Petrofac

Press Release

23 AUGUST 2010

PETROFAC LIMITED

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

- Revenue up 34% to US$2,130.6 million (2009: US$1,586.4 million)
- EBITDA(1) up 55% to US$321.3 million (2009: US$207.5 million) (2)
- Net profit(3) up 128% to US$331.9 million; net profit excluding gain on EnQuest demerger up 42% to US$206.3 million (2009: US$145.6 million)
- Earnings per share (diluted) up 41% to 60.14 cents (2009: 42.70 cents) (2)
- Backlog(4) of US$6.9 billion at 30 June 2010 (31 December 2009: US$8.1 billion), augmented by US$1.1 billion of awards since 1 July 2010
- Completed the EnQuest demerger in April 2010, generating a gain of US$125.6 million
- Interim dividend up 29% to 13.80 cents (8.91 pence(5)) per share (2009: 10.70 cents)

Ayman Asfari, Petrofac's group chief executive commented on the interim results:

"We have achieved an order intake(6) of approximately US$2 billion in the year to date, which, together with our healthy prospects list, gives us confidence that we will grow our backlog over the calendar year. Furthermore, we believe our strong operational performance will enable us to maintain our historical sector-leading net margins in Engineering & Construction over the medium-term.

"Given our strong start to the year, we expect to deliver like-for-like(7) net profit growth for the full year, excluding the gain on the EnQuest demerger, of around 20 per cent."

Petrofac

OPERATIONAL HIGHLIGHTS

Engineering & Construction

- Secured approximately US$1.5 billion of new orders in the year to date in Kuwait, Qatar and Iraq, where we have been awarded our first project
- Delivered good operational performance on significantly increased activity levels, following a record intake of new orders in 2009

Offshore Engineering & Operations

- Improved activity levels and success in securing contract extensions with key customers including BHP Billiton and Britannia
- Completed four small acquisitions, including TNEI and CO2DeepStore which represent the first steps in positioning us in the renewable energy and low carbon sectors

Engineering, Training Services and Production Solutions

- Awarded first production enhancement contract by Petrom in July 2010, to provide services for the Ticleni oilfield and its eight satellite fields in Romania
- Delivered good operational performance on our service operator contract in Dubai, while transitioning towards a technical services agreement with the Government of Dubai

Energy Developments

- 'Build and harvest' strategy proven with completion of EnQuest demerger; Don investment generated an IRR from inception to demerger of approximately 35%
- Submitted the Field Development Programme for the second phase of the development of the Cendor field in Malaysia, which we expect to commence in the second half of the year

OUTLOOK

In Engineering & Construction, we continue to bid actively for opportunities in our core markets of the Middle East and Africa and the Commonwealth of Independent States, particularly the Caspian region. Our near-term focus remains working towards conversion to the second phase of the South Yoloten project in Turkmenistan where we have recently submitted our technical and commercial proposals following our work on the first phase. In Iraq, we have commenced early stage engineering work for an International Oil Company which is expected to lead to a larger contract award during the second half of the year.

Our Offshore Engineering & Operations business development activities are focused on significant opportunities, both in the UK and internationally, which we are confident will lead to continued growth in the business.

In Engineering Services, we continue to experience weak activity levels and although the flow of enquiries is beginning to improve we do not expect to see a material improvement in the market until 2011. In Training Services we are seeing an improved performance in our core UK market, whereas performance in our international centres has been mixed. In Production Solutions, we were pleased to be awarded the Ticleni production enhancement contract in Romania in early July. This long-term contract gives us the opportunity to establish a track-record in the provision of our services on a commercial model which we believe will deliver increased value for both our customers and the group.

In Energy Developments, we expect to commence the development of the second phase of the Cendor field, offshore Malaysia, in the second half of this year.

We have achieved an order intake(6) of approximately US$2 billion in the year to date, which, together with our healthy prospects list, gives us confidence that we will grow our backlog over the calendar year. Furthermore, we believe our strong operational performance will enable us to maintain our historical sector-leading net margins in Engineering & Construction over the medium-term.

Given our strong start to the year, we expect to deliver like-for-like(7) net profit growth for the full year, excluding the gain on the EnQuest demerger, of around 20 per cent.

Notes

(1) EBITDA means earnings before interest, tax, depreciation and amortisation and is calculated as profit from continuing operations before tax and net finance costs adjusted to add back charges for depreciation, amortisation and impairment.

