

The Petrofac difference...



Petrofac 

Interim report 2012



The Petrofac difference...

...our local delivery, customer focus and commercial flexibility

During 2011 we set out our strategic aim of more than doubling our recurring 2010 Group earnings by 2015. We believe we will achieve this ambitious target and keep on growing because we deliver a different kind of service to our customers.

Firstly, we are committed to developing and employing local people. This means we help create skilled national workforces and, by working with local partners, create real advantage for customers.

Secondly, we put customer responsiveness at the heart of our service delivery. Our teams aim to anticipate problems before they arise and always try to respond to customer needs quickly and effectively, however demanding the challenge.

Lastly, we offer our capabilities to our customers under flexible commercial models that are suited to their needs. We sell services directly or build an integrated proposition where we share the investment and risks involved in the project.

We believe these features make Petrofac distinctive and that, as we grow, this difference will help us achieve our vision – of becoming the world's most admired oilfield service company.

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Performance highlights

For the six months ended 30 June 2012

Group

Revenue

+20%US\$3,242m
2011: US\$2,711mEBITDA¹**+37%**US\$454.8m
2011: US\$332.0m

Net Profit

+32%US\$325.3m
2011: US\$246.3m

Earnings per share (diluted)

+32%94.82 cents
2011: 71.84 cents

Return on capital employed

61%

2011: 60%

Backlog²**-18%**US\$8.9bn
December 2011: US\$10.8bn

Backlog by reporting segment

- Onshore Engineering & Construction: **US\$4.6bn**
- Offshore Projects & Operations: **US\$2.8bn**
- Integrated Energy Services: **US\$1.5bn**



Engineering, Construction, Operations and Maintenance (ECOM)

Onshore Engineering & Construction

What we do

Onshore Engineering & Construction delivers onshore engineering, procurement and construction projects. We are particularly active in the Middle East, Africa, Asia Pacific and the Caspian region of the Commonwealth of Independent States.

Employees

7,800
2011: 6,600

Contribution to Group revenue

US\$2,381.3m
2011: US\$1,903.7m**69%**

Contribution to Group profit

US\$250.6m
2011: US\$205.9m**71%**

Offshore Projects & Operations

What we do

Our Offshore Projects & Operations business specialises in both offshore engineering and construction services, for greenfield and brownfield projects, and the provision of operations and maintenance support, on and offshore.

Employees

4,000
2011: 4,100

Contribution to Group revenue

US\$661.7m
2011: US\$581.0m**19%**

Contribution to Group profit

US\$30.7m
2011: US\$31.8m**9%**

Engineering & Consulting Services

What we do

Engineering & Consulting Services is Petrofac's centre of technical engineering excellence. From offices in the UK, India and Malaysia, we deliver early-stage engineering studies, including conceptual and front-end engineering and design work, across onshore and offshore oil & gas fields.

Employees

2,500
2011: 2,300

Contribution to Group revenue

US\$103.8m
2011: US\$96.2m**3%**

Contribution to Group profit

US\$5.0m
2011: US\$14.8m**1%**

Integrated Energy Services (IES)

Integrated Energy Services

What we do

IES helps customers develop their resources either through the development of new fields or by enhancing production from mature reservoirs. Our offering is characterised by a commercial flexibility that ensures alignment with our customers and differentiated engineering and execution strategies that deliver enhanced value.

Employees

2,800
2011: 2,300

Contribution to Group revenue

US\$322.7m
2011: US\$256.7m**9%**

Contribution to Group profit

US\$65.0m
2011: US\$6.0m**19%**

¹ EBITDA means earnings before interest, tax, depreciation, amortisation and impairment and is calculated as profit before tax and net finance income, but after our share of losses of associates (as per the consolidated income statement) adjusted to add back charges for depreciation, amortisation and impairment charges (as per note 3 to the interim condensed consolidated financial statements).

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, operations, maintenance and Integrated Energy Services contracts, the estimated revenue attributable to the lesser of the remaining term of the contract and five years. Backlog will not be booked on Integrated Energy Services contracts where the Group has entitlement to reserves. The Group uses this key performance indicator as a measure of the visibility of future revenue. Backlog is not an audited measure.

Business review

Results

We have delivered good operational performance across our portfolio of projects in the year to date and we remain on course to deliver net profit growth in 2012 of at least 15%.

In the six months ended 30 June 2012, revenue increased by 19.6% to US\$3,241.8 million (2011: US\$2,711.1 million) due to revenue growth in all four reporting segments, particularly in the Onshore Engineering & Construction reporting segment, where activity levels remain high.

Net profit attributable to Petrofac Limited shareholders increased 32.1% to US\$325.3 million (2011: US\$246.3 million). The increase in net profit was driven predominantly by Integrated Energy Services, due to first time profit recognition on the Berantai Risk Service Contract in Malaysia and profit from the sale of 75% of the share capital in the company holding the FPF1 floating production facility, and Onshore Engineering & Construction, due to higher levels of activity than in the corresponding period in 2011.

EBITDA increased 37.0% to US\$454.8 million (2011: US\$332.0 million). The increase in EBITDA was greater than the increase in net profit due to strong growth in Integrated Energy Services (see above), which has a higher EBITDA margin than the rest of the Group.

The Group's net cash was lower at US\$775.3 million at 30 June 2012 (31 December 2011: US\$1,495.2 million) as the net result of:

- operating profits before working capital and other non-current changes of US\$452 million
- net working capital outflows of US\$759 million, including an unwinding of advances of US\$337 million and an increase in work in progress of US\$385 million as we make substantial progress on our portfolio of Onshore Engineering & Construction projects
- investing activities of US\$156 million, including capital expenditure of US\$204 million, predominantly on Integrated Energy Services projects, the acquisition of subsidiaries for US\$15 million, including K/W Limited, less US\$60 million of proceeds from the sale of 75% of the share capital in the company holding the FPF1
- financing activities, in particular, payment of the 2011 final dividend of US\$128 million and financing the purchase of treasury shares for US\$75 million for the purpose of making awards under the Group's share schemes
- taxes paid of US\$42 million

Net cash (US\$ million)	30 June 2012	31 December 2011	30 June 2011
Cash and short term deposits	842.0	1,572.3	1,848.2
Interest-bearing loans and borrowings	(66.7)	(77.2)	(80.2)
Net cash	775.3	1,495.2	1,768.0

Net finance income for the period was US\$1.1 million (2011: US\$1.8 million). Finance income was lower at US\$3.2 million (2011: US\$5.2 million) due to lower average cash balances. Finance costs were also lower at US\$2.1 million (2011: US\$3.4 million) due to a lower level of interest-bearing loans and borrowings.

The tax charge for the six months ended 30 June 2012 of US\$88.9 million (2011: US\$53.1 million) represents an effective tax rate of 21.5% (six months ended 30 June 2011: 17.7%; year ended 31 December 2011: 20.7%). The slight increase in the Group's effective tax rate compared with the full year 2011 is predominantly due to a higher proportion of profit before tax being earned by Integrated Energy Services and Offshore Projects & Operations, which have effective tax rates that are higher than the average for the Group. The effective tax rate for Integrated Energy Services was lower for the first half of 2012 at 26.7% (year ended 31 December 2011: 55.3%), due to the specific projects contributing profit, while the increase in the effective tax rate for Offshore Projects & Operations to 26.2% (year ended 31 December 2011: 22.1%) was due to a higher proportion of profits earned in higher tax rate jurisdictions. The effective tax rate for the Group for the year to 31 December 2012 is expected to be around 22%.

Diluted earnings per share for the six months ended 30 June 2012 increased by 32.0% to 94.82 cents per share (2011: 71.84 cents per share) in line with the growth in net profit.

The Group's combined backlog was US\$8.9 billion at 30 June 2012 (31 December 2011: US\$10.8 billion). In addition, we secured US\$1.5 billion of awards that were pending contract signature at 30 June 2012 (31 December 2011: nil) and were not included in backlog (US\$0.5 billion in Onshore Engineering & Construction; US\$0.6 billion in Offshore Projects & Operations; US\$0.4 billion in Integrated Energy Services).

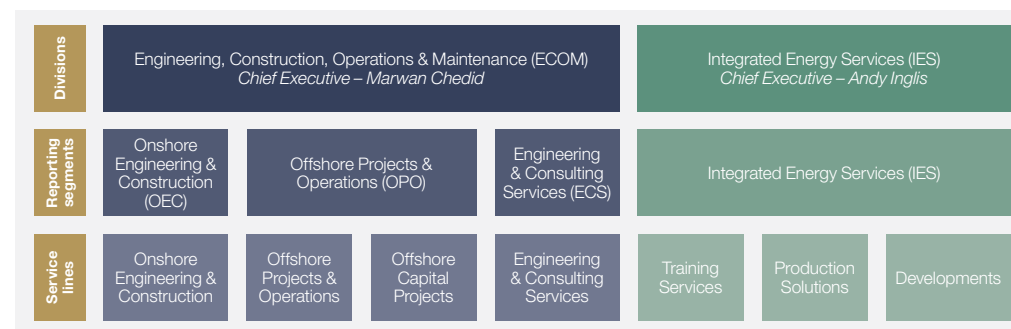
At 30 June 2012, the Group had around 17,200 employees (including long-term contractors), compared with around 15,400 at 31 December 2011, following strong growth in headcount in Onshore Engineering & Construction to support high levels of activity.

