Passionate about delivering

Interim report 2007

Petrofac

Passionate about our goal to be the world's leading oil & gas facilities and infrastructure provider

Group financial highlights[1]
For the six months ended 30 June 2007

US$1,057m
Revenue
Six months ended 30 June 2006: US$927m

US$3,908m
Backlog[2]
As at 31 December 2006: US$4,173m

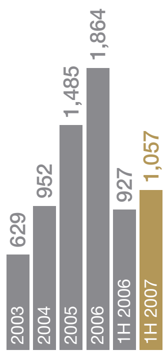
US$137.3m
EBITDA[3]
Six months ended 30 June 2006: US$88.8m

22.4 cents
Earnings per share (diluted)
Six months ended 30 June 2006: 15.2 cents

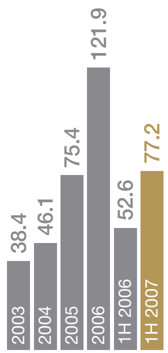
US$77.2m
Net profit[4]
Six months ended 30 June 2006: US$52.6m

4.90 cents
Interim dividend per share
Six months ended 30 June 2006: 2.40 cents

Revenue
US$ millions



Net profit
US$ millions



Contents

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 (as per the interim condensed consolidated income statement) adjusted to add back charges for depreciation, amortisation and impairment (as per note 3 to the interim condensed consolidated financial statements).
4 Profit for the period attributable to Petrofac Limited shareholders.

Results

We are pleased to report that the group performed strongly during the first half of 2007 with continued growth in revenue and profit. In the six months ended 30 June 2007, revenue increased by 14% to US$1,057.1 million compared to the corresponding prior period (2006: US$926.9 million) and net profit increased by 47% to US$77.2 million (2006: US$52.6 million). EBITDA increased by 55% to US$137.3 million (2006: US$88.8 million).

Net interest receivable for the period was US$2.8 million compared to net interest payable of US$0.7 million for the corresponding period in 2006 due principally to higher average cash balances and higher rates of interest earned on these balances.

The tax charge for the six months ended 30 June 2007 of US$40.0 million (2006: US$21.9 million), based on the anticipated divisional effective tax rates for the year ending 31 December 2007, results in an effective tax rate for the period of 34.1% (2006: 29.4%). The principal reason for the increase is that a higher proportion of group profits were generated by the Energy Developments (formerly Resources) division, which has the highest divisional effective tax rate, and which had a higher effective tax rate than in the previous period due to profits generated by the Cendor field which commenced production in the second half of 2006.

Net cash[1] generated from operations in the period was US$126.4 million (2006: US$186.6 million), representing 92.1% of EBITDA (2006: 210.1%). The group's net cash increased to US$391.0 million at 30 June 2007 (31 December 2006: US$340.7 million) as a result of profits generated and some improvement in working capital utilisation, partly offset by increased cash outflows from investing activities, including the financial completion of the group's acquisition of an operating interest in the Chergui field in Tunisia, and increased cash outflows from financing activities, in particular, equity dividend payments and the purchase of Company shares for the purpose of making employee share scheme awards. The group's working capital balances are subject to significant movements due to the timing of award and stage of completion of lump-sum engineering, procurement and construction (EPC) contracts. The group's very strong cash generation during the corresponding prior year period reflected a significant decrease in working capital utilisation in that period. Interest-bearing loans and borrowings increased marginally during the current period to US$127.2 million (31 December 2006: US$117.2 million).

Diluted earnings per share attributable to continuing operations for the six months ended 30 June 2007 increased to 22.36 cents per share (2006: 15.23 cents per share) reflecting the group's improved profitability.

At 30 June 2007, the group's combined backlog for the Engineering & Construction and Operations Services divisions was US$3.9 billion (31 December 2006: US$4.2 billion), representing 2.0 times revenues for the trailing 12 months. During the first six months of 2007, order intake across the group amounted to, in aggregate, US$0.6 billion (2006: US$1.0 billion).

We have been successful in addressing the resource challenges faced by the group and the industry in general. We now have over 9,500 employees, compared to around 7,700 at 30 June 2006. While a large number of employees have been recruited in conjunction with the assumption of operational responsibility for existing infrastructure, for example, on the Dubai Petroleum contract, we have also been successful in growing our engineering and construction capacity. The Engineering & Construction division now has 3,600 employees (30 June 2006: 2,600), with strong growth arising in our Woking and Sharjah offices and through the opening of the new Chennai office.

Dividend

The Board has declared an interim dividend of 4.90 cents per share (2006: 2.40 cents), an increase of 104%, which will be paid on 26 October 2007 to eligible shareholders on the register at 28 September 2007. Shareholders who have not elected to receive dividends in US dollars will receive a Sterling equivalent of 2.44 pence per share. The Board will set the total of dividends payable for the year in the light of full year earnings to 31 December 2007, however, given the continued strong cash generation of the business, the Board anticipates increasing the percentage of earnings it distributes by way of dividend to approximately 30% of full year post tax profits.

1 Net cash represents cash and short-term deposits less interest-bearing loans and borrowings.

Segmental review

We present below an update on each of the group's three operating divisions:

US$'000	Revenue		Operating profit		Net profit		EBITDA	
For the six months ended 30 June	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Engineering & Construction	**569,637**	578,958	**67,584**	55,694	**54,704**	44,320	**74,878**	60,671
Operations Services	**427,662**	325,337	**16,782**	12,296	**11,046**	7,203	**19,715**	14,007
Energy Developments	**68,904**	23,113	**31,821**	7,550	**15,760**	3,898	**44,586**	14,745
Corporate, consolidation and elimination	**(9,094)**	(469)	**(1,724)**	(373)	**(4,292)**	(2,859)	**(1,924)**	(579)
Group	**1,057,109**	926,939	**114,463**	75,167	**77,218**	52,562	**137,255**	88,844

Growth/margin analysis	Revenue growth		Operating margin		Net margin		EBITDA margin	
For the six months ended 30 June	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Engineering & Construction	**(1.6%)**	45.1%	**11.9%**	9.6%	**9.6%**	7.7%	**13.1%**	10.5%
Operations Services	**31.5%**	16.3%	**3.9%**	3.8%	**2.6%**	2.2%	**4.6%**	4.3%
Energy Developments	**198.1%**	2.4%	**46.2%**	32.7%	**22.9%**	16.9%	**64.7%**	63.8%
Group	**14.0%**	33.9%	**10.8%**	8.1%	**7.3%**	5.7%	**13.0%**	9.6%

Engineering & Construction

The division's lump-sum EPC activities continue to be focused on the Middle East, North Africa and the Caspian regions. Whilst the division's customers include both national oil companies (NOCs) and integrated and independent oil companies, during the period, the majority of the division's Middle East and North Africa lump-sum EPC work was undertaken in conjunction with NOCs. Approximately two-thirds of the division's lump-sum EPC revenues in the period were directly associated with NOCs.