(2) Excluding the impact of the gain on the EnQuest demerger.

(3) Net profit for the period attributable to Petrofac Limited shareholders.

(4) 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.

(5) The group reports its financial results in US dollars and, accordingly, will declare any dividends in US dollars together with a Sterling equivalent. Unless shareholders have made valid elections to the contrary, they will receive any dividends payable in Sterling. Conversion of the 2010 interim dividend from US dollars into Sterling is based upon an exchange rate of US$1.5482:£1, being the Bank of England Sterling spot rate as at midday on 20 August 2010.

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

(7) Like-for-like net profit growth excludes the trading net profit from Energy Developments' demerged assets of US$12.7 million for the year ended 31 December 2009 and US$2.1 million for the year ending 31 December 2010.

Ends

Analyst presentation:

A presentation for analysts will be held at 9.00am today, which will be webcast live via http://www.investorcalendar.com/IC/CEPage.asp?ID=148670.

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Notes to Editors

Petrofac

Petrofac is a leading international provider of facilities solutions to the oil & gas production and processing industry, with a diverse customer portfolio including many of the world's leading integrated, independent and national oil & gas companies. Petrofac is quoted on the London Stock Exchange (symbol: PFC).

The group delivers services through seven business units: Engineering & Construction, Engineering & Construction Ventures, Engineering Services, Offshore Engineering & Operations, Training, Production Solutions and Energy Developments.

Through these businesses Petrofac designs and builds oil & gas facilities; operates, maintains and manages facilities and trains personnel; enhances production; and, where it can leverage its service capability, develops and co-invests in upstream and infrastructure projects. Petrofac's range of services meets its customers' needs across the full life cycle of oil & gas assets.

With approximately 12,500 employees, Petrofac operates out of six strategically located operational centres, in Aberdeen, Sharjah, Woking, Chennai, Mumbai and Abu Dhabi and a further 19 offices worldwide. The predominant focus of Petrofac's business is on the UK Continental Shelf (UKCS), the Middle East and Africa, the Commonwealth of Independent States (CIS) and the Asia Pacific region.

For additional information, please refer to the Petrofac website at www.petrofac.com.

The attached is an extract from the group's interim condensed consolidated financial statements for the six months ended 30 June 2010.

Results

We are pleased to report that the group has had an excellent first half of 2010, with strong growth in revenue and net profit, good progress on our portfolio of contracts and the successful demerger of Energy Developments' interests in the Don assets.

In the six months ended 30 June 2010, revenue increased by 34.3% to US$2,130.6 million (2009: US$1,586.4 million) due primarily to an increase in activity levels in Engineering & Construction, following the high level of new order intake during 2009. Excluding the gain on the EnQuest demerger of US$125.6 million, net profit increased by 41.7% to US$206.3 million (2009: US$145.6 million) and EBITDA increased by 54.8% to US$321.3 million (2009: US$207.5 million).

The group's net cash decreased to US$960.6 million over the six months to 30 June 2010 (31 December 2009: US$1,300.1 million) as a result of:

- net cash used in operations during the period of US$41 million (2009: US$529 million generated from operations) due to net cash generated from operating profits before working capital changes of US$345 million, less net working capital outflows of US$385 million, principally due to an increase in work-in-progress on Engineering & Construction projects (in the corresponding period in 2009, the group received over US$397 million of advance payments received in relation to new Engineering & Construction awards)
- taxes paid of over US$47 million
- investing activities, including approximately US$78 million in relation to capital expenditure on property, plant and equipment and US$15 million on the acquisition of new businesses
- financing activities, in particular, payment of the 2009 final dividend of approximately US$85 million and financing the purchase of shares for US$37 million for the purpose of making awards under the group's employee share schemes.

Net cash (US$ million)	***30 June 2010***	***31 December 2009***	***30 June 2009***
Cash and short term deposits	1,074.8	1,417.4	900.2
Interest-bearing loans and borrowings	(114.2)	(117.3)	(112.6)
Net cash	960.6	1,300.1	787.6

Net finance income for the period was US$0.5 million (2009: US$3.6 million) due to lower average net cash balances being held in the first half of the year.