Dividend

The Board has declared an interim dividend of 21.00 cents per share (2011: 17.40 cents), an increase of 20.7%, which will be paid on 19 October 2012 to eligible shareholders on the register at 21 September 2012. Shareholders who have not elected to receive dividends in US dollars will receive a sterling equivalent of 13.45 pence per share. The Board will set the total dividends payable for the year to 31 December 2012 according to the Group's earnings and expects to distribute approximately 35% of full year post tax profits by way of dividend, in accordance with the Group's dividend policy.

Segmental analysis

The Group reports the financial results of its seven service lines under four reporting segments:



We present below an update on each of the Group's reporting segments:

US\$ million	Revenue		Operating profit ¹		Net profit ²		EBITDA	
	2012	2011 restated	2012	2011 restated	2012	2011 restated	2012	2011 restated
For the six months ended 30 June								
Onshore Engineering & Construction	2,381.3	1,903.7	298.1	235.8	250.6	205.9	317.4	248.5
Offshore Projects & Operations	661.7	581.0	41.5	39.2	30.7	31.8	43.2	41.3
Engineering & Consulting Services	103.8	96.2	4.8	16.5	5.0	14.8	7.7	18.3
Integrated Energy Services	322.7	256.7	90.5	20.2	65.0	6.0	110.5	38.1
Corporate, consolidation & elimination	(227.7)	(126.5)	(23.5)	(13.9)	(26.0)	(12.2)	(24.0)	(14.2)
Group	3,241.8	2,711.1	411.4	297.8	325.3	246.3	454.8	332.0

Growth/margin analysis %	Revenue growth		Operating margin		Net margin		EBITDA margin	
	2012	2011 restated	2012	2011 restated	2012	2011 restated	2012	2011 restated
For the six months ended 30 June								
Onshore Engineering & Construction	25.1%	17.3%	12.5%	12.4%	10.5%	10.8%	13.3%	13.1%
Offshore Projects & Operations	13.9%	77.6%	6.3%	6.8%	4.6%	5.5%	6.5%	7.1%
Engineering & Consulting Services	7.9%	36.4%	4.6%	17.1%	4.8%	15.4%	7.4%	19.0%
Integrated Energy Services	25.7%	26.8%	28.0%	7.9%	20.2%	2.4%	34.2%	14.8%
Group	19.6%	25.2%	12.7%	11.0%	10.0%	9.1%	14.0%	12.2%

1 Profit from operations before tax and finance costs, including the Group's share of losses of associates.
2 Profit for the year attributable to Petrofac Limited shareholders.

Business review continued

Engineering, Construction, Operations & Maintenance

Engineering, Construction, Operations & Maintenance designs and builds oil & gas facilities and operates, manages and maintains them on behalf of our customers.

Onshore Engineering & Construction

Onshore Engineering & Construction undertakes engineering, procurement and construction (EPC) projects predominantly on a lump-sum basis, with a typical duration of two to four years. Onshore Engineering & Construction is predominantly focused on markets in the Middle East and Africa and the Commonwealth of Independent States.

We have made good progress across our portfolio of projects during the first half of the year, including on our major projects in Abu Dhabi, Algeria and Turkmenistan. We expect first oil from the El Merk project in Algeria during the second half of the year and the South Yoloten gas plant in Turkmenistan and the Asab oil field development in Abu Dhabi are both on schedule for completion in 2013. We have introduced hydrocarbons on the Kauther gas compression project in Oman and have substantially completed the Karan utilities and cogeneration project in Saudi Arabia.

New awards

We have secured the following projects in 2012 to date:

Badra oilfield development project, Iraq

In February 2012, we were awarded a US\$330 million lump-sum EPC contract by Gazprom for the first phase of the Badra oilfield development project. We will provide detailed design, engineering, procurement, construction, pre-commissioning, commissioning and start-up work on the Badra development's central processing facility, which comprises three crude oil processing trains. The first phase of the project is expected to come on stream in the second half of 2013, with final completion scheduled during the second half of 2015.

Petro Rabigh Phase II petrochemical expansion project, Saudi Arabia

In July 2012, we announced the award of two EPC contracts for Petro Rabigh's (a joint venture between Saudi Aramco and Sumitomo Chemical Co Ltd) Phase II petrochemical project in Saudi Arabia. The EPC contracts are for tank farms in the north and south areas and common utilities. The projects, which are scheduled to be undertaken within 36 months, are some of the first major awards made by Saudi Aramco under their In-Kingdom EPC programme and will be delivered from our Saudi Arabia office in Al-Khobar.

Results

Revenue for the first half of the year increased by 25.1% to US\$2,381.3 million (2011: US\$1,903.7 million), reflecting a substantial increase in activity levels compared with the corresponding period in the prior year, particularly on the South Yoloten project in Turkmenistan, the In Salah Gas southern fields development and the El Merk central processing facility in Algeria and the Asab field development in Abu Dhabi.

Net profit increased 21.7% to US\$250.6 million (2011: US\$205.9 million), representing a net margin of 10.5% (2011: 10.8%). Net margin is expected to be around 11% for the full year.

Onshore Engineering & Construction headcount increased from 6,600 to 7,800 over the first half of the year, reflecting the increase in activity levels.

At 30 June 2012, the Onshore Engineering & Construction backlog stood at US\$4.6 billion (31 December 2011: US\$6.4 billion). In addition, we secured US\$0.5 billion of awards that were pending contract signature and are not included in backlog at 30 June 2012.

Offshore Projects & Operations

Offshore Projects & Operations provides engineering and construction services at all stages of greenfield and brownfield offshore projects. In addition, through the provision of operations support services, we deliver production and maintenance support and extend field life. The majority of Offshore Projects & Operations' activities are currently in the UK Continental Shelf (UKCS), but a growing proportion of activities are outside of the UK, including in the United Arab Emirates, Iraq, Malaysia and Thailand. Services are predominantly provided on a reimbursable basis, but often with incentive income linked to the successful delivery of performance targets. Many of our production and maintenance contracts are long-term (typically three to five years) and in the case of the provision of Duty Holder¹ services are generally open-ended. Increasingly, we are delivering our engineering and construction services on a lump-sum basis on offshore capital projects, as we progress our strategy of taking our onshore EPC capability offshore.

We have delivered record activity levels in Offshore Projects & Operations in the first half of the year, from both long-term operations support contracts and offshore capital projects, including work on a number of projects secured during 2011 and 2012, including: the FPF3 Duty Holder (Jasmine Venture) contract in Thailand; a maintenance contract for BP on the Rumaila field in Iraq; upgrade of the FPF1 floating production facility for the Greater Stella Area project (see Integrated Energy Services); the FPF5 (Ocean Legend) modification and upgrade prior to deployment on the West Desaru fault block in Malaysia; and completion of the upgrade and modification of the FPSO Berantai, which is now deployed in the Berantai field in Malaysia (see Integrated Energy Services). In addition, we have now achieved sufficient progress to commence profit recognition on the Laggan-Tormore gas plant on Shetland in the UK.

New awards

We have secured the following major new projects in 2012 to date:

Bekok-C platform refurbishment, Malaysia

In May 2012, we were awarded a US\$220 million contract by PETRONAS Carigali Sdn Bhd, a subsidiary of PETRONAS, the Malaysian national oil company, for the refurbishment of the Bekok-C platform, located in the south-eastern part of the Malay basin. The project will be executed on an engineering, procurement, construction, installation and commissioning (EPCIC) alliance basis. Bekok-C is a manned platform serving as a gas processing and compression hub exporting gas from the Guntong, Tiong and Bekok fields of Block PM9 in addition to production of crude oil and gas from its own wells. Under the terms of the refurbishment project Petrofac will provide EPCIC services to the platform with the overall project expected to be completed in around 15 months.

Apache engineering and construction services, UK

In July 2012, we announced a three-year contract (with two optional one-year extensions), worth approximately £100 million per annum, to provide onshore engineering and both onshore and offshore construction services to all of the Apache North Sea assets including the Beryl Alpha and Bravo platforms in the northern North Sea and the Scottish Area Gas Evacuation (SAGE) gas processing plant at St Fergus, Aberdeenshire. The contract represents an extension to, and continuation of, the current service contract which Petrofac holds for Apache's Forties platforms. Under the terms of the new contract Petrofac's scope will also include topside brownfield and greenfield activity in addition to interfacing with subsea contractors.

Results

Revenue increased by 13.9% to US\$661.7 million (2011: US\$581.0 million), reflecting high activity levels on both long-term operations support contracts and offshore capital projects, particularly those referred to above.

Around 70% of Offshore Projects & Operations' revenue was generated in the UK and those revenues are generally denominated in sterling. The average US dollar to sterling exchange rate for the first half of 2012 was broadly in line with the prior period.

Financial reporting exchange rates (US\$/sterling)	Six months ended 30 June 2012	Year ended 31 December 2011	Six months ended 30 June 2011
Average rate for period	1.58	1.60	1.62
Period-end rate	1.57	1.55	1.60

Net profit was marginally lower at US\$30.7 million (2011: US\$31.8 million), as the prior period benefitted from a provision release following completion of a long-term maintenance services contract. Excluding the provision release, Offshore Projects & Operations net profit increased by 26%, reflecting contributions from a number of new projects, including the FPF5 (Ocean Legend) modification and upgrade and first time profit recognition on the Laggan-Tormore gas plant project.