In the Middle East, the division has made good progress on the Harweel project in Oman which has entered the construction phase. The Kauther gas plant, also in Oman, is substantially complete with commissioning expected to commence during the second half of the year. The facilities upgrade project for Kuwait Oil Company is on schedule, with substantial progress achieved on the construction phase during the period.

The focus in North Africa has been on the mobilisation of contracts awarded in late 2006: the Salam gas plant project in Egypt and the Hasdrubal gas plant project in Tunisia. Significant progress has already been made with the engineering and procurement services on the Salam gas plant project reflecting the relatively short completion schedule. The Hasdrubal project is in its relatively early stages with work proceeding according to plan.

In Kazakhstan, good progress has been made on the Kashagan construction management contract and the engineering, procurement and construction management contract for the Karachaganak 4th stabilisation and sweetening train, awarded in January 2007.

The group's reimbursable engineering services delivered strong growth during the period. The group's growing role in the multi-billion dollar, multi-phase, Karachaganak development was further extended in June 2007 with the award of the group's largest ever front-end engineering and design (FEED) study for Phase III of the development. The contract with Karachaganak Petroleum Operating BV (a BG Group and ENI led consortium) is scheduled to run to mid-2008 and is expected to involve up to 400 engineering and other professional staff, principally in the division's Woking office.

The division also provided reimbursable engineering services on the Kovykta contracts with RUSIA Petroleum and the East Siberian Gas Company. Following TNK-BP's agreement to sell their interest in these projects, it is likely that the group will undertake a staged demobilisation during the second half of the year.

The division's revenue was marginally lower than the corresponding period in 2006 at US$569.6 million (2006: US$579.0 million), principally reflecting the level of activity on, and stage of completion of, lump-sum EPC contracts. Reported revenue demonstrated sequential six-monthly period growth of 13.4% and is expected to grow more strongly in the second half of 2007. Net profit increased by 23.4% to US$54.7 million (2006: US$44.3 million), representing a net margin of 9.6% (2006: 7.7%), which is expected to be broadly maintained for the remainder of 2007. The increase in margin is due to continued strong execution, a low proportion of early stage work (no profit is recognised in the early stages of projects) and the recognition of profit arising from contracts in their later stages. The division's backlog was marginally lower at US$2.1 billion (31 December 2006: US$2.2 billion) reflecting the anticipated timing of new project awards expected during the second half of the current year.

Operations Services

Working closely with Dubai Petroleum, an entity wholly owned by the Government of Dubai, the Operations Services division achieved a smooth and safe transition to assume full operational responsibility for facilities and well management of Dubai's offshore oil & gas assets on 2 April 2007. The contract, which is open ended, represents the division's largest international contract to date and its first international turnkey contract comparable to its UK duty holder service offering.

Petrofac Brownfield and the division's Training businesses experienced good growth over the period with a number of new international contract awards. This was achieved, in part, through leveraging existing Operations Services and Engineering & Construction division customer relationships and strong demand for their services.

The UK Continental Shelf (UKCS) market remains buoyant, with continued strong operational performance across the division.

In January 2007, the division acquired a majority interest in SPD Group Limited (SPD), a specialist provider of well operations services, in particular well project management, well engineering optimisation, well engineering studies and consultancy services. SPD's core operations are in Africa and Europe and for national and international oil companies in the Middle East, including Dubai Petroleum. SPD has been successfully integrated into the division and the market for its services is particularly strong.

Reported revenue for the period increased by 31.5% to US$427.7 million (2006: US$325.3 million). Revenue excluding "pass-through" revenue[2] (net revenue) increased by 54.8%. The significant increase in net revenue is principally attributable to the commencement of the Dubai Petroleum contract, the acquisition of SPD and growth in the Brownfield engineering and Training businesses, but is also positively impacted by the strong Sterling to US dollar exchange rate as the majority of the division's revenues are denominated in Sterling.

The division's net profit increased by 53.4% to US$11.0 million (2006: US$7.2 million), representing a net margin on revenue excluding pass-through revenue of 3.3% (2006: 3.3%). Net margins are expected to be higher in the second half of 2007 when the Dubai Petroleum contract will make a full period contribution. The underlying net margin, adjusted to eliminate amortisation and finance costs relating to acquisition intangibles and deferred consideration, increased to 3.8% (2006: 3.3%) due principally to the impact of the Dubai Petroleum contract and the acquisition of SPD.

The division's backlog ended the period marginally lower at US$1.8 billion (31 December 2006: US$1.9 billion).

Energy Developments

Energy Developments' operational assets (Cendor, Ohanet and the KPC refinery) performed well during the period and in line with expectations.

The Cendor field, offshore Peninsular Malaysia, produced an average of 14,300 barrels per day (bpd) during the period and had produced over 3.7 million barrels of oil by 30 June 2007. Full cost recovery was achieved in March. A drilling programme is scheduled for the second half of the year, after which further development phases will be assessed.

In the UKCS, a draft field development plan (FDP) for the Don Southwest field was submitted to the Department of Trade and Industry (DTI) and possible development solutions for the West Don field were progressed. Subject to consultation with the DTI and the approval of an Environmental Statement, formal FDP approval for Don Southwest is anticipated early next year with production expected to commence in 2009.

The acquisition of the division's 45% operating interest in the Chergui field in Tunisia was completed in February and, with construction work on both the offshore pipelines and onshore production processing facilities well in-hand, production is expected to commence around the turn of the year.

In May 2007, the division farmed into a 10% operated interest in permit NT/P68 in northern Australian waters. The terms of the farm-in require the division to fund 25% of the cost of two appraisal wells, up to a capped level of expenditure, to be drilled during the second half of 2007[3]. Petrofac will become operator for any follow-on delineation, development and production activities.