The tax charge for the six months ended 30 June 2010 of US$53.8 million (2009: US$28.8 million), based on the anticipated reporting segment effective tax rates for the year ending 31 December 2010, represents an effective tax rate, excluding the gain from the EnQuest demerger, of 20.7% (six months ended 30 June 2009: 16.5%; year ended 31 December 2009: 18.9%). The principal reason for the increase in the group's effective tax rate is ring fence expenditure supplement no longer being available for claim following the EnQuest demerger. Notwithstanding the adjustments made in the prior year in respect of the applicability of the lower tax rate to the group's projects in Oman, the Engineering & Construction effective tax rate decreased to 16.5% (six months ended 30 June 2009: 12.2%; year ended 31 December 2009: 18.3%) due to material changes in jurisdictions in which profits are expected to be earned.
Diluted earnings per share, excluding the gain on the EnQuest demerger, for the six months ended 30 June 2010 increased by 40.8% to 60.14 cents per share (2009: 42.70 cents per share) in line with the group's strong growth in net profit.

The group's combined backlog was US$6.9 billion at 30 June 2010 (31 December 2009: US$8.1 billion) and the group has been awarded a further US$1.1 billion of new contracts since 1 July 2010.

At 30 June 2010, the group had over 12,500 employees (including long-term contractors), compared to around 11,700 at 31 December 2009, with the growth primarily attributable to the Engineering & Construction and Offshore Engineering & Operations reporting segments.

Dividend

The Board has declared an interim dividend of 13.80 cents per share (2009: 10.70 cents), an increase of 29.0%, which will be paid on 22 October 2010 to eligible shareholders on the register at 24 September 2010. Shareholders who have not elected to receive dividends in US dollars will receive a Sterling equivalent of 8.91 pence per share. The Board will set the total dividends payable for the year to 31 December 2010 according to the group's earnings and, as previously announced, expects to distribute approximately 35% of full year post tax profits excluding the gain on the EnQuest demerger, by way of dividend.

Segmental review

The group reports the financial results of its seven business units under four reporting segments:

Business unit		Reporting segment
Engineering & Construction Engineering & Construction Ventures	>	Engineering & Construction
Offshore Engineering & Operations	>	Offshore Engineering & Operations
Engineering Services Training Services Production Solutions	>	Engineering, Training Services and Production Solutions
Energy Developments	>	Energy Developments

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

US$ million	***Revenue***		***Operating profit***[1,3]		***Net profit***[2,3]		***EBITDA***[3]	
For the six months ended 30 June	***2010***	*2009*	***2010***	*2009*	***2010***	*2009*	***2010***	*2009*
Engineering & Construction	**1,587.5**	1,060.7	**214.4**	129.5	**180.4**	121.2	**231.4**	140.5
Offshore Engineering & Operations	**327.2**	294.9	**5.8**	4.5	**4.0**	2.9	**7.0**	4.8
Engineering, Training Services and Production Solutions	**161.5**	184.0	**13.6**	17.4	**13.0**	14.8	**21.5**	21.1
Energy Developments	**106.3**	82.2	**37.1**	24.8	**17.5**	9.8	**69.8**	46.7
Corporate, consolidation & elimination	**(51.9)**	(35.4)	**(8.3)**	(5.5)	**(8.6)**	(3.1)	**(8.4)**	(5.6)
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Group	**2,130.6**	1,586.4	**262.6**	170.7	**206.3**	145.6	**321.3**	207.5
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Growth/margin analysis %	***Revenue growth***		***Operating margin***		***Net margin***		***EBITDA margin***	
For the six months ended 30 June	***2010***	*2009*	***2010***	*2009*	***2010***	*2009*	***2010***	*2009*
Engineering & Construction	***49.7***	*14.9*	***13.5***	*12.2*	***11.4***	*11.4*	***14.6***	*13.2*
Offshore Engineering & Operations	***10.9***	*(21.8)*	***1.8***	*1.5*	***1.2***	*1.0*	***2.1***	*1.6*
Engineering, Training Services and Production Solutions	***(12.2)***	*(32.1)*	***8.4***	*9.5*	***8.1***	*8.1*	***13.3***	*11.5*
Energy Developments	***29.3***	*5.8*	***34.9***	*30.2*	***16.5***	*12.0*	***65.7***	*56.9*
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Group	***34.3***	*0.7*	***12.3***	*10.8*	***9.7***	*9.2*	***15.1***	*13.1*
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[1] Profit from operations before tax and finance costs.
[2] Profit for the year attributable to Petrofac Limited shareholders.