Headcount was marginally lower at 30 June 2012 at 4,000 (31 December 2011: 4,100).

Offshore Projects & Operations backlog increased to US\$2.8 billion (31 December 2011: US\$2.7 billion), reflecting new awards and extensions secured in the first half of the year. In addition, we secured US\$0.6 billion of awards that were pending contract signature at 30 June 2012 which were not included in backlog.

Engineering & Consulting Services

Engineering & Consulting Services operates as our centre of technical engineering excellence providing high-calibre engineering resources and technical assurance services across onshore and offshore oil & gas projects. Engineering & Consulting Services provides early stage engineering studies, including conceptual studies and front end engineering and design (FEED) studies, to external customers and in support of ECOM and IES projects, primarily on a reimbursable basis.

We have secured a number of conceptual studies and FEED studies in Africa and the CIS during the year to date, for example, a FEED study on behalf of Rialto Energy and Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire for the Gazelle field in Côte d'Ivoire, which may lead to interesting follow-on opportunities.

Acquisitions

As announced in February, we acquired KW Limited, a high-end subsea pipeline consulting and engineering services business which complements the existing skills in Engineering & Consulting Services and will enable us to strengthen our leading engineering proposition offshore.

Results

Revenue for the period increased 7.9% to US\$103.8 million (2011: US\$96.2 million), reflecting an increase in activity levels.

Net profit was lower at US\$5.0 million (2011: US\$14.8 million), as despite an increase in overall activity levels, there was a decline in utilisation rates. The first half of 2011 also benefitted from the recognition of profit in relation to the vesting of Seven Energy warrants.

Headcount was marginally higher at 30 June 2012 at 2,500 (31 December 2011: 2,300).

¹ Contracts where the Group takes full responsibility for managing a customer's asset and is responsible for the safety case of the asset.

Business review continued

Integrated Energy Services

Integrated Energy Services comprises three discrete but integrated service lines: Developments, Production Solutions and Training Services.

Where we can leverage our service capabilities to enhance value, mitigate risks and reduce costs, Integrated Energy Services provides a fully integrated service offering for resource holders under flexible commercial models that are aligned to their requirements. Projects cover upstream developments, both greenfield and brownfield, and related energy infrastructure projects, and can include the provision of financial capital in addition to our intellectual capital.

Our service offering is underpinned by the ability to develop resource holders' local capability through the provision of technical skills training programmes and competency development and assurance frameworks. For example, in January 2012, we were awarded a five-year contract to run Saudi Petroleum Services Polytechnic's Centre for Construction Skills and Drilling training. We received our first intake of students in April, which include local workers for Aramco along with staff from its contractor base.

Integrated Energy Services deploys its services to meet the individual needs of customers using a range of commercial frameworks, including: Production Enhancement Contracts (PEC), Risk Service Contracts (RSC) and traditional upstream equity investment models including both Production Sharing Contracts (PSC) and royalty concessions.

Production Enhancement Contracts

In January 2012, we announced a Co-operation Agreement with Schlumberger Production Management, under which we will work together to deliver integrated and high-value Production Enhancement Contracts. We recently secured our first joint Production Enhancement Contract on the Pánuco Contract Area in Mexico. The Pánuco Contract Area represents the largest resource of the recent awards by PEMEX, and includes four mature onshore fields, which were discovered in the early 1900s, with original oil in place of approximately 6.8 billion barrels. The Pánuco Contract Area has a recovery factor of around 10% to date. We believe that the complementary skill sets of Petrofac and Schlumberger and our proven execution capability will maximise the potential of these fields for PEMEX. The contract, which runs for 30 years, is expected to be signed later this month and field operations are expected to start around the beginning of 2013. Elsewhere in Mexico, we have made a good start on the Magallanes and Santuario Production Enhancement Contracts with three drilling rigs and one work over rig active on the blocks.

On the Ticleni Production Enhancement Contract for Petrom in Romania we have recently commenced a two rig drilling programme as well as progressing other key work items, such as the working over and/or maintenance of currently producing wells and the reactivation of shut-in wells, in addition to the water flood programme.

In the first half of the year we produced a total of 2.4 million barrels of oil equivalent (mboe) (2011: 0.6 mboe), including five months of production from the Magallanes and Santuario Production Enhancement Contracts which commenced on 1 February 2012.

Risk Service Contracts

In January 2011, we secured our first RSC in Malaysia, to lead the development of the Berantai field, offshore Peninsular Malaysia, for PETRONAS. We have a 50% interest in the RSC, alongside local partner SapuraKencana.

Under the terms of the RSC, we will receive a rate of return linked to our performance against an agreed incentive structure, including project costs, timing to first gas and sustained gas delivery measured six months after project completion, with an ongoing incentive structure based on operational uptime.

The wellhead platform, subsea infrastructure and gas export pipeline are in place and the drilling programme is progressing well. The FPSO Berantai is now on location and final commissioning works are in progress.

Production Sharing Contracts and royalty concessions

We are progressing the third phase of development (West Desaru) of Block PM304, Offshore Malaysia, following approval of the Field Development Programme (FDP) by PETRONAS in February 2012. We are accelerating the development by introducing an Early Production System which will deploy the upgraded FPF5 Mobile Offshore Production Unit (formerly the Ocean Legend), initially exporting stabilised crude oil through existing facilities, and ultimately through the phase two FPSO after its arrival in the Cendor field in 2013. First oil is expected in the fourth quarter of 2012.

The Chergui gas plant in Tunisia continues to perform strongly and we have recently commenced drilling the first of two to three wells in our 2012 development programme to appraise further the concession area.

In October 2011, we signed an agreement that will see the deployment of the floating production facility FPF1 ('the FPF1') on the Greater Stella Area development in the North Sea. Following the FDP submission in early 2012, we have finalised the sale of 75% of the share capital in the company holding the FPF1 to Ithaca Energy Inc ('Ithaca') and Dyas BV. We will acquire a combined 20% interest in the Greater Stella Area from the other co-venturers in the development, consisting of three UKCS licences.

In the first half of the year our net entitlement from production was a total of 0.7 million barrels of oil equivalent (mboe) (2011: 0.8 mboe) from the first phase of the PM304 Cendor field and the Chergui gas plant.

Results

Integrated Energy Services' revenue increased by 25.7% to US\$322.7 million (2011: US\$256.7 million), reflecting substantial progress on the Berantai RSC and commencement of the Magallanes and Santuario PECs.

Net profit for the first half of the year was substantially higher at US\$65.0 million (2011: US\$6.0 million), reflecting first time profit recognition on the Berantai RSC and the profit from the sale of 75% of the share capital in the company holding the FPF1. As a result of loss of control over this subsidiary which arises on sale of 75% of the share capital, accounting standards require us to fair value our remaining investment in associate and recognise the uplift in the fair value in the profit and loss account. The total contribution from the FPF1 transaction was approximately US\$36 million.

Headcount increased to 2,800 at 30 June 2012 (December 2011: 2,300), primarily due to the commencement of the Magallanes and Santuario PECs and development of our projects in Malaysia.

Integrated Energy Services' backlog stood at US\$1.5 billion at 30 June 2012 (31 December 2011: US\$1.6 billion).

Business review continued

Principal risks and uncertainties

The principal risks and uncertainties that could lead to a significant loss of reputation or prevent us from delivering our five-year strategic plan are summarised here, along with our approach to mitigating these risks. These key risks and uncertainties have not materially changed since the publication of our 2011 Annual report. Details of our risk framework are included in the Group's Annual report and accounts 2011 on pages 86 to 89.

Risk	Mitigation and management	Comments/links
Sovereign, country and financial market		
Overexposure to single market/country/higher-risk jurisdictions	Formal exposure limits are not set, but our Executive Management and the Board consider our concentration risk when they review entry into new projects.	See pages 18 to 21 of the Group's Annual report and accounts 2011 for details of how our ECOM and IES divisions are diversifying our business.
Excessive concentration to a particular market or geography may have a significant impact on the delivery of our five-year strategic plan.	We take all reasonable measures to reduce and limit our commercial exposure through the use of, for example, out of country arbitration, advanced payments and careful cash management. Specific consideration of this risk is a feature of the Group Risk Committee and the Board Risk Committee.	
Counterparty failure	We aim to minimise our cashflow exposure on contracts and where we deploy capital alongside our services, such as in Integrated Energy Services, we will only do so where we are comfortable with the counterparty risk and the contractual terms and conditions.	See our Sovereign and Financial Market Risk Policy – available on our website: www.petrofac.com/governancedownloads
Financial or commercial exposure from the failure of key financial institutions, customers, partners or subcontractors.	With respect to financial counterparty risk, we regularly monitor our exposure and ensure that our financial assets are spread across a large number of creditworthy financial institutions. Our Sovereign and Financial Market Risk Policy requires that material financial counterparty risk is only held with counterparties that are rated by Standard and Poor's as "A" or better (or equivalent rating from Moody's).	
Liquidity risk	We manage liquidity risk by ensuring that we maintain an adequate level of liquidity in the form of cash, readily available short-term investments or committed credit facilities at all times.	See note 34 to the financial statements of the Group's Annual report and accounts 2011.
There is a risk that we are unable to meet our financial obligations as they fall due.		
Business disruption	We monitor carefully the changing landscape of political risk, particularly for countries that are regarded as high risk. This is also reviewed regularly by the Board and the Board Risk Committee.	
We are exposed to potential regime change and civil/political unrest, civil war or sanctions that could affect our operations.	For high-risk countries our management will also seek to manage our exposure in individual contracts, when agreeing terms and conditions with our customers.	