The division's revenues increased significantly to US$68.9 million (2006: US$23.1 million) reflecting the commencement of production from the Cendor field in September 2006. Net profit increased to US$15.8 million (2006: US$3.9 million) due to the significant contribution from Cendor, particularly during the cost recovery period to the end of March.

Outlook

Demand for our services remains strong, underpinned by a number of long term drivers. Specifically, expenditure on capital programmes and the associated operating expenditures are expected to remain strong as the oil & gas industry responds to increased global energy demand and the depletion of existing production. Furthermore, limited capacity within the oil service sector, particularly in relation to non-capital intensive services, coupled with the strong demand for services, should ensure that favourable market conditions are sustained for the foreseeable future.

While the industry has seen the postponement of some projects due to escalating costs, we believe this is a necessary response to some capacity constraints within the industry. Indeed, we consider this to have the positive effect of extending the longevity and sustainability of capital programmes. Nonetheless, we have been successful in growing our own capacity during the period and remain confident that our longstanding relationships with local subcontractors and suppliers in our core regions will assist us to continue to deliver strong project execution.

The Board considers the group well positioned to benefit from expenditure in regions where the development of hydrocarbon reserves is controlled by NOCs, such as in the Middle East and North Africa, where we see a growing appetite for NOCs to contract directly with the service sector. In addition, we will continue to build upon our longstanding customer relationships with integrated and independent oil companies, particularly in regions where we can position ourselves for long-term participation, such as the multi-billion dollar multi-phase developments in Kazakhstan.

Overall, we are confident that the group is well positioned to deliver 2007 results ahead of expectations and excellent growth in 2008 and beyond.

Rodney Chase

Rodney Chase
Chairman

Ayman Asfari
Group Chief Executive

2 Pass-through revenue refers to the revenue recognised from low or zero-margin third-party procurement services provided to customers.

3 See note 12 to the financial statements for further terms of the farm-in.

Interim condensed consolidated income statement

For the six months ended 30 June 2007

	Notes	6 months ended 30 June 2007 Unaudited US$'000	6 months ended 30 June 2006 Unaudited US$'000	Year ended 31 December 2006 Audited US$'000
Continuing operations				
Revenue	4	**1,057,109**	926,939	1,863,873
Cost of sales	5	**(868,464)**	(809,660)	(1,593,462)
Gross profit		**188,645**	117,279	270,411
Selling, general and administration expenses		**(74,794)**	(42,438)	(103,029)
Other income		**1,249**	829	4,870
Other expenses		**(637)**	(503)	(1,133)
Profit from continuing operations before tax and finance income/(costs)		**114,463**	75,167	171,119
Finance costs		**(4,948)**	(3,552)	(7,168)
Finance income		**7,738**	2,870	9,296
Profit before tax		**117,253**	74,485	173,247
Income tax expense – UK		**(6,115)**	(4,329)	(13,886)
– Overseas		**(33,920)**	(17,546)	(37,454)
	6	**(40,035)**	(21,875)	(51,340)
Profit for the period from continuing operations		**77,218**	52,610	121,907
Discontinued operations				
Profit/(loss) for the period from discontinued operations		**12**	(49)	(1,575)
Profit for the period		**77,230**	52,561	120,332
Attributable to:				
Petrofac Limited shareholders		**77,230**	52,513	120,332
Minority interests		**–**	48	–
		77,230	52,561	120,332
Earnings per share (US cents)	7			
From continuing and discontinued operations:				
– Basic		**22.53**	15.25	34.98
– Diluted		**22.36**	15.21	34.87
From continuing operations:				
– Basic		**22.53**	15.26	35.44
– Diluted		**22.36**	15.23	35.32

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

Interim condensed consolidated balance sheet

At 30 June 2007

	Notes	30 June 2007 Unaudited US$'000	30 June 2006 Unaudited US$'000	31 December 2006 Audited US$'000
Assets				
Non-current assets				
Property, plant and equipment	10	**176,288**	125,294	143,176
Goodwill	11	**72,397**	53,361	56,732
Intangible assets	12	**21,582**	12,532	17,959
Available-for-sale financial assets		**1,619**	4,379	1,726
Other financial assets	13	**461**	906	1,947
Deferred income tax assets		**1,747**	5,885	2,902
		274,094	202,357	224,442
Current assets				
Inventories		**2,035**	1,109	1,943
Work in progress		**321,240**	354,389	367,869
Trade and other receivables		**442,813**	278,802	330,515
Due from related parties	20	**3,422**	20,177	7,725
Other financial assets	13	**12,887**	14,497	10,133
Cash and short-term deposits	15	**518,261**	379,338	457,848
		1,300,658	1,048,312	1,176,033
Assets of discontinued operations classified as held for sale		**–**	1,667	1,372
Total assets		**1,574,752**	1,252,336	1,401,847
Equity and liabilities				
Equity attributable to Petrofac Limited shareholders				
Share capital	16	**8,636**	8,629	8,629
Share premium	16	**68,203**	66,210	66,210
Capital redemption reserve		**10,881**	10,881	10,881
Treasury shares	17	**(19,715)**	(8,144)	(8,144)
Other reserves	18	**30,832**	19,839	19,611
Retained earnings		**282,720**	167,938	227,508
		381,557	265,353	324,695
Minority interests		**209**	257	209
Total equity		**381,766**	265,610	324,904
Non-current liabilities				
Interest-bearing loans and borrowings		**92,074**	74,212	90,705
Provisions		**15,837**	9,723	12,498
Other financial liabilities	14	**20,438**	7,214	7,373
Deferred income tax liabilities		**2,403**	2,659	2,794
		130,752	93,808	113,370
Current liabilities				
Trade and other payables		**426,963**	226,082	346,706
Due to related parties	20	**50**	110	182
Interest-bearing loans and borrowings		**35,148**	43,739	26,475
Other financial liabilities	14	**1,884**	5,494	172
Income tax payable		**56,001**	19,724	33,045
Billings in excess of cost and estimated earnings		**186,152**	130,370	124,990
Accrued contract expenses		**356,036**	467,399	432,003
		1,062,234	892,918	963,573
Total liabilities		**1,192,986**	986,726	1,076,943
Total equity and liabilities		**1,574,752**	1,252,336	1,401,847

