410	230	(115)	**692,525**
Results								
Segment operating results	22,867	12,391	8,769	392	44,419	(249)	–	44,170
Unallocated corporate costs, net	–	–	–	(3,338)	(3,338)	–	–	(3,338)
Profit/(loss) before tax and net finance costs	22,867	12,391	8,769	(2,946)	41,081	(249)	–	40,832
Finance costs	(126)	(1,086)	(708)	(2,866)	(4,786)	–	–	(4,786)
Finance income	1,637	41	62	(351)	1,389	47	–	1,436
Profit/(loss) before income tax	24,378	11,346	8,123	(6,163)	37,684	(202)	–	37,482
Income tax (expense)/income	(2,709)	(3,802)	(14)	297	(6,228)	–	–	(6,228)
Net profit/(loss)	21,669	7,544	8,109	(5,866)	31,456	(202)	–	31,254
Other segment information								
Depreciation	5,188	905	6,961	(316)	12,738	–	–	12,738
Other amortisation	–	–	–	527	527	–	–	527

Notes to the interim condensed consolidated financial statements

(continued)

For the six months ended 30 June 2006

3 Segment information (continued)

	Continuing operations							
	Engineering & Construction Audited US$'000	Operations Services Audited US$'000	Resources Audited US$'000	Consolidation & eliminations Audited US$'000	Total Audited US$'000	Discontinued operations Audited US$'000	Eliminations Audited US$'000	Total operations Audited US$'000
Year ended 31 December 2005								
Revenue								
External sales	833,648	605,493	46,331	–	1,485,472	204	–	1,485,676
Inter-segment sales	24,558	(162)	–	(24,396)	–	–	–	–
Total revenue	858,206	605,331	46,331	(24,396)	1,485,472	204	–	1,485,676
Results								
Segment operating results	52,592	25,250	18,495	740	97,077	(875)	–	96,202
Unallocated corporate costs, net	–	–	–	(8,474)	(8,474)	–	–	(8,474)
Profit/(loss) before tax and net finance costs	52,592	25,250	18,495	(7,734)	88,603	(875)	–	87,728
Finance costs	(166)	(2,043)	(986)	(5,253)	(8,448)	–	–	(8,448)
Finance income	4,023	82	129	(1,041)	3,193	60	–	3,253
Profit/(loss) before income tax	56,449	23,289	17,638	(14,028)	83,348	(815)	–	82,533
Income tax (expense)/ income	(1,386)	(7,711)	683	463	(7,951)	–	–	(7,951)
Net profit/(loss)	55,063	15,578	18,321	(13,565)	75,397	(815)	–	74,582
Other segment information								
Depreciation	10,948	2,216	14,099	(672)	26,591	–	–	26,591
Other amortisation	–	–	–	440	440	–	–	440
Impairment losses	–	–	–	–	–	250	–	250

4 Cost of sales

Included in cost of sales for the six months ended 30 June 2006 is a US$6.5 million profit on disposal of fixed assets used to undertake an engineering and construction contract.

5 Income tax

The taxation charge for the six months ended 30 June 2006 of US$21,875,000 represents 29.4% of the profits before tax (June 2005: 16.5% as restated). The charge for the six months ended 30 June 2006 has been arrived at by applying the anticipated full year ending 31 December 2006 divisional effective tax rates (which equate to a full year group composite rate of 31.1%) to the results for the six months ended 30 June 2006. The 30 June 2005 income tax figures have been restated based on the best estimate of the group's effective tax rate at that date rather than on the actual tax charge calculated for the discrete period of six months to 30 June 2005, in order to present a more comparable tax charge to a reader of the financial statements. This restatement has increased the income tax charge in the income statement by US$4,936,000, reduced the deferred income tax asset in the balance sheet by US$3,937,000 and increased the income tax liability in the balance sheet by US$999,000.

The significant increase in the interim effective tax rate is due primarily to the impact of an income tax credit of US$7,600,000 relating to previously unrecognised tax losses on the Cendor project in Malaysia which were reflected in the forecast full year effective tax rate applied to the six months ended 30 June 2005.