Risk	Mitigation and management	Comments/links
Commodity or currency		
Significant movements in exchange rates could impact our financial performance.	The majority of our revenues are denominated in US dollars or currencies pegged to the US dollar. In contracts priced in US dollars (or currencies pegged to the US dollar) where the Group is procuring equipment or incurring costs in other currencies, we aim to hedge fully transactional exposures using forward currency contracts.	See note 34 to the financial statements of the Group's Annual report and accounts 2011 for details of our oil & gas derivative instruments and foreign currency exposures and how they are managed.
Oil & gas prices may have an impact on the level of new investment in the industry and may affect demand for our services.	Offshore Projects & Operations' revenues and costs are principally denominated in sterling. Our policy is not to hedge the sterling profits generated by these activities as they are substantially matched by the sterling costs of our corporate office and other UK-based activities.	Over the medium-term, growth in the Integrated Energy Services division is expected to be primarily driven by Production Enhancement Contracts and Risk Service Contracts, where we have no direct oil & gas price exposure.
The financial performance of Integrated Energy Services is more leveraged to the price of oil & gas through its Production Sharing Contracts/royalty concession positions.	As detailed in the 'Operating environment' section of the Group's Annual report and accounts 2011, we expect demand for our services to remain robust and not be materially impacted by short-term fluctuation in oil & gas prices.	
	Under our Sovereign and Financial Market Risk Policy we aim to hedge, on a rolling annual basis, the net profit exposure resulting from at least 75% of our low-estimate of hydrocarbon production. We will not undertake hedging until a development has achieved steady-state production.	

Risk	Mitigation and management	Comments/links
Operational and contractual		
Loss of major customer relationship	We monitor the total value of contracts by customer to ensure that we are not overly dependent upon any one customer.	
Overexposure to any one customer could have a significant impact if we were to lose that customer relationship.	Furthermore, we have a formal programme to ensure that we maintain a regular dialogue with our major customers at a senior level to understand their future plans and to understand any concerns they may have with regard to our performance.	
Competition	As noted in the 'Operating environment' section of the Group's Annual report and accounts 2011, we expect the demand for our services to remain robust over the long-term, albeit we face significant competition in many of our markets.	See pages 20 to 21 of the Group's Annual report and accounts 2011 for details of how we plan to deliver our Integrated Energy Services strategy.
There is a risk that we lose our market position in a strategic geography or market.	Our five-year strategic plans assume that a high level of competition continues, however, our geographic and service expansion, including the provision of Integrated Energy Services, has helped to grow the size of the addressable market for our services, and we remain confident that we will more than double our recurring Group 2010 earnings by 2015.	
Major environmental, asset integrity or accident event	Our strong culture of health, safety and environmental awareness is central to our operational and business activities, our system of business management and our delivery of quality and business excellence. As we enter new geographical markets, sometimes with new customers and partners, and assume responsibility for new infrastructure, it is particularly important that our focus on these issues is maintained. Our financial exposure to a significant environmental, asset integrity, or health and safety incident is generally mitigated through our commercial arrangements and insurance programme, although such an incident may have an adverse impact on our reputation.	Recorded incident data demonstrates our ongoing improvement in managing health safety and environmental risks (see pages 60 to 63 of the Group's Annual report and accounts 2011 for details).
A serious environmental, asset integrity or health and safety incident on any of our projects has the potential to cause significant commercial and reputational damage.		

Business review continued

Risk	Mitigation and management	Comments/links
<p>Contract performance</p> <p>Our financial performance could be significantly affected by the performance of a relatively small number of large contracts.</p>	<p>We have a strong track-record of successful project execution which reflects our rigorous approach to risk identification and mitigation, from tender to project completion.</p> <p>Our progress made on key projects is formally reported to the Board and senior management (who also receive a detailed risk analysis) on a regular basis.</p> <p>Our design integrity assurance process involves the robust challenge of design specifications, whether or not they are defined by the customer, including peer assessment. We undertake ongoing reviews of integrity risk throughout the life of a project.</p> <p>Our subcontractor risk management strategy involves the retention of competent subcontractors with a track record of delivery. We have a number of strong subcontractor relationships with proven high quality companies that we seek to work with wherever possible.</p> <p>We seek to avoid the acceptance of any liabilities that are unquantifiable or for which we could not reasonably be regarded as responsible, including losses of a consequential nature. We monitor the adequacy of insurance provision and the extent to which we can bear the financial consequences of a catastrophe.</p>	<p>See our Operational and Contractual Risk Policy – available on our website: www.petrofac.com/governancedownloads</p>
<p>Organisational and succession</p> <p>The availability of skilled personnel, particularly at a senior level, remains one of the most significant challenges facing the oil & gas industry.</p>	<p>We remain confident that our policies to promote and reward on merit, targeted, but extensive, employee share ownership, management and technical training programmes and access to international labour markets, in particular the Middle East, Indian subcontinent and Asia, a portfolio of world-class projects and exciting prospects for continued growth will enable us to attract and retain the necessary skilled personnel to undertake our projects in hand.</p>	<p>See 'Our people' on pages 57 to 59 of the Group's Annual report and accounts 2011.</p>

Risk	Mitigation and management	Comments/links
<p>Ethical, social and regulatory</p> <p>Major breach of our Code of Business Conduct</p> <p>Relating to working with communities, workforce relations, etc.</p>	<p>We take appropriate measures to understand the social risks and impacts of our business activities and take steps to mitigate these risks by engaging with, supporting and investing in the local communities affected by our operations. We also seek assurances that all third parties over whom we have responsibility or who are acting under our direction conduct their business with us in a manner that is consistent with the principles set out in our Ethical, Social and Regulatory Risk policy and in our Code of Business Conduct.</p>	<p>See our Ethical, Social and Regulatory Risk Policy and Code of Business Conduct – both available on our website: www.petrofac.com/governancedownloads</p>
<p>Major regulatory breach, including bribery and corruption</p> <p>We recognise the potential financial and reputational risk that could result from a breach of local or international laws, particularly in respect of behaviour relating to bribery and corruption.</p>	<p>Management takes a risk-based approach to due diligence and risk assessment and has increased the level of due diligence undertaken in respect of new contracts in pre-defined high-risk countries, including commissioning independent investigation where appropriate.</p>	<p>See page 64 of the Group's Annual report and accounts 2011 for details of our compliance and training programme in relation to anti-bribery and corruption.</p>

Going concern

The financial position of the Company, its cash flows, liquidity position and borrowing facilities, and its business activities, together with the factors likely to affect its future development, performance and position are set out in this Business Review and in the Group's Annual report and accounts 2011 on pages 2 to 50. In addition, note 34 to the Group's Annual report and accounts 2011 includes the Company'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 access to considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, 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 annual financial statements.

Outlook

Based on our good performance in the year to date, we continue to expect to deliver full year net profit growth in 2012 of at least 15%. Year-on-year growth in net profit in the second half of 2012 will be lower than in the first half of the year given the phasing of the profit from the FPF1 transaction and the initial profit recognition in respect of the South Yoloten project included in the second half results for 2011.

In our ECOM division, we see a significant number of bidding opportunities in our core markets in the Middle East, Africa, the Commonwealth of Independent States, Europe and Asia Pacific. However, we have seen delays in the award of onshore engineering and construction projects from 2012 into 2013. We therefore expect Onshore Engineering & Construction backlog to remain broadly flat across the remainder of 2012. Looking ahead, based on underlying growth in industry spend and project awards delayed from 2012, we anticipate a larger addressable market for Onshore Engineering & Construction in 2013. Given our competitive positioning and proven track record in project execution we expect to capitalise on the greater level of market opportunities and anticipate growth in our Onshore Engineering & Construction backlog during 2013.

In Offshore Projects & Operations, we have good revenue visibility following a strong run of recent awards and we are continuing our high levels of bidding activity on both long-term operations support contracts and offshore capital projects.

In Integrated Energy Services, we are focused on building upon our execution track record, with important delivery milestones throughout 2012 and 2013 on our existing projects. We expect to deliver strong earnings growth in IES in 2012 driven by: initial profit recognition on the Berantai Risk Service Contract; the sale of 75% of the FPF1 floating production facility as part of the Greater Stella Area transaction; commencement of the Magalanes and Santuario Production Enhancement Contracts; and growing production on the Ticleni Production Enhancement Contract in Romania. Our existing projects substantially underpin our medium-term growth plans of generating net profit from IES of at least US\$300 million in 2015¹ and we are engaged in ongoing discussions with a number of resource holders in respect of potential additional projects.

Overall, we remain confident of achieving our target of more than doubling our recurring 2010 Group earnings by 2015.