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

Interim condensed consolidated cash flow statement

For the six months ended 30 June 2007

	6 months ended 30 June 2007 Unaudited US$'000	6 months ended 30 June 2006 Unaudited US$'000	Year ended 31 December 2006 Audited US$'000
Operating activities			
Net profit/(loss) before income taxes and minority interest			
Continuing operations	**117,253**	74,485	173,247
Discontinued operations	**12**	(49)	(1,575)
	117,265	74,436	171,672
Adjustments for:			
Depreciation, amortisation and impairment	**22,792**	13,677	28,807
Share-based payments	**1,820**	315	1,281
Difference between other long-term employment benefits paid and amounts recognised in the income statement	**3,025**	1,439	3,082
Finance (income)/costs	**(2,790)**	682	(2,128)
Gain on disposal of investments	–	–	(1,671)
Gain on disposal of property, plant and equipment	**(8,541)**	(6,605)	(11,681)
Other non-cash items, net	**619**	816	1,203
Operating profit before working capital changes	**134,190**	84,760	190,565
Trade and other receivables	**(106,800)**	48,349	(2,355)
Work in progress	**46,629**	(119,342)	(132,822)
Due from related parties	**4,303**	8,225	20,677
Inventories	**(92)**	47	(787)
Current financial assets	**(427)**	348	983
Trade and other payables	**83,152**	9,355	129,896
Billings in excess of cost and estimated earnings	**61,162**	60,594	55,214
Accrued contract expenses	**(75,967)**	103,929	68,533
Due to related parties	**(132)**	(1,225)	(1,153)
Current financial liabilities	**–**	(193)	–
	146,018	194,847	328,751
Other non-current items, net	**87**	69	(139)
Cash generated from operations	**146,105**	194,916	328,612
Interest paid	**(3,629)**	(3,331)	(7,848)
Income taxes paid, net	**(16,538)**	(5,542)	(19,087)
Net cash flows from operating activities	**125,938**	186,043	301,677
Of which discontinued operations	***(496)***	*(537)*	*(416)*

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

Interim condensed consolidated cash flow statement (continued)

For the six months ended 30 June 2007

	Notes	6 months ended 30 June 2007 Unaudited US$'000	6 months ended 30 June 2006 Unaudited US$'000	Year ended 31 December 2006 Audited US$'000
Investing activities				
Purchase of property, plant and equipment		**(56,604)**	(27,566)	(58,332)
Acquisition of subsidiaries, net of cash acquired	9	**(3,137)**	(568)	(3,865)
Purchase of intangible oil & gas assets		**(1,776)**	(1,137)	(6,187)
Purchase of available-for-sale financial assets		**–**	(501)	(501)
Proceeds from disposal of property, plant and equipment		**11,205**	16,575	22,823
Proceeds from disposal of available-for-sale financial assets		**–**	–	2,250
Net foreign exchange differences		**2,023**	2,480	1,366
Interest received		**7,863**	2,054	7,927
Net cash flows used in investing activities		**(40,426)**	(8,663)	(34,519)
Of which discontinued operations		**–**	*2*	*2*
Financing activities				
Proceeds from interest-bearing loans and borrowings		**–**	767	766
Repayment of interest-bearing loans and borrowings		**(1,157)**	(9,400)	(10,361)
Shareholders' loan note transactions, net		**173**	148	198
Treasury shares purchased	17	**(11,571)**	(8,127)	(8,127)
Equity dividends paid		**(22,374)**	(6,820)	(15,069)
Net cash flows used in financing activities		**(34,929)**	(23,432)	(32,593)
Of which discontinued operations		**–**	–	–
Net increase in cash and cash equivalents		**50,583**	153,948	234,565
Cash and cash equivalents at 1 January		**437,406**	202,841	202,841
Cash and cash equivalents at period end	15	**487,989**	356,789	437,406

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of changes in equity

For the six months ended 30 June 2007

	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 (note 18) US$'000	Retained earnings US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
For the six months ended 30 June 2007									
Balance at 1 January 2007	8,629	66,210	10,881	(8,144)	19,611	227,508	324,695	209	324,904
Foreign currency translation	–	–	–	–	2,288	–	2,288	–	2,288
Net gain on maturity of cash flow hedges recognised in income statement	–	–	–	–	(5,607)	–	(5,607)	–	(5,607)
Net changes in fair value of derivatives	–	–	–	–	6,736	–	6,736	–	6,736
Net changes in fair value of available-for-sale financial assets	–	–	–	–	(121)	–	(121)	–	(121)
Share-based payments charge	–	–	–	–	1,820	–	1,820	–	1,820
Total income and expenses for the period recognised in equity	–	–	–	–	5,116	–	5,116	–	5,116
Net profit for the period	–	–	–	–	–	77,230	77,230	–	77,230
Total income and expenses for the period	–	–	–	–	5,116	77,230	82,346	–	82,346
Shares issued on acquisition (note 16)	7	1,993	–	–	–	–	2,000	–	2,000
Treasury shares (note 17)	–	–	–	(11,571)	–	–	(11,571)	–	(11,571)
Transfer to reserve for share-based payments	–	–	–	–	6,105	–	6,105	–	6,105
Dividends (note 8)	–	–	–	–	–	(22,018)	(22,018)	–	(22,018)
Balance at 30 June 2007 (unaudited)	**8,636**	**68,203**	**10,881**	**(19,715)**	**30,832**	**282,720**	**381,557**	**209**	**381,766**
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
Net changes in 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	–	–	–	(8,127)	–	–	(8,127)	–	(8,127)
Transfer to reserve for share-based payments	–	–	–	–	3,363	–	3,363	–	3,363
Dividends (note 8)	–	–	–	–	–	(6,425)	(6,425)	–	(6,425)
Minority interests acquired	–	–	–	–	–	–	–	209	209
Balance at 30 June 2006 (unaudited)	8,629	66,210	10,881	(8,144)	19,839	167,938	265,353	257	265,610

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of changes in equity (continued)