5 Income tax (continued)

The major components of the income tax expense are as follows:

	6 months ended 30 June 2006 Unaudited US$'000	6 months ended 30 June 2005 Unaudited US$'000	Year ended 31 December 2005 Audited US$'000
Current income tax			
Current income tax charge	**22,008**	10,494	13,495
Adjustments in respect of current income tax of previous years	**308**	(292)	(590)
Deferred income tax			
Relating to origination and reversal of temporary differences	**(459)**	(3,974)	(4,929)
Adjustment in respect of deferred income tax of previous year	**18**	–	(25)
	21,875	6,228	7,951

6 Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders, after adding interest relating to convertible share warrants, by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive warrants and options on ordinary shares.

The weighted average number of ordinary shares used for calculating both basic and diluted earnings per share for the six months ended 30 June 2005 have been restated to reflect the Company's 40:1 share split in October 2005.

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

	6 months ended 30 June 2006 Unaudited US$'000	6 months ended 30 June 2005 Unaudited US$'000	Year ended 31 December 2005 Audited US$'000
Continuing and discontinued operations			
Net profit attributable to ordinary shareholders for basic earnings per share	**52,513**	31,254	74,582
Income statement charge on variable rate unsecured loan Notes	**–**	1,317	1,873
Net profit attributable to ordinary shareholders for diluted earnings per share	**52,513**	32,571	76,455
Continuing operations			
Add net loss for the period from discontinued operations	**49**	202	815
Net profit attributable to ordinary shareholders for diluted earnings per share	**52,562**	32,773	77,270

	6 months ended 30 June 2006 Unaudited '000	6 months ended 30 June 2005 Unaudited '000	Year ended 31 December 2005 Audited '000
Weighted average number of ordinary shares for basic earnings per share	**344,390**	286,680	304,141
Convertible share warrants	**–**	55,920	39,361
Ordinary share option	**–**	2,280	1,134
Unvested portion of LTIP shares	**–**	240	166
Treasury shares	**770**	–	–
Adjusted weighted average number of ordinary shares for diluted earnings per share	**345,160**	345,120	344,802

Notes to the interim condensed consolidated financial statements
(continued)

For the six months ended 30 June 2006

7 Dividends
All dividend per ordinary share figures below reflect the Company's 40:1 share split in October 2005.

	6 months ended 30 June 2006 Unaudited US$'000	6 months ended 30 June 2005 Unaudited US$'000	Year ended 31 December 2005 Audited US$'000
Declared and paid during the period			
Equity dividends on ordinary shares:			
Final dividend for 2004: 2.30 cents	**–**	6,586	6,586
2005 interim (pre-listing) dividend: 3.01 cents	**–**	–	8,657
Final dividend for 2005:1.87 cents	**6,425**	–	–
	6,425	6,586	15,243

The Company proposes an interim dividend of 2.40 cents per share which was approved by the Board on 15 September 2006 for payment on 27 October 2006.

8 Acquisition of subsidiary
On 28 April 2006, the group acquired a 100% interest in the share capital of PPS Process Control and Instrumentation Services Limited (subsequently renamed, and hereafter referred to as, Petrofac (Cyprus) Limited), a company incorporated in Cyprus which is also the holding company of the subsidiaries listed below. The Petrofac (Cyprus) Limited subsidiaries provide operations and maintenance training on Sakhalin Island, Russia, and process control and instrumentation services in Singapore, Malaysia and Indonesia. The total consideration for the acquisition inclusive of transaction costs of US$211,000 and earn-out provision of US$189,000 was US$2,000,000. The consideration of US$1,600,000 (excluding transaction costs and earn-out provision) was settled by a cash payment of US$527,000 and the extinguishment of receivables due from the vendor of US$1,073,000.

The fair values of the identifiable assets and liabilities of Petrofac (Cyprus) Limited and its subsidiaries at the date of acquisition are analysed below and these values are provisional pending final agreement with the vendor.