¹ See our IES data pack for more details:
www.petrofac.com/IESdatapack

Interim condensed consolidated income statement

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 Unaudited US\$'000	Six months ended 30 June 2011 Unaudited US\$'000	Year ended 31 December 2011 Audited US\$'000
Revenue	4	3,241,757	2,711,081	5,800,719
Cost of sales		(2,687,528)	(2,288,831)	(4,840,943)
Gross profit		554,229	422,250	959,776
Selling, general and administration expenses	5	(176,384)	(118,199)	(283,392)
Other income	6	45,638	3,069	11,600
Other expenses		(9,434)	(8,660)	(5,104)
Profit from operations before tax and finance income/(costs)		414,049	298,460	682,880
Finance costs		(2,120)	(3,422)	(6,599)
Finance income		3,236	5,243	7,877
Share of losses of associates	13	(2,629)	(687)	(3,593)
Profit before tax		412,536	298,594	680,565
Income tax expense	7	(88,867)	(53,140)	(140,984)
Profit for the period		323,669	246,454	539,581
Attributable to:				
Petrofac Limited shareholders		325,264	246,286	539,425
Non-controlling interests		(1,595)	168	156
		323,669	246,454	539,581
Earnings per share (US cents)	8			
– Basic		95.55	72.71	159.01
– Diluted		94.82	71.84	157.13

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of comprehensive income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 Unaudited US\$'000	Six months ended 30 June 2011 Unaudited US\$'000	Year ended 31 December 2011 Audited US\$'000
Profit for the period		323,669	246,454	539,581
Foreign currency translation	18	(2,900)	9,934	(15,927)
Net losses/(gains) on cash flow hedges recycled in the period	18	11,514	5,980	(3,675)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	18	(10,590)	14,055	(13,590)
Disposal of available-for-sale financial assets	18	–	(70)	(70)
Other comprehensive (loss)/income		(1,976)	29,899	(33,262)
Total comprehensive income for the period		321,693	276,353	506,319
Attributable to:				
Petrofac Limited shareholders		323,288	276,185	506,163
Non-controlling interests		(1,595)	168	156
		321,693	276,353	506,319

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of financial position

At 30 June 2012

	Notes	30 June 2012 Unaudited US\$'000	30 June 2011 Unaudited US\$'000	31 December 2011 Audited US\$'000
Assets				
Non-current assets				
Property, plant and equipment	10	672,932	443,767	593,737
Goodwill	11	120,183	109,198	106,681
Intangible assets	12	178,482	91,452	121,821
Net investment in associates	13	182,734	167,272	164,405
Long-term trade receivables	14	334,284	79,745	130,206
Other financial assets		141	260	9,903
Deferred income tax assets		32,664	29,128	29,142
		1,521,420	920,822	1,155,895
Current assets				
Non-current asset held for sale		–	–	44,330
Inventories		22,303	9,562	10,529
Work in progress	15	965,252	520,344	612,009
Trade and other receivables		1,399,250	1,252,445	1,353,042
Due from related parties	20	9,863	330	99,075
Other financial assets		20,077	51,982	29,634
Income tax receivable		8,491	–	15,364
Cash and short-term deposits	16	841,992	1,848,249	1,572,338
		3,267,228	3,682,912	3,736,321
Total assets		4,788,648	4,603,734	4,892,216
Equity and liabilities				
Equity attributable to Petrofac Limited shareholders				
Share capital		6,918	6,915	6,916
Share premium		3,716	1,402	2,211
Capital redemption reserve		10,881	10,881	10,881
Shares to be issued		–	994	–
Treasury shares	17	(104,948)	(81,691)	(75,686)
Other reserves	18	(2,450)	60,533	5,638
Retained earnings		1,353,912	928,005	1,160,776
		1,268,029	927,039	1,110,736
Non-controlling interests		1,282	3,004	3,092
Total equity		1,269,311	930,043	1,113,828
Non-current liabilities				
Interest-bearing loans and borrowings		1,792	30,129	16,450
Provisions		69,701	52,214	59,561
Other financial liabilities		13,426	10,027	23,542
Deferred income tax liabilities		96,539	50,247	59,605
		181,458	142,617	159,158
Current liabilities				
Trade and other payables		1,744,969	1,606,204	1,744,182
Due to related parties	20	59,711	18,205	23,166
Interest-bearing loans and borrowings		64,867	50,091	60,711
Other financial liabilities		21,854	21,734	31,677
Liabilities directly associated with non-current asset held for sale		–	–	5,150
Income tax payable		99,256	62,964	96,122
Billings in excess of cost and estimated earnings		279,038	387,750	389,404
Accrued contract expenses		1,068,184	1,384,126	1,268,818
		3,337,879	3,531,074	3,619,230
Total liabilities		3,519,337	3,673,691	3,778,388
Total equity and liabilities		4,788,648	4,603,734	4,892,216

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 Unaudited US\$'000	Six months ended 30 June 2011 Unaudited US\$'000	Year ended 31 December 2011 Audited US\$'000
Operating activities				
Profit before tax		412,536	299,594	680,565
Adjustments for:				
Depreciation, amortisation and impairment		43,422	34,194	80,088
Share-based payments	17	12,864	9,910	23,056
Difference between other long-term employment benefits paid and amounts recognised in the income statement		8,625	5,987	9,450
Net finance income		(1,116)	(1,821)	(1,278)
Gain on disposal of property, plant and equipment		(43)	–	(34)
Gain on disposal of subsidiary	6	(26,637)	–	–
Fair value on initial recognition of investment in associate	6	(9,121)	–	–
Loss/(gain) on fair value changes in Seven Energy warrants		4,428	(8,378)	(5,647)
Share of losses of associate		2,629	687	3,593
Other non-cash items, net		4,594	21,234	5,865
Operating profit before working capital changes		452,181	361,407	795,658
Trade and other receivables		(42,153)	(196,033)	(300,567)
Work in progress		(385,339)	246,810	191,977
Due from related parties		89,212	(3)	(98,748)
Inventories		(11,774)	(2,360)	(3,327)
Other current financial assets		(772)	(6,060)	17,142
Trade and other payables		31,966	609,598	735,124
Billings in excess of cost and estimated earnings		(110,366)	209,321	210,975
Accrued contract expenses		(164,574)	108,661	(6,647)
Due to related parties		36,545	6,495	11,456
Other current financial liabilities		(1,329)	(368)	324
		(106,403)	1,337,468	1,553,367
Long-term receivable from customers		(204,078)	(79,745)	(130,206)
Other non-current items, net		3,705	9,918	(196)
Cash (used in)/generated from operations		(306,776)	1,267,641	1,422,965
Interest paid		(475)	(1,943)	(3,156)
Income taxes paid, net		(42,430)	(97,903)	(156,848)
Net cash flows (used in)/from operating activities		(349,681)	1,167,795	1,262,961

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows continued

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 Unaudited US\$'000	Six months ended 30 June 2011 Unaudited US\$'000	Year ended 31 December 2011 Audited US\$'000
Investing activities				
Purchase of property, plant and equipment	10	(149,480)	(144,849)	(420,360)
Acquisition of subsidiaries, net of cash acquired		(15,490)	–	–
Payment of deferred consideration on acquisition		–	(15,804)	(15,969)
Purchase of other intangible assets		–	(1,088)	(5,722)
Purchase of intangible oil & gas assets		(54,220)	(11,492)	(39,728)
Investment in associates		–	(50,359)	(50,282)
Proceeds from disposal of property, plant and equipment		43	829	886
Proceeds from disposal of available-for-sale financial assets		–	374	243
Proceeds from disposal of subsidiary		60,160	–	–
Interest received		3,136	4,484	8,468
Net cash flows used in investing activities		(155,851)	(217,905)	(522,464)
Financing activities				
Repayment of interest-bearing loans and borrowings		(11,467)	(9,646)	(19,489)
Treasury shares purchased	17	(75,276)	(47,387)	(49,062)
Equity dividends paid		(127,844)	(101,443)	(159,087)
Net cash flows used in financing activities		(214,587)	(158,476)	(227,638)
Net (decrease)/increase in cash and cash equivalents		(720,119)	791,413	512,859
Net foreign exchange difference on cash and cash equivalents		(10,648)	(6,856)	(11,550)
Cash and cash equivalents at 1 January		1,535,406	1,034,097	1,034,097
Cash and cash equivalents at period end	16	804,639	1,818,654	1,535,406

Interim condensed consolidated statement of changes in equity

For the six months ended 30 June 2012

	Attributable to Petrofac Limited Shareholders								Non-controlling interests US\$'000	Total equity US\$'000
	Issued share capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	*Treasury shares US\$'000 (note 17)	Other reserves US\$'000 (note 18)	Retained earnings US\$'000	Total US\$'000			
For the six months ended 30 June 2012										
Balance at 1 January 2012	6,916	2,211	10,881	(75,686)	5,638	1,160,776	1,110,736	3,092	1,113,828	
Profit for the period	–	–	–	–	–	325,264	325,264	(1,595)	323,669	
Other comprehensive income	–	–	–	–	(1,976)	–	(1,976)	–	(1,976)	
Total comprehensive income	–	–	–	–	(1,976)	325,264	323,288	(1,595)	321,693	
Share-based payments charge (note 17)	–	–	–	–	12,864	–	12,864	–	12,864	
Shares vested during the period (note 17)	–	–	–	46,014	(40,769)	(5,245)	–	–	–	
Transfer to reserve for share-based payments (note 17)	–	–	–	–	20,470	–	20,470	–	20,470	
Income tax on share-based payments reserve	–	–	–	–	1,323	–	1,323	–	1,323	
Treasury shares purchased (note 17)	–	–	–	(75,276)	–	–	(75,276)	–	(75,276)	
Shares issued as payment of consideration on acquisition	2	1,505	–	–	–	–	1,507	–	1,507	
Dividends (note 9)	–	–	–	–	–	(126,883)	(126,883)	–	(126,883)	
Movement in non-controlling interests	–	–	–	–	–	–	–	(215)	(215)	
Balance at 30 June 2012 (unaudited)	6,918	3,716	10,881	(104,948)	(2,450)	1,353,912	1,268,029	1,282	1,269,311	