For the six months ended 30 June 2007

	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 (note 18) US$'000	Retained earnings US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
For the year ended 31 December 2006									
Balance at 1 January 2006	8,629	66,210	10,881	(17)	(12,426)	121,850	195,127	–	195,127
Foreign currency translation	–	–	–	–	7,449	–	7,449	–	7,449
Net gain on maturity of cash flow hedges recognised in income statement	–	–	–	–	(2,378)	–	(2,378)	–	(2,378)
Net changes in fair value of derivatives	–	–	–	–	22,931	–	22,931	–	22,931
Realised gains on the sale of available-for-sale financial assets recognised in income statement	–	–	–	–	(1,671)	–	(1,671)	–	(1,671)
Net changes in fair value of available-for-sale financial assets	–	–	–	–	1,062	–	1,062	–	1,062
Share-based payments charge	–	–	–	–	1,281	–	1,281	–	1,281
Total income and expenses for the year recognised in equity	–	–	–	–	28,674	–	28,674	–	28,674
Net profit for the year	–	–	–	–	–	120,332	120,332	–	120,332
Total income and expenses for the year	–	–	–	–	28,674	120,332	149,006	–	149,006
Treasury shares	–	–	–	(8,127)	–	–	(8,127)	–	(8,127)
Transfer to reserve for share-based payments	–	–	–	–	3,363	–	3,363	–	3,363
Dividends (note 8)	–	–	–	–	–	(14,674)	(14,674)	–	(14,674)
Minority interests acquired	–	–	–	–	–	–	–	209	209
Balance at 31 December 2006	8,629	66,210	10,881	(8,144)	19,611	227,508	324,695	209	324,904

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

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 2007 were authorised for issue in accordance with a resolution of the Board of Directors on 5 September 2007.

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$), as a significant proportion of the group's assets, liabilities, income and expenses are US$ denominated. All values are rounded to the nearest thousand (US$'000) except where otherwise stated. Certain comparative information has been reclassified to conform to current period presentation.

Statement of compliance

The interim condensed consolidated financial statements of Petrofac Limited and all its subsidiaries for the six months ended 30 June 2007 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 2006.

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 2006, 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 2007. The principal effects of the adoption of these new and amended standards and interpretations are discussed below:

IAS 1 Amendments – Capital disclosures and IFRS 7 Financial instruments: Disclosures

The group has adopted the above mentioned amendments and standard with effect from 1 January 2007. IAS 1 amendments and IFRS 7 require additional information relating to capital and financial instruments. These disclosures are not required for the interim condensed financial statements and will be disclosed in the year end financial statements.

The adoption of this amendment and interpretation did not affect the group's operating results or financial position for the period ended 30 June 2007.

IFRIC 10 Interim Financial Reporting and Impairment

The group adopted IFRIC 10 'Interim Financial Reporting and Impairment' with effect from 1 January 2007. The interpretation lays out guidelines for the treatment of impairment losses during an interim period, namely that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

The adoption of this interpretation did not affect the group's operating results or financial position for the period ended 30 June 2007 as the management believes that there have been no indications of impairment during this period.

3 Segment information

The group's primary continuing operations are organised on a worldwide basis into three business segments: Engineering & Construction, Operations Services and Energy Developments. The following tables present revenue and profit information relating to the group's primary business segments for the six months ended 30 June 2007, six months ended 30 June 2006 and the year ended 31 December 2006. Included within the consolidation and eliminations columns are certain balances, which due to their nature, are not allocated to segments.

	Continuing operations							
	Engineering & Construction US$'000	Operations Services US$'000	Energy Develop-ments US$'000	Corporate US$'000	Consolidation adjustments & eliminations US$'000	Total US$'000	Dis-continued operations US$'000	Total operations US$'000
Six months ended 30 June 2007 (unaudited)								
Revenue								
External sales	567,030	421,175	68,904	–	–	1,057,109	–	1,057,109
Inter-segment sales	2,607	6,487	–	–	(9,094)	–	–	–
Total revenue	**569,637**	**427,662**	**68,904**	**–**	**(9,094)**	**1,057,109**	**–**	**1,057,109**
Segment operating results	67,584	16,782	31,821	–	(70)	116,117	12	116,129
Unallocated corporate costs	–	–	–	(1,654)	–	(1,654)	–	(1,654)
Profit/(loss) before tax and finance income/(costs)	67,584	16,782	31,821	(1,654)	(70)	114,463	12	114,475
Finance costs	(442)	(2,205)	(367)	(4,549)	2,615	(4,948)	–	(4,948)
Finance income	7,750	608	121	1,934	(2,675)	7,738	–	7,738
Profit/(loss) before income tax	74,892	15,185	31,575	(4,269)	(130)	117,253	12	117,265
Income tax (expense)/income	(20,188)	(4,139)	(15,815)	105	2	(40,035)	–	(40,035)
Profit/(loss) for the period	**54,704**	**11,046**	**15,760**	**(4,164)**	**(128)**	**77,218**	**12**	**77,230**
Other segment information								
Depreciation	7,294	1,966	12,765	125	(325)	21,825	–	21,825
Amortisation	–	967	–	–	–	967	–	967
Other long-term employment benefits	2,685	626	44	16	–	3,371	–	3,371
Share-based payments	885	441	195	299	–	1,820	–	1,820