	Recognised on acquisition Unaudited US$'000	Carrying value Unaudited US$'000
Property, plant and equipment	43	43
Intangible assets (note 11)	1,561	–
Trade and other receivables	619	619
Income tax receivable	56	56
Cash and short-term deposits	170	170
Total assets	2,449	888
Less:		
Trade and other payables	(748)	(748)
Minority interest	(209)	6
Total liabilities	(957)	(742)
Fair value of net assets acquired	1,492	146
Goodwill arising on acquisition (note 10)	508	
Consideration	2,000	
Cash outflow on acquisition:		
Cash acquired with subsidiary		170
Cash paid on acquisition		(527)
Legal expenses paid on acquisition		(211)
Net cash outflow on the acquisition of subsidiary		(568)

8 Acquisition of subsidiary (continued)
The subsidiaries of Petrofac (Cyprus) Limited acquired by the group during the period were as follows:

Name of Company	**Country of incorporation**	**% shareholding**
PKT Technical Services Ltd	Russia	50%
PKT Training Services Ltd	Russia	100%
Pt PCI Indonesia	Indonesia	80%
Process Control and Instrumentation Services Pte Ltd	Singapore	100%
Process Control and Instrumentation Sendirian Berhad	Malaysia	100%
Sakhalin Technical Training Centre	Russia	80%

Intangible assets recognised on acquisition comprise customer contracts which are being amortised over the remaining years of the contracts.

From the date of acquisition, Petrofac (Cyprus) Limited has contributed US$19,000 to the net profit for the group. If the combination had taken place at the beginning of the year, net profit for the group for the six months ended 30 June 2006 would have been US$52,591,000 and revenue from continuing operations would have been US$928,146,000.

Included in the goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured due to their nature.

9 Property, plant and equipment
During the period, the group acquired freehold land at a cost of US$5,454,000 and incurred further capital expenditure of US$4,726,000 on the construction of a new office building.

10 Goodwill
The increase in the goodwill balance in the current period represents exchange differences of US$3,670,000 and additional goodwill on acquisition of Petrofac (Cyprus) Limited and its subsidiaries of US$508,000 (note 8).

11 Intangible assets

	6 months ended 30 June 2006 Unaudited US$'000	6 months ended 30 June 2005 Unaudited US$'000	Year ended 31 December 2005 Audited US$'000
Intangible oil & gas assets			
At 1 January	2,982	6,721	6,721
Additions	7,876	2,118	4,825
Transferred to tangible oil & gas assets	–	(8,467)	(8,467)
Exchange difference	211	–	(97)
At period end	**11,069**	372	2,982
Other intangible assets			
At 1 January	–	–	–
Additions (note 8)	1,561	–	–
Amortisation	(98)	–	–
At period end	**1,463**	–	–
Total intangible assets	**12,532**	372	2,982

Intangible oil & gas assets at 30 June 2006 relate to the group's interest in three UK offshore oil & gas licences.

Notes to the interim condensed consolidated financial statements
(continued)

For the six months ended 30 June 2006

11 Intangible assets (continued)

On 9 February 2006, the group increased its interest in the Crawford field from 5.58% to 60.88% for a consideration of US$18,580,000, consisting of cash consideration of US$2,400,000 and a deferred consideration of up to US$16,180,000. The group simultaneously sold 31.88% of its interest to the existing partners in the field on the same commercial terms and conditions associated with the purchase of the field. The group has treated the purchase and sale transaction as a single investment transaction based on its substance and this forms part of the additions to intangible oil & gas assets shown above. The net consideration consists of an initial net cash payment of US$1,000,000 and a net deferred contingent payment of up to US$6,743,000 for a further 23.42% interest in the field.

Other intangible assets comprise the fair values of customer contracts arising on acquisition (note 8). Customer contracts are being amortised over the remaining years of the contracts.

12 Other current financial assets and liabilities

The movement in other current financial assets and liabilities in the period is primarily due to changes in the fair value of derivative financial instruments that the group uses to hedge its risk against foreign currency exposure on sales, purchases and borrowings that are entered into in a currency other than US dollars.

13 Cash and cash equivalents

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

	6 months ended 30 June 2006 Unaudited US$'000	6 months ended 30 June 2005 Unaudited US$'000	Year ended 31 December 2005 Audited US$'000
Cash at bank and in hand	**83,252**	54,612	91,339
Short-term deposits	**296,086**	86,815	117,557
Bank overdraft	**(22,549)**	(21,401)	(6,055)
	356,789	120,026	202,841

14 Share-based payments

Employee share schemes

On 13 September 2005, conditional upon listing on the London Stock Exchange, the Company approved the establishment of three new employee share schemes, a Performance Share Plan, a Deferred Bonus Share Plan and an approved Share Incentive Plan, further details of which can be found in the 31 December 2005 Directors' Remuneration Report.