[3] Excludes gain on the EnQuest demerger.

Engineering & Construction

The Engineering & Construction reporting segment includes the group's Sharjah-based Engineering & Construction business unit and Engineering & Construction Ventures, which has been established to replicate the success of the Sharjah business, but in new markets, such as Abu Dhabi and Saudi Arabia. Engineering & Construction typically undertakes engineering, procurement and construction (EPC) projects on a lump-sum basis, with a duration of approximately two to four years, and is focused on markets in the Middle East and Africa and the Commonwealth of Independent States, particularly the Caspian region.

The Engineering & Construction reporting segment secured a record intake of new orders in 2009 (more than US$6.0 billion), which has led to a significant increase in activity levels in the first half of 2010. We continue to deliver good operational performance on our portfolio of projects, including those secured in 2009.

In late December 2009, we were awarded a contract by Turkmengas, Turkmenistan's state-run gas producer, to undertake a front-end engineering and design (FEED) study and early engineering work for a 10 billion cubic metres per annum (bcma) gas processing facility along with the infrastructure and pipelines for the entire 20 bcma development (a second 10 bcma gas processing facility will be built by another contractor). Upon satisfactory conclusion of the first stage, the contract contemplates moving into a second phase which will include the full engineering, procurement and construction of the facility, associated infrastructure and pipelines, for a value not to exceed US$4.0 billion. During the first half of 2010, we have completed the majority of the FEED study and early engineering work and we have submitted technical and commercial proposals in relation to the second phase.

New awards
In March 2010 we were successful in securing an award for gas sweetening facilities in Qatar. The contract, for more than US$600 million, includes the engineering, procurement, installation and commissioning of gas sweetening facilities in Qatar's Messaieed and Dukhan industrial districts. The project includes a sulphur recovery upgrade in Messaieed and an acid gas recovery plant in Dukhan. Work on the projects is due for completion within 38 months.

In addition, since 30 June 2010, we have been successful in securing the following awards:

Pipelines from Mina Al Ahmadi to power stations, Kuwait
In July 2010, we were awarded a US$400 million contract by Kuwait Oil Company (KOC) for EPC services for the installation of fuel gas and gas oil pipelines from Mina Al Ahmadi to the Azzour and Shuaiba Power Stations in Kuwait. The project is expected to last approximately two years.

Water injection project, Kuwait
In August 2010, we were awarded a further EPC project by KOC for US$430 million for effluent water and central sea water injection facilities. The project involves the installation of a new central injection pumping facility and modifications to three of the existing gathering centres and seawater treatment plant. When completed, both effluent water and sea water will be fed into a central injection pumping facility and injected into the wells with the objective of increasing the oil recovery capacity in the Raudhatain and Sabriyah fields. The project is estimated for completion within 36 months.

Results
Revenue for the first half of the year increased by 49.7% to US$1,587.5 million (2009: US$1,060.7 million), reflecting increased levels of activity following a record level of new contract awards in 2009. Net profit increased by 48.8% to US$180.4 million (2009: US$121.2 million), representing a net margin of 11.4% (2009: 11.4%). The net profit margin in the first half of 2010 benefited from the first-time profit recognition on a number of contracts awarded in 2009.

During the first half, Engineering & Construction grew its headcount from 4,200 to 4,700, with the majority of the growth in Engineering & Construction Ventures, where we now have approximately 1,800 employees, including 300 in our Abu Dhabi operational centre. In addition, our engineering offices in Mumbai and Chennai are reported within our Engineering, Training Services and Productions Solutions reporting segment, but principally support our Engineering & Construction activities. At 30 June 2010, we had more than 1,400 employees in our Indian offices (31 December 2009: 1,300).

At 30 June 2010, the Engineering & Construction backlog stood at US$5.4 billion (31 December 2009: US$6.2 billion) and we have been awarded a further US$0.8 billion of new contracts since 1 July 2010.

Offshore Engineering & Operations

Offshore Engineering & Operations provides engineering and construction services at all stages of greenfield and brownfield offshore projects. In addition, through the provision of operations management services, we deliver production and maintenance support and extend field life. Offshore Engineering & Operations' activities are primarily in the UK Continental Shelf (UKCS) and 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 Holder services[1] are generally open-ended.