3 Segment information (continued)

	Continuing operations							
	Engineering & Construction US$'000	Operations Services US$'000	Energy Developments US$'000	Corporate US$'000	Consolidation adjustments & eliminations US$'000	Total US$'000	Discontinued operations US$'000	Total operations US$'000
Six months ended 30 June 2006 (unaudited)								
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
Segment operating results	55,694	12,296	7,550	–	342	75,882	(51)	75,831
Unallocated corporate costs	–	–	–	(715)	–	(715)	–	(715)
Profit/(loss) before tax and finance income/(costs)	55,694	12,296	7,550	(715)	342	75,167	(51)	75,116
Finance costs	(147)	(1,312)	(128)	(3,966)	2,001	(3,552)	–	(3,552)
Finance income	3,313	83	56	1,419	(2,001)	2,870	2	2,872
Profit/(loss) before income tax	58,860	11,067	7,478	(3,262)	342	74,485	(49)	74,436
Income tax (expense)/income	(14,540)	(3,816)	(3,580)	40	21	(21,875)	–	(21,875)
Minority interests	–	(48)	–	–	–	(48)	–	(48)
Profit/(loss) for the period	44,320	7,203	3,898	(3,222)	363	52,562	(49)	52,513
Other segment information								
Depreciation	4,977	1,613	7,195	216	(422)	13,579	–	13,579
Amortisation	–	98	–	–	–	98	–	98
Other long-term employment benefits	1,884	173	32	22	–	2,111	–	2,111
Share-based payments	98	65	24	128	–	315	–	315
Year ended 31 December 2006 (audited)								
Revenue								
External sales	1,079,236	722,850	62,125	–	(338)	1,863,873	33	1,863,906
Inter-segment sales	2,043	6,390	–	–	(8,433)	–	–	–
Total revenue	1,081,279	729,240	62,125	–	(8,771)	1,863,873	33	1,863,906
Segment operating results	117,209	29,100	25,065	–	707	172,081	(1,577)	170,504
Unallocated corporate costs	–	–	–	(962)	–	(962)	–	(962)
Profit/(loss) before tax and finance income/(costs)	117,209	29,100	25,065	(962)	707	171,119	(1,577)	169,542
Finance costs	(347)	(2,754)	(470)	(8,042)	4,445	(7,168)	–	(7,168)
Finance income	10,040	438	236	3,027	(4,445)	9,296	2	9,298
Profit/(loss) before income tax	126,902	26,784	24,831	(5,977)	707	173,247	(1,575)	171,672
Income tax (expense)/income	(31,522)	(8,681)	(10,466)	(707)	36	(51,340)	–	(51,340)
Profit/(loss) for the year	95,380	18,103	14,365	(6,684)	743	121,907	(1,575)	120,332
Other segment information								
Depreciation	10,049	3,433	15,042	402	(804)	28,122	–	28,122
Amortisation	–	390	–	–	–	390	–	390
Impairment losses	–	–	–	–	–	–	295	295
Other long-term employment benefits	3,814	430	67	(7)	–	4,304	–	4,304
Share-based payments	358	287	65	571	–	1,281	–	1,281

4 Revenues

	6 months ended 30 June 2007 Unaudited US$'000	6 months ended 30 June 2006 Unaudited US$'000	Year ended 31 December 2006 Audited US$'000
Rendering of services	**1,007,030**	922,966	1,840,519
Sale of crude oil	**46,014**	–	15,656
Sale of processed hydrocarbons	**4,065**	3,973	7,698
	1,057,109	926,939	1,863,873

Included in revenues from rendering of services are Operations Services revenues of a "pass-through" nature with zero or low margins amounting to US$94,836,000 (six months ended June 2006: US$110,290,000; for the year ended 31 December 2006: US$221,790,000).

5 Cost of sales

Included in cost of sales for the six months ended 30 June 2007 is US$8,296,000 (June 2006: US$6,500,000) profit on disposal of property, plant and equipment used to undertake an engineering and construction contract.

6 Income tax

The taxation charge for the six months ended 30 June 2007 of US$40,035,000 represents 34.1% of the profit before tax (June 2006: 29.4%). The charge for the six months ended 30 June 2007 has been arrived at by applying the anticipated full year ending 31 December 2007 divisional effective tax rates (which equate to a full year group composite rate of 33.1%) to the results for the six months ended 30 June 2007.

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

	6 months ended 30 June 2007 Unaudited US$'000	6 months ended 30 June 2006 Unaudited US$'000	Year ended 31 December 2006 Audited US$'000
Current income tax			
Current income tax charge	**39,392**	22,008	49,512
Adjustments in respect of current income tax of previous years	**(466)**	308	(364)
Deferred income tax			
Relating to origination and reversal of temporary differences	**1,109**	(459)	1,963
Adjustment in respect of deferred income tax of previous years	**–**	18	229
	40,035	21,875	51,340

7 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:

	6 months ended 30 June 2007 Unaudited US$'000	6 months ended 30 June 2006 Unaudited US$'000	Year ended 31 December 2006 Audited US$'000
Continuing and discontinued operations			
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	**77,230**	52,513	120,332
Continuing operations			
Less net (gain)/loss for the period from discontinued operations	**(12)**	49	1,575
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	**77,218**	52,562	121,907

	6 months ended 30 June 2007 Unaudited '000	6 months ended 30 June 2006 Unaudited '000	Year ended 31 December 2006 Audited '000
Weighted average number of ordinary shares for basic earnings per share	**342,701**	344,390	344,003
Weighted average number of ordinary shares granted under share-based payment schemes held as treasury shares	**2,707**	770	1,117
Adjusted weighted average number of ordinary shares for diluted earnings per share	**345,408**	345,160	345,120

8 Dividends paid and proposed

	6 months ended 30 June 2007 Unaudited US$'000	6 months ended 30 June 2006 Unaudited US$'000	Year ended 31 December 2006 Audited US$'000
Declared and paid during the period			
Equity dividends on ordinary shares:			
Final dividend for 2005: 1.87 cents per share	**–**	6,425	6,425
Interim dividend 2006: 2.40 cents per share	**–**	–	8,249
Final dividend for 2006: 6.43 cents per share	**22,018**	–	–
	22,018	6,425	14,674

On 5 September 2007, the Board approved an interim dividend of 4.90 cents per share to be paid on 26 October 2007.

9 Business combination

SPD Group Limited

On 16 January 2007, the group acquired a 51% interest in the share capital of SPD Group Limited (SPD), a specialist provider of well operations services. The consideration for the acquisition of the 51% interest inclusive of estimated transaction costs of US$172,000, was US$7,872,000. Consideration of US$7,700,000 (excluding transaction costs) was settled by a cash payment of US$3,935,000, issuance of loan notes payable of US$1,765,000 and the balance of US$2,000,000 by issuance of 274,938 new ordinary shares of the Company at market values at the date of issue to the vendor over three years in equal instalments on the anniversary of the transaction.

The terms of the sale and purchase agreement for the remaining 49% interest in the share capital of SPD which convey call option rights on the acquirer and minority shareholder put option rights over these shares and the respective rights to dividends and share of profits of the two parties are such that this transaction has been accounted for as a 100% acquisition of the business by the group. The discounted deferred consideration for the remaining 49% of the share capital of SPD has been estimated at US$12,025,000 and this will be reassessed each year to fair value and any adjustment to the deferred consideration arising will be reflected in goodwill except for the unwinding of interest which will be reflected in the income statement as interest expense. The total consideration for the 100% interest therefore, including transaction costs, amounts to US$19,897,000.