*Shares held by Petrofac Employee Benefit Trust and Petrofac Joint Venture Companies Employee Benefit Trust

Interim condensed consolidated statement of changes in equity continued

For the six months ended 30 June 2012

	Attributable to Petrofac Limited Shareholders									
	Issued share capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Shares to be issued US\$'000	*Treasury shares US\$'000 (note 17)	Other reserves US\$'000 (note 18)	Retained earnings US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
For the six months ended 30 June 2011										
Balance at 1 January 2011	6,914	992	10,881	994	(65,317)	34,728	787,270	776,462	2,592	779,054
Profit for the period	-	-	-	-	-	-	246,286	246,286	168	246,454
Other comprehensive income	-	-	-	-	-	29,899	-	29,899	-	29,899
Total comprehensive income	-	-	-	-	-	29,899	246,286	276,185	168	276,353
Share-based payments charge (note 17)	-	-	-	-	-	9,910	-	9,910	-	9,910
Shares vested during the period	-	-	-	-	31,013	(27,250)	(3,763)	-	-	-
Transfer to reserve for share-based payments (note 17)	-	-	-	-	-	16,906	-	16,906	-	16,906
Income tax on share based payments reserve	-	-	-	-	-	(3,660)	-	(3,660)	-	(3,660)
Treasury shares purchased (note 17)	-	-	-	-	(47,387)	-	-	(47,387)	-	(47,387)
Shares issued as payment of consideration on acquisition	1	410	-	-	-	-	-	411	-	411
Dividends (note 9)	-	-	-	-	-	-	(101,788)	(101,788)	-	(101,788)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	244	244
Balance at 30 June 2011 (unaudited)	6,915	1,402	10,881	994	(81,691)	60,533	928,005	927,039	3,004	930,043

*Shares held by Petrofac Employee Benefit Trust and Petrofac Joint Venture Companies Employee Benefit Trust

Interim condensed consolidated statement of changes in equity continued

For the six months ended 30 June 2012

	Attributable to Petrofac Limited Shareholders									
	Issued share capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Shares to be issued US\$'000	*Treasury shares US\$'000 (note 17)	Other reserves US\$'000 (note 18)	Retained earnings US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
For the year ended 31 December 2011										
Balance at 1 January 2011	6,914	992	10,881	994	(65,317)	34,728	787,270	776,462	2,592	779,054
Profit for the year	-	-	-	-	-	-	539,425	539,425	156	539,581
Other comprehensive income	-	-	-	-	-	(33,262)	-	(33,262)	-	(33,262)
Total comprehensive income	-	-	-	-	-	(33,262)	539,425	506,163	156	506,319
Shares issued as payment of deferred consideration on acquisition	2	1,219	-	(994)	-	-	-	227	-	227
Share-based payments charge (note 17)	-	-	-	-	-	23,056	-	23,056	-	23,056
Shares vested during the year	-	-	-	-	38,693	(33,776)	(4,917)	-	-	-
Transfer to reserve for share-based payments (note 17)	-	-	-	-	-	17,974	-	17,974	-	17,974
Treasury shares purchased (note 17)	-	-	-	-	(49,062)	-	-	(49,062)	-	(49,062)
Income tax on share based payments reserve	-	-	-	-	-	(3,082)	-	(3,082)	-	(3,082)
Dividends (note 9)	-	-	-	-	-	-	(161,002)	(161,002)	-	(161,002)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	344	344
Balance at 31 December 2011 (audited)	6,916	2,211	10,881	-	(75,686)	5,638	1,160,776	1,110,736	3,092	1,113,828

*Shares held by Petrofac Employee Benefit Trust and Petrofac Joint Venture Companies Employee Benefit Trust

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2012

1 Corporate information

Petrofac Limited 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 (together "the Group"). The Group's principal activity is the provision of services to the oil & gas production and processing industry. The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 10 August 2012.

2 Basis of preparation and accounting policies

Basis of preparation

The interim 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 presentation currency of the interim condensed consolidated financial statements is United States dollars (US\$) and all values in the interim condensed consolidated financial statements are rounded to the nearest thousand dollars (US\$'000) except where otherwise stated.

Statement of compliance

The interim condensed consolidated financial statements of Petrofac Limited and all its subsidiaries for the six months ended 30 June 2012 have been prepared in accordance with IAS 34 'Interim Financial Statements' and applicable requirements of Jersey law. They do not include all of the information and disclosures required in the 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 2011. Certain comparative information has been restated in the current period presentation as outlined below.

Restatements

The following restatements were made in the 2011 comparatives:

- the segment information for the period ended 30 June 2011 has been restated to reflect a Group reorganisation that took place in late 2011 and now includes four revised reporting segments, Onshore Engineering & Construction, Offshore Projects & Operations, Engineering & Consulting Services and Integrated Energy Services (see note 3 for details).

Accounting policies

The accounting policies and methods of computation adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2011, except as noted 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 2012. The principal effects of the adoption of the relevant new and amended standards and interpretations are discussed below:

IFRS 7 – Disclosures – Transfers of financial assets (Amendment)

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined in IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of and risks associated with the entity's continuing involvement in those derecognised assets. This amendment did not have any impact on the accounting policies, financial position or performance of the Group.

3 Segment information

The following tables represent revenue and profit information relating to the Group's four reporting segments for the six months ended 30 June 2012 which comprises of the following:

Onshore Engineering & Construction which provides engineering, procurement and construction project execution services to the onshore oil & gas industry.

Offshore Projects & Operations which provides offshore engineering, operations and maintenance on and offshore and engineering, procurement and construction project execution services to the offshore oil & gas industry.

Engineering & Consulting Services which provides technical engineering, consultancy, conceptual design, front end engineering and design (FEED) and project management consultancy (PMC) across all sectors including renewables and carbon capture.

Integrated Energy Services which co-invests with partners in oil & gas production, processing and transportation assets, provides production improvement services under value aligned commercial structures and oil & gas related technical competency training and consultancy services.

Management separately monitors the trading results of its four reporting segments for the purpose of making an assessment of their performance and making decisions about how resources are allocated to them. Each segment's performance is measured based on its profitability which is reflected in a manner consistent with the results shown below. However certain shareholder service related overheads, Group financing and consolidation adjustments are managed at corporate level and are not allocated to reporting segments.

3 Segment information continued

	Onshore Engineering & Construction US\$'000	Offshore Projects & Operations US\$'000	Engineering & Consulting Services US\$'000	Integrated Energy Services US\$'000	Corporate & others US\$'000	Consolidation adjustments & eliminations US\$'000	Total US\$'000
Six months ended 30 June 2012 (unaudited)							
Revenue							
External sales	2,365,099	546,703	41,987	318,500	–	(30,532)	3,241,757
Inter-segment sales	16,206	115,034	61,803	4,191	–	(197,234)	–
Total revenue	2,381,305	661,737	103,790	322,691	–	(227,766)	3,241,757
Segment results							
Unallocated corporate costs	–	–	–	–	(4,322)	–	(4,322)
Profit/(loss) before tax and finance income/(costs)	298,110	41,486	4,772	93,079	(4,553)	(18,845)	414,049
Share of losses of associates	–	–	–	(2,629)	–	–	(2,629)
Finance costs	–	(55)	–	(1,721)	(2,156)	1,812	(2,120)
Finance income	4,007	173	36	18	3,228	(4,226)	3,236
Profit/(loss) before income tax	302,117	41,604	4,808	88,747	(3,481)	(21,259)	412,536
Income tax (expense)	(51,509)	(10,894)	(1,434)	(23,721)	(1,309)	–	(88,867)
Non-controlling interests	–	–	1,595	–	–	–	1,595
Profit/(loss) for the period attributable to Petrofac Limited shareholders	250,608	30,710	4,969	65,026	(4,790)	(21,259)	325,264
Other segment information							
Depreciation, amortisation and write-offs	19,290	1,759	2,932	20,004	297	(860)	43,422
Other long-term employment benefits	9,005	184	–	285	89	–	9,563
Share-based payments	6,138	1,425	459	2,510	2,332	–	12,864