During the period, the Company acquired 1,460,135 of its own shares at a cost of US$8,127,000 in relation to the above share schemes.

On 24 April 2006, 431,194 US$0.025 ordinary shares of the Company were awarded to participants in the Performance Share Plan and 547,980 US$0.025 matching ordinary shares were granted to members of the Deferred Bonus Share Plan.

The group has recognised an expense in the income statement for the period to 30 June 2006 relating to these employee share-based incentives of US$315,000.

The fair value of the equity-settled awards granted during the six months ended 30 June 2006 in respect of the Deferred Bonus Share Plan were estimated based on the quoted closing market price of 353p per Company share at the date of grant with an assumed vesting rate of 97% per annum over the three year vesting period of the plan.

The fair value of the non-performance related equity-settled awards granted during the six months ended 30 June 2006 representing 50% of the total Performance Share Plan award were estimated based on the quoted closing market price of 353p per Company share at the date of grant with an assumed vesting rate of 97% per annum over the three year vesting period of the plan.

14 Share-based payments (continued)

The remaining 50% of these awards which are market performance based were fair valued at 234p per share using a Monte Carlo simulation model taking into account the terms and conditions of the plan rules and using the following assumptions at the date of grant:

Share price volatility	28.0%
Share price correlation with comparator group	10.0%
Risk-free interest rate	4.6%
Expected life of share award	3 years

15 Capital commitments

At 30 June 2006 the group had capital commitments of US$33,628,000 (for the year ended 31 December 2005: US$3,410,000; six months ended 30 June 2005: US$129,000).

16 Related party transactions

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

		Sales to related parties US$'000	Purchases from related parties US$'000	Amounts owed by related parties US$'000	Amounts owed to related parties US$'000
Joint ventures	**Six months ended 30 June 2006 (unaudited)**	**775**	**174**	**20,177**	**110**
	Six months ended 30 June 2005 (unaudited)	3,520	160	29,731	1,497
	Year ended 31 December 2005 (audited)	8,194	2,674	28,402	1,333
Directors' loans	**Six months ended 30 June 2006 (unaudited)**	**–**	**–**	**–**	**–**
	Six months ended 30 June 2005 (unaudited)	–	–	1,420	–
	Year ended 31 December 2005 (audited)	–	–	–	–
Other directors' interests	**Six months ended 30 June 2006 (unaudited)**	**–**	**–**	**–**	**–**
	Six months ended 30 June 2005 (unaudited)	–	30	339	29
	Year ended 31 December 2005 (audited)	–	30	–	2

All sales to and purchases from joint ventures are made at normal market prices and the pricing policies and terms of these transactions are approved by the group's management.

Directors' loans comprise loans advanced to directors of the Company for the purchase of participatory interests in ordinary shares in the Company through the Petrofac Executive Share Scheme which carry interest at rates between 3.4% and 3.8%, dependent on the year of grant. The loans were repaid in full during the second half of 2005.

Other directors' interests comprise payments made to a related party for services provided to the group by a director of the Company.

Compensation of key management personnel

	6 months ended 30 June 2006 Unaudited US$'000	6 months ended 30 June 2005 Unaudited US$'000	Year ended 31 December 2005 Audited US$'000
Short-term employee benefits	**1,098**	970	4,249
End-of-service benefits	**20**	22	51
Share-based payments	**68**	55	169
Fees paid to non-executive directors	**198**	74	266
	1,384	1,121	4,735

Independent review report to Petrofac Limited

Introduction

We have been instructed by the Company to review the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2006 as set out on pages 6 to 19 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' 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, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority, which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Ernst & Young LLP
London
15 September 2006

Shareholder information

At 30 June 2006

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

Registrar
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The Registry
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Corporate and financial PR
Bell Pottinger Corporate & Financial
6th Floor, Holborn Gate
330 High Holborn
London WC1V 7QD

Financial calendar

Date	Activity
29 September 2006	Interim dividend record date
27 October 2006	Interim dividend payment
31 December 2006	2006 financial year end
5 March 2007	2006 full year results announcement

The group's investor relations website can be found through **www.petrofac.com**