The 100% fair values of the identifiable assets and liabilities of SPD Group Limited on completion of the acquisition are analysed below:

	Recognised on acquisition US$'000	Carrying value US$'000
Property, plant and equipment	47	47
Intangible assets	2,369	–
Trade and other receivables	5,498	5,498
Cash and short-term deposits	970	970
Total assets	8,884	6,515
Less:		
Trade and other payables	(3,210)	(3,210)
Income tax payable	(10)	(10)
Total liabilities	(3,220)	(3,220)
Fair value of net assets acquired	5,664	3,295
Goodwill arising on acquisition	14,233	
Consideration	19,897	

Cash outflow on acquisition:	
Cash acquired with subsidiary	970
Cash paid on acquisition	(3,935)
Legal and professional expenses paid on acquisition	(172)
Net cash outflow on the acquisition of subsidiary	(3,137)

Intangible assets recognised on acquisition comprise customer contracts which are being amortised over their remaining economic useful lives on a straight line basis.

The residual goodwill above comprises the fair value of expected future synergies and business opportunities arising from the integration of the business in to the group.

From the date of acquisition, SPD has contributed a loss of US$71,000 to the net profit of the group.

10 Property, plant and equipment
During the period, the group incurred capital expenditure of US$6,979,000 (June 2006: US$4,726,000) on the construction of a new office building.

On 22 February 2007, the group completed the acquisition of a 45% interest in the Chergui gas concession in Tunisia, for a final cash consideration of US$27,323,000, which, after including advance capital expenditure paid on behalf of the vendor of US$2,846,000, brought the total consideration for the transaction to US$30,169,000, of which US$27,323,000 has been recognised during the period as additions to property, plant and equipment. Further post acquisition capital expenditure of US$7,570,000 was made during the period.

11 Goodwill
The increase in the goodwill balance in the current period represents exchange differences of US$1,432,000 and additional goodwill on the acquisition of SPD Group Limited of US$14,233,000 (note 9).

12 Intangible assets

	6 months ended 30 June 2007 Unaudited US$'000	6 months ended 30 June 2006 Unaudited US$'000	Year ended 31 December 2006 Audited US$'000
Intangible oil & gas assets			
At 1 January	**16,788**	2,982	2,982
Additions	**1,776**	7,876	12,926
Exchange difference	**445**	211	880
At period end	**19,009**	11,069	16,788
Other intangible assets			
Cost:			
At 1 January	**1,561**	–	–
Additions (note 9)	**2,369**	1,561	1,561
At period end	**3,930**	1,561	1,561
Accumulated amortisation:			
At 1 January	**(390)**	–	–
Amortisation	**(967)**	(98)	(390)
At period end	**(1,357)**	(98)	(390)
Net book value of other intangible assets at period end	**2,573**	1,463	1,171
Total intangible assets	**21,582**	12,532	17,959

On 29 May 2007, the group entered into a farm-in arrangement to acquire a 10% interest in Permit NT/P68 300km north north-west of Darwin in Australian waters and an option to acquire an interest in any LNG or methanol project in Tassie Shoal that results from this investment. The terms of the farm-in require funding a portion of two appraisal wells to be drilled in 2007 subject to an option to terminate the agreement within sixty hours of the decision by the parties to the farm-in arrangement to plug and abandon the primary well. As a consideration for the interest the group will pay 25% of the costs of both a primary and secondary appraisal well (capped at US$13,200,000 and US$12,500,000 respectively). Under the terms of the farm-in agreement, there is also an option to acquire a further 5% interest in the licence by paying a further capital contribution towards the cost of these two appraisal wells with the amount payable dependent on the timing of the exercise of the option. These costs will be capitalised as property, plant and equipment in the period in which they are incurred. During the period, the group did not incur any capital expenditure relating to this investment.

There were cash outflows relating to capitalised costs of US$1,776,000 in the current period arising from pre-development activities pertaining to oil & gas reserves. There are no assets other than intangible assets, liabilities, income or expenses arising from pre-development activities in the current period.

Intangible oil & gas assets at 30 June 2007 relate to the group's interest in three UK offshore oil & gas licences.

Other intangible assets comprise the fair values of customer contracts arising on acquisition (note 9). Customer contracts are being amortised over their remaining economic useful lives on a straight line basis and the related amortisation charge is included in selling, general and administrative expenses.

13 Other financial assets
The movement in other non-current and current financial assets 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.

14 Other financial liabilities
The increase in other non-current and current financial liabilities is primarily due to deferred consideration of US$12,025,000 and a loan note payable of US$1,765,000 respectively, being recognised on the acquisition of SPD (note 9).

15 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 2007 Unaudited US$'000	6 months ended 30 June 2006 Unaudited US$'000	Year ended 31 December 2006 Audited US$'000
Cash at bank and in hand	**143,588**	83,252	120,003
Short-term deposits	**374,673**	296,086	337,845
Bank overdrafts	**(30,272)**	(22,549)	(20,442)
	487,989	356,789	437,406

16 Share capital
On 19 January 2007, 274,938 shares with a fair value of US$2,000,000 were issued as part of the consideration for the acquisition of SPD (note 9). This resulted in an increase in the issued share capital of US$7,000 and a share premium of US$1,993,000.

17 Share-based payments

During the period, the Company acquired 1,500,000 of its own shares at a cost of US$11,571,000 for the purpose of making awards under the group's Performance Share Plan and Deferred Bonus Share Plan.

On 19 March 2007, 791,083 US$0.025 matching ordinary shares of the Company were granted to members of the Deferred Bonus Share Plan.

At the Annual General Meeting of the Company on 11 May 2007, shareholders approved a change in the rules of the Deferred Bonus Share Plan in respect of the March 2007 awards, such that the invested and matching share awards may at the discretion of the Remuneration Committee of the Board of Directors vest either 100% after the expiry of three years from the grant date of the award or 33.333% after year one, a further 33.333% after year two and the final 33.333% of the award after the end of year three.

The fair value of the equity-settled awards granted during the period ended 30 June 2007 in respect of the Deferred Bonus Share Plan were estimated based on the quoted closing market price of 415p per Company share at the date of grant with an assumed vesting rate of 94% per annum over the vesting period of the plan.

On 19 March 2007, 449,537 US$0.025 ordinary shares of the Company were granted to participants in the Performance Share Plan.