Notes to the interim condensed consolidated financial statements continued

For the six months ended 30 June 2012

3 Segment information continued

	Onshore Engineering & Construction US\$'000	Offshore Projects & Operations US\$'000	Engineering & Consulting Services US\$'000	Integrated Energy Services US\$'000	Corporate & others US\$'000	Consolidation adjustments & eliminations US\$'000	Total US\$'000
Six months ended 30 June 2011 (unaudited & restated)							
Revenue							
External sales	1,875,561	558,111	27,170	250,239	–	–	2,711,081
Inter-segment sales	28,167	22,931	69,015	6,496	–	(126,609)	–
Total revenue	1,903,728	581,042	96,185	256,735	–	(126,609)	2,711,081
Segment results							
Unallocated corporate costs	–	–	–	–	(5,216)	–	(5,216)
Profit/(loss) before tax and finance income/(costs)	235,810	39,234	16,487	20,918	(5,636)	(8,353)	298,460
Share of losses of associates	–	–	–	(687)	–	–	(687)
Finance costs	–	(28)	–	(1,837)	(1,763)	206	(3,422)
Finance income	4,891	209	14	201	438	(510)	5,243
Profit/(loss) before income tax	240,701	39,415	16,501	18,595	(6,961)	(8,657)	299,594
Income tax (expense)/income	(34,584)	(7,646)	(1,706)	(12,559)	3,355	–	(53,140)
Non-controlling interests	(168)	–	–	–	–	–	(168)
Profit/(loss) for the period attributable to Petrofac Limited shareholders	205,949	31,769	14,795	6,036	(3,606)	(8,657)	246,286
Other segment information							
Depreciation and amortisation	12,642	2,027	1,775	17,835	245	(330)	34,194
Other long-term employment benefits	7,728	169	–	340	50	–	8,287
Share-based payments	5,356	1,114	326	1,448	1,666	–	9,910

3 Segment information continued

	Onshore Engineering & Construction US\$'000	Offshore Projects & Operations US\$'000	Engineering & Consulting Services US\$'000	Integrated Energy Services US\$'000	Corporate & others US\$'000	Consolidation adjustments & eliminations US\$'000	Total US\$'000
Year ended 31 December 2011 (audited)							
Revenue							
External sales	4,068,324	1,164,565	64,391	503,439	–	–	5,800,719
Inter-segment sales	77,894	86,787	143,775	15,417	–	(323,873)	–
Total revenue	4,146,218	1,251,352	208,166	518,856	–	(323,873)	5,800,719
Segment results							
Unallocated corporate costs	–	–	–	–	(9,864)	–	(9,864)
Profit/(loss) before tax and finance income/(costs)	553,797	56,930	32,930	57,024	(10,284)	(7,517)	682,880
Share of losses of associates	–	–	–	(3,593)	–	–	(3,593)
Finance costs	(1,450)	(1,292)	–	(3,180)	(2,921)	2,244	(6,599)
Finance income	8,375	212	58	357	1,807	(2,932)	7,877
Profit/(loss) before income tax	560,722	55,850	32,988	50,608	(11,398)	(8,205)	680,565
Income tax (expense)/benefit	(97,734)	(12,323)	(2,170)	(27,983)	1,415	(2,189)	(140,984)
Non-controlling interests	(156)	–	–	–	–	–	(156)
Profit/(loss) for the year attributable to Petrofac Limited shareholders	462,832	43,527	30,818	22,625	(9,983)	(10,394)	539,425
Other segment information							
Depreciation and amortisation	31,097	4,496	6,756	36,506	1,378	(145)	80,088
Other long-term employment benefits	12,013	352	–	396	100	–	12,861
Share-based payments	11,863	2,521	774	3,674	4,224	–	23,056

The significant movements in total Group assets as at 30 June 2012 compared with total assets as at 31 December 2011 are primarily in the following segments:

	Onshore Engineering & Construction US\$'000	Integrated Energy Services US\$'000
Total assets as at 30 June 2012	2,510,680	1,457,628
Total assets as at 31 December 2011	2,712,072	1,010,686

- the decrease in Onshore Engineering & Construction segment assets during the period reflects net movements in cash advances from customers and other long-term contract working capital balances
- the increase in Integrated Energy Services segment assets during the period is primarily due to further capital investment in its oil & gas assets and contracts portfolio

Notes to the interim condensed consolidated financial statements continued

For the six months ended 30 June 2012

4 Revenues

	Six months ended 30 June 2012 Unaudited US\$'000	Six months ended 30 June 2011 Unaudited US\$'000	Year ended 31 December 2011 Audited US\$'000
Rendering of services	3,181,741	2,651,110	5,650,892
Sale of crude oil & gas	54,667	55,827	143,122
Sale of processed hydrocarbons	5,349	4,144	6,705
	3,241,757	2,711,081	5,800,719

Included in revenues from rendering of services are Offshore Projects & Operations, Engineering & Consulting Services and Integrated Energy Services revenues of a "pass-through" nature with zero or low margins amounting to US\$120,953,000 (six months ended 30 June 2011: US\$111,274,000; year ended 31 December 2011: US\$229,422,000).

5 Selling, general and administration costs

The US\$58,185,000 increase in selling, general and administration costs compared with the equivalent prior year period is principally due to the impact of significant business growth related increase in employee headcount from around 14,500 at the 30 June 2011 to around 17,200 by 30 June 2012 on staff costs together with the associated costs of expanded office space in certain locations for the new hires.

6 Other income

Included in other income is a gain of US\$35,758,000 which comprises US\$26,637,000 on disposal of 75.2% of Petrofac's interest in Petrofac FPF1 Limited to Ithaca Energy Inc and \$9,121,000 being the fair value of the remaining 24.8% interest held which is classified as an associate.

7 Income tax

Income tax expense is recognised based on management's best estimate of the income tax rate applicable to the pre-tax income of the interim period.

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

	Six months ended 30 June 2012 Unaudited US\$'000	Six months ended 30 June 2011 Unaudited US\$'000	Year ended 31 December 2011 Audited US\$'000
Current income tax			
Current income tax charge	54,556	65,485	138,205
Adjustments in respect of current income tax of previous periods	(990)	(158)	782
Deferred income tax			
Relating to origination and reversal of temporary differences	34,945	(11,789)	8,832
Adjustments in respect of deferred income tax of previous periods	356	(398)	(6,835)
	88,867	53,140	140,984

The Group's effective tax rate for the six months is 21.5% (six months ended 30 June 2011: 17.7%; year ended 31 December 2011: 20.7%).

The effective tax rate for the Group for the year to 31 December 2012 is expected to be around 22%. However, due to the timing of profit recognition between the first and second halves of the year on contracts held within the Onshore Engineering & Construction and Integrated Energy Services segments, a lower tax charge and effective rate has been recognised in the interim 2012 period.

If the consequences of the timing issues noted above are accounted for, the Group's effective tax rate for year end 2012 is expected to be greater than the effective tax rate in the comparable 2011 period. This is as a result of changes in the overall mix of taxable jurisdictions within which the Group operates.

In March 2012, the UK Government announced its intention to accelerate the reduction in the UK corporation tax rate. The tax rate of 24% is effective from 1 April 2012, 23% from 1 April 2013 and 22% from 1 April 2014. At 30 June 2012 the 24% tax rate change was substantially enacted and the deferred tax assets and liabilities are based on the new rate. The deferred tax assets and liabilities would have reduced by approximately US\$2,081,000 and US\$143,000 respectively had the further reductions in the corporation tax rates referred to above been substantively enacted as of the said date.

8 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 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 employee share award schemes which are held in trust.

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

	Six months ended 30 June 2012 Unaudited US\$'000	Six months ended 30 June 2011 Unaudited US\$'000	Year ended 31 December 2011 Audited US\$'000
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	325,264	246,286	539,425
	30 June 2012 Unaudited Number'000	30 June 2011 Unaudited Number'000	31 December 2011 Audited Number'000
Weighted average number of ordinary shares for basic earnings per share	340,411	338,703	339,239
Effect of diluted potential ordinary shares granted under share-based payment schemes	2,638	4,134	4,069
Adjusted weighted average number of ordinary shares for diluted earnings per share	343,049	342,837	343,308

9 Dividends paid and proposed

	Six months ended 30 June 2012 Unaudited US\$'000	Six months ended 30 June 2011 Unaudited US\$'000	Year ended 31 December 2011 Audited US\$'000
Declared and paid during the period			
Equity dividends on ordinary shares:			
Final dividend for 2010: 30.00 cents per share	–	101,788	101,788
Interim dividend 2011: 17.40 cents per share	–	–	59,214
Final dividend for 2011: 37.20 cents per share	126,883	–	–
	126,883	101,788	161,002

The Company proposes an interim dividend of 21.00 cents per share which was approved by the Board on 10 August 2012 for payment on 19 October 2012.

10 Property, plant and equipment

The increase in property, plant and equipment during the period mainly comprises the upgrade of the FPSO Berantai, the FPF4 and the FPF5 vessels at a combined cost of US\$66,699,000 and expenditure of US\$30,153,000 in respect of oil & gas facilities on the Ticleni and the Magallanes/Santuario Production Enhancement Contracts.

11 Goodwill

The net increase in the goodwill balance in the current period is largely attributable to goodwill of US\$14,107,000 recognised on the acquisition during the period of KW Limited, a subsea pipeline consulting and engineering services business.

12 Intangible assets

The increase in intangible assets during the period mainly comprises the appraisal and well development costs of US\$49,951,000 in respect of Block PM304 in Malaysia.