The fair value of the non-performance related equity-settled awards granted during the period ended 30 June 2007 representing 50% of the total Performance Share Plan award were estimated based on the quoted closing market price of 415p per Company share at the date of grant with an assumed vesting rate of 100% per annum over the three year vesting period of the plan. The remaining 50% of these awards which are market performance based were fair valued by an independent valuer at 245p 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	29.0%
Share price correlation with comparator group	17.0%
Risk-free interest rate	5.2%
Expected life of share award	3 years

The group has recognised an expense in the income statement for the period to 30 June 2007 relating to employee share-based incentives of US$1,820,000 (30 June 2006: US$315,000) which has been transferred to the reserve for share-based payments along with US$6,105,000 of the remaining bonus liability accrued for the year ended 31 December 2006 which has been voluntarily elected or mandatorily obliged to be settled in shares granted during the period. The reserve for share-based payments at 30 June 2006 has been restated to reflect the transfer of the remaining bonus liability accrued for the year ended 31 December 2005 (see note 18).

18 Other reserves

	Net unrealised gains 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 2007	738	9,340	4,889	4,644	19,611
Foreign currency translation	–	–	2,288	–	2,288
Net gain on maturity of cash flow hedges recognised in income statement	–	(5,607)	–	–	(5,607)
Net changes in fair value of derivatives	–	6,736	–	–	6,736
Net changes in fair value of available-for-sale financial assets	(121)	–	–	–	(121)
Share-based payments charge (note 17)	–	–	–	1,820	1,820
Transfer during the period (note 17)	–	–	–	6,105	6,105
Balance at 30 June 2007 (unaudited)	**617**	**10,469**	**7,177**	**12,569**	**30,832**
Balance at 1 January 2006	1,347	(11,213)	(2,560)	–	(12,426)
Foreign currency translation	–	–	3,736	–	3,736
Net gain on maturity of cash flow hedges recognised in income statement	–	5,064	–	–	5,064
Net changes in fair value of derivatives	–	18,322	–	–	18,322
Net changes in fair value of available-for-sale financial assets	1,465	–	–	–	1,465
Share-based payments charge (note 17)	–	–	–	315	315
Transfer during the period (note 17)	–	–	–	3,363	3,363
Balance at 30 June 2006 (unaudited)	2,812	12,173	1,176	3,678	19,839
Balance at 1 January 2006	1,347	(11,213)	(2,560)	–	(12,426)
Foreign currency translation	–	–	7,449	–	7,449
Net gain on maturity of cash flow hedges recognised in income statement	–	(2,378)	–	–	(2,378)
Net changes in fair value of derivatives	–	22,931	–	–	22,931
Realised gains on the sale of available-for-sale financial assets recognised in income statement	(1,671)	–	–	–	(1,671)
Changes in fair value of available-for-sale financial assets	1,062	–	–	–	1,062
Share-based payments charge	–	–	–	1,281	1,281
Transfer during the year	–	–	–	3,363	3,363
Balance at 31 December 2006 (audited)	738	9,340	4,889	4,644	19,611

19 Capital commitments

At 30 June 2007 the group had capital commitments of US$33,323,000 (31 December 2006: US$21,819,000; 30 June 2006: US$33,628,000).

Included in the above are commitments for the construction of a new office building in Sharjah, United Arab Emirates amounting to US$19,609,000 (31 December 2006: US$20,577,000; 30 June 2006: US$24,628,000). Also included in the above commitments are the costs associated with a primary appraisal well capped at US$13,200,000 arising from the company's farm-in arrangement for a 10% interest in Permit NT/P68 Australia (note 12).

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 2007 (unaudited)**	**2,343**	**233**	**3,422**	**50**
	Six months ended 30 June 2006 (unaudited)	775	174	20,177	110
	Year ended 31 December 2006 (audited)	4,520	3,282	7,725	133
Other directors' interests	**Six months ended 30 June 2007 (unaudited)**	**–**	**254**	**–**	**–**
	Six months ended 30 June 2006 (unaudited)	–	–	–	–
	Year ended 31 December 2006 (audited)	–	49	–	49

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 2007 will be settled in cash.

Purchases in respect of other directors' interests of US$254,000 comprise of market rate based costs of chartering the services of an aeroplane used for the transport of senior management and directors of the Company on company business, which is owned by an offshore trust of which the Chief Executive of the Company is one of the beneficiaries.

Compensation of key management personnel

	6 months ended 30 June 2007 Unaudited US$'000	6 months ended 30 June 2006 Unaudited US$'000	Year ended 31 December 2006 Audited US$'000
Short-term employee benefits	**1,233**	1,098	4,412
Other long-term employment benefits	**22**	20	40
Share-based payments	**395**	68	288
Fees paid to non-executive directors	**255**	198	415
	1,905	1,384	5,155

21 Events after the balance sheet date

On 27 August 2007, the group entered into an exchange agreement whereby it swapped its 29% interest in the Crawford field for a 3.12% interest in West Don Block 211/18a (equating to a unit interest of 2%), for nil consideration.

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 2007 as set out on pages 6 to 22 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 2007.

Ernst & Young LLP
London
5 September 2007

Shareholder information

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

Registrar
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Company Secretary and registered office
Ogier Corporate Services (Jersey) Limited
Whiteley Chambers
Don Street
St Helier
Jersey JE4 9WG

Legal advisers to the Company

As to English Law
Norton Rose LLP
3 More Place Riverside
London SE1 2AQ

As to Jersey Law
Ogier
Whiteley Chambers
Don Street
St Helier
Jersey JE4 9WG

Joint brokers

Credit Suisse
1 Cabot Square
London E14 4QJ

Lehman Brothers
25 Bank Street
London E14 5LE

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

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

Financial calendar

28 September 2007	Interim dividend record date
26 October 2007	Interim dividend payment
31 December 2007	2007 financial year end
10 March 2008	2007 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

Designed and produced by Conran Design Group & CGI
+44 (0)20 7566 4566.

Photography by Sam Robinson.

Printed by the colourhouse on Revive 75 from the Robert Horne Group, which contains at least 75% recycled fibre and is produced at a mill that holds the ISO14001 certificate for environmental management. The pulp is bleached using a combination of Elemental Chlorine Free (ECF) and Totally Chlorine Free (TCF) methods, and Revive Uncoated, using 80% de-inked post consumer waste and 20% mill broke, all elemental chlorine free (ECF).

Petrofac
4th Floor
117 Jermyn Street
London SW1Y 6HH
United Kingdom

T +44 (0) 20 7811 4900
F +44 (0) 20 7811 4901

www.petrofac.com

Petrofac