Notes to the interim condensed consolidated financial statements continued

For the six months ended 30 June 2012

13 Net investment in associates

The movement in net investment in associates during the period is as follows:

	US\$'000
As at January 2012	164,405
Transfer from subsidiary to investment in associate	9,121
Amounts due from associates	11,926
Share of losses in associates	(2,629)
Foreign exchange movements	(89)
	182,734

As a result of the disposal of 75.2% of Petrofac FPF1 Limited (see note 6) the remaining 24.8% investment is classified as an associate recognised at a fair value of US\$9,121,000. In addition amounts due from Petrofac FPF1 Limited to the Group of US\$11,926,000 are included in the carrying value of the investment.

14 Long-term trade receivables

The increase in long-term trade receivables is due to an increase in the amount due on the Berantai RSC of US\$117,800,000 and a new loan receivable from Ithaca Energy Inc of US\$86,278,000 in respect of an advance payment as future consideration for a 20% interest in the Greater Stella Area licences and a 20% contribution towards FDP development costs incurred in the area.

15 Work in progress

The increase in work in progress during the period is mainly due to short-term timing differences between physical contract progress and milestone based billing on a major Onshore Engineering & Construction project amounting to US\$358,974,000.

16 Cash and cash equivalents

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

	30 June 2012 Unaudited US\$'000	30 June 2011 Unaudited US\$'000	31 December 2011 Audited US\$'000
Cash at bank and in hand	441,687	359,846	490,446
Short-term deposits	400,305	1,488,403	1,081,892
Cash and short term deposits	841,992	1,848,249	1,572,338
Bank overdrafts	(37,353)	(29,595)	(36,932)
	804,639	1,818,654	1,535,406

17 Treasury shares and share-based payments

During the period, the Company acquired 3,007,320 (30 June 2011: 1,950,000; 31 December 2011: 2,074,138) of its own shares at a cost of US\$75,276,000 (30 June 2011: US\$47,387,000; 31 December 2011: US\$49,062,000) for the purpose of making awards under the Group's employee share schemes and these shares have been classified in the balance sheet as treasury shares within equity. In addition, during the period 3,003,180 shares (including 342,346 accrued dividend and 8% EnQuest uplift shares) with a cost of US\$46,014,000 were transferred out of the Employee Benefit Trust on vesting of various employee share scheme awards.

The Group has recognised an expense in the income statement for the period to 30 June 2012 relating to employee share-based incentives of US\$12,864,000 (six months ended 30 June 2011: US\$9,910,000; year ended 31 December 2011: US\$23,056,000) which has been transferred to the reserve for share-based payments. This charge covers shares granted in relation to the existing Deferred Bonus, Performance and Restricted Share Plans and the newly created Value Creation Plan. In addition US\$20,470,000 of the remaining bonus liability accrued for the year ended 31 December 2011 (30 June 2011: US\$16,906,000; 31 December 2011: US\$17,974,000) which has been voluntarily elected or mandatorily obliged to be settled in shares granted during the period has been transferred to the reserve for share based payments.

18 Other reserves

	Net unrealised gains/(losses) on available- for-sale financial assets US\$'000	Net unrealised (losses)/ gains on derivatives US\$'000	Foreign currency translation US\$'000	Reserve for share-based payments US\$'000	Total US\$'000
Balance at 1 January 2012	-	(20,062)	(35,345)	61,045	5,638
Foreign currency translation	-	-	(2,900)	-	(2,900)
Net losses on maturity of cash flow hedges recycled in the period	-	11,514	-	-	11,514
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	-	(10,590)	-	-	(10,590)
Share-based payments charge (note 17)	-	-	-	12,864	12,864
Transfer during the year (note 17)	-	-	-	20,470	20,470
Shares vested during the year	-	-	-	(40,769)	(40,769)
Deferred tax on share based payments reserve	-	-	-	1,323	1,323
Balance at 30 June 2012 (unaudited)	-	(19,138)	(38,245)	54,933	(2,450)
Balance at 1 January 2011	70	(2,797)	(19,418)	56,873	34,728
Foreign currency translation	-	-	9,934	-	9,934
Disposal of available-for-sale financial assets	(70)	-	-	-	(70)
Net losses on maturity of cash flow hedges recycled in the period	-	5,980	-	-	5,980
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	-	14,055	-	-	14,055
Share-based payments charge (note 17)	-	-	-	9,910	9,910
Transfer during the period (note 17)	-	-	-	16,906	16,906
Shares vested during the period	-	-	-	(27,250)	(27,250)
Deferred tax on share based payments reserve	-	-	-	(3,660)	(3,660)
Balance at 30 June 2011 (unaudited)	-	17,238	(9,484)	52,779	60,533
Balance at 1 January 2011	70	(2,797)	(19,418)	56,873	34,728
Foreign currency translation	-	-	(15,927)	-	(15,927)
Disposal of available-for-sale financial assets	(70)	-	-	-	(70)
Net gains on maturity cash flow hedges recycled in the year	-	(3,675)	-	-	(3,675)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	-	(13,590)	-	-	(13,590)
Share-based payments charge (note 17)	-	-	-	23,056	23,056
Transfer during the year (note 17)	-	-	-	17,974	17,974
Shares vested during the year	-	-	-	(33,776)	(33,776)
Deferred tax on share based payments reserve	-	-	-	(3,082)	(3,082)
Balance at 31 December 2011 (audited)	-	(20,062)	(35,345)	61,045	5,638

19 Capital commitments

At 30 June 2012 the Group had capital commitments of US\$611,853,000 (31 December 2011: US\$479,968,000; 30 June 2011: US\$232,383,000).

Included in the above are commitments relating to the Group's 30% share of expenditure on the appraisal and development of the Block PM304 in Malaysia of US\$281,653,000 (31 December 2011: US\$110,600,000; 30 June 2011: US\$6,844,000), the Group's 24.8% share in the upgrade of the FPF1 vessel of US\$81,600,000 (31 December 2011: US\$nil; 30 June 2011: US\$nil), expenditure on the FPSO Berantai in Malaysia of US\$nil (31 December 2011: US\$89,250,000; 30 June 2011: US\$161,972,000), commitments in respect of the Magallanes and Santuario Production Enhancement Contracts in Mexico of US\$185,000,000 (31 December 2011: US\$225,000,000; 30 June 2011: US\$nil), commitments in respect of the Ticleni Production Enhancement Contract in Romania US\$11,882,000 (31 December 2011: US\$25,000,000; 30 June 2011: US\$16,906,000) and commitments in respect of IT projects of US\$3,400,000 (31 December 2011: US\$6,171,000; 30 June 2011: US\$6,332,000).

Notes to the interim condensed consolidated financial statements continued

For the six months ended 30 June 2012

20 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 2012 (unaudited)	85,393	86,678	3,648	59,711
	Six months ended 30 June 2011 (unaudited)	90,661	96,232	330	16,621
	Year ended 31 December 2011 (audited)	322,669	187,440	95,075	22,899
Associates	Six months ended 30 June 2012 (unaudited)	1,359	-	6,194	-
	Six months ended 30 June 2011 (unaudited)	-	-	-	1,439
	Year ended 31 December 2011 (audited)	14,118	-	4,000	-
Key management personnel interests	Six months ended 30 June 2012 (unaudited)	24	670	21	-
	Six months ended 30 June 2011 (unaudited)	-	486	-	145
	Year ended 31 December 2011 (audited)	-	1,591	-	267

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.

All related party balances at 30 June 2012 will be settled in cash.

Purchases in respect of key management personnel interests of US\$639,000 (six months ended 30 June 2011: US\$428,000; year ended 31 December 2011: US\$1,411,000) reflect the market rate based costs of chartering the services of an aeroplane used for the transport of senior management and Directors of the Group on company business, which is owned by an offshore trust of which the Chief Executive of the Company is a beneficiary.

Also included in purchases in respect of key management personnel interests is US\$31,000 (six months ended 30 June 2011: US\$58,000; year ended 31 December 2011: US\$180,000) relating to client entertainment provided by a business owned by a member of the Group's key management.

In addition to the amounts due from associates shown above there is a balance of US\$11,926,000 included in net investment in associates (see note 13).

Compensation of key management personnel

	Six months ended 30 June 2012 Unaudited US\$'000	Six months ended 30 June 2011 Unaudited US\$'000	Year ended 31 December 2011 Audited US\$'000
Short-term employee benefits	4,514	3,539	19,807
Other long-term employment benefits	95	79	158
Share-based payments	4,631	2,426	8,114
Fees paid to Non-executive Directors	469	394	836
	9,709	6,438	28,915

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge, the condensed set of financial statements on pages 14 to 30 has been prepared in accordance with IAS 34 'Interim Financial Reporting', and that the interim management report on pages 2 to 13 includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The Directors of Petrofac Limited are listed in the *Petrofac Annual report and accounts 2011*.

By the order of the Board

Ayman Asfari, Group Chief Executive
10 August 2012Tim Weller, Chief Financial Officer
10 August 2012

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 2012 which comprises the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of financial position, the interim condensed consolidated statement of cash flows, the interim condensed consolidated statement of changes in equity and the related explanatory notes. 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 and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual consolidated financial statements of Petrofac Limited are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. 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 Ireland) 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 2012 are not prepared, in all material respects, in accordance with International Accounting Standard 34 and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
London
10 August 2012

Shareholder information

At 30 June 2012

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

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Financial calendar

21 September 2012	Interim dividend record date
19 October 2012	Interim dividend payment
31 December 2012	2012 financial year end
27 February 2013	2012 full year results announcement

Dates correct at time of print, but subject to change.

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

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