Activity levels in Offshore Engineering & Operations have improved during the first half of 2010 due to the commencement of work on major contracts awarded in the second half of 2009 with Apache and BP and a general improvement in market conditions. In addition, we secured contract extensions with key customers in the first half of the year, such as a five–year agreement with BHP Billiton to provide operations and maintenance personnel both onshore and offshore in support of the Liverpool Bay Development in the Irish Sea, and a five–year agreement with Britannia to continue to provide operations and maintenance support services for Britannia's ongoing operations in the central North Sea.

We have successfully completed four small acquisitions in the year to date which broaden our capability, including: Scotvalve Services, which provides servicing and repair for oilfield pressure control equipment, and Stephen Gillespie Consultants, which designs and manufactures metering systems. The acquisitions of TNEI Services Limited, a specialist consultancy supporting the energy, power and renewable sectors, and CO2DeepStore, a company focused on the CO2 geological storage sector of the carbon capture and storage market, represent the first steps in positioning us in the renewable energy and low carbon sectors.

Results

Reported revenue for the period increased by 10.9% to US$327.2 million (2009: US$294.9 million) and revenue excluding 'pass-through' revenue[2] increased by 16.5% to US$243.8 million (2009: US$209.3 million), reflecting the commencement of major contracts secured in the second half of 2009 and a general improvement in activity levels in the UKCS. Approximately 90% of Offshore Engineering & Operations' revenue is generated in the UKCS and those revenues are generally denominated in Sterling. The average US dollar to Sterling exchange rate for the first half of 2010 was broadly similar to the corresponding period in 2009.

[1] Contracts where the group takes full responsibility for managing a customer's asset and is responsible for the safety case of the asset, reporting to the Department of Energy and Climate Change.

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

Financial reporting exchange rates US$/Sterling	**6 months ended 30 June 2010**	**Year ended 31 December 2009**	**6 months ended 30 June 2009**
Average rate for period	1.52	1.56	1.49
Period-end rate	1.50	1.62	1.64

Net profit increased by 34.1% to US$4.0 million (2009: US$2.9 million), reflecting the increase in activity levels. Net margin on revenue excluding pass-through revenue increased to 1.6%, compared to 1.4% in the corresponding period in 2009, as selling, general and administrative expenses fell as a percentage of revenue. Net margins in the first half of the year are typically lower than those expected in the second half of the year due to the timing of recognition of incentive income, which is usually based on performance over a calendar year.

During the first half of 2010, headcount increased from 4,100 to 4,500, primarily due to an increase in activity levels but also due to the four acquisitions completed during the period.

Backlog for Offshore Engineering & Operations is predominantly denominated in Sterling, and stood at US$1.4 billion at 30 June 2010 (31 December 2009: US$1.6 billion) primarily reflecting the stronger US dollar exchange rate at 30 June 2010 compared to 31 December 2009.

Engineering, Training Services and Production Solutions

The Engineering Services, Training Services and Production Solutions business units are reported together within this segment. These businesses currently provide services primarily on a reimbursable basis. Production Solutions offers customers access to a wide range of services to help them improve production, profitability, operational efficiency, asset integrity and the recovery of marginal reserves. In addition to providing these specialist services on a stand-alone basis, we have been working towards a new commercial offering for customers whereby services are packaged together and offered on a tariff or quasi-equity basis. We were awarded our first such ‘production enhancement’ contract in early July 2010 (which is outlined below).

Engineering Services provides early stage engineering such as conceptual or FEED studies. Although we are seeing a steady flow of enquiries, we continue to experience subdued activity levels. While employee numbers in our Woking office in the UK are broadly unchanged over the first half of the year, we have continued to grow our Mumbai and Chennai offices. These Indian offices are managed through Engineering Services but predominantly support the businesses in our Engineering & Construction reporting segment.

In Training Services, we have recently seen an increase in overall delegate numbers, particularly in relation to UKCS survival and marine training, with some courses now operating seven days a week. We remain focused on strategic business development opportunities, both in the UK and internationally, particularly in the areas of ‘nationalisation’ of government workforces and in assisting oil & gas companies to recruit and train new technicians as much of the industry’s ageing workforce will retire over the next few years.

After making significant progress with negotiations during the first half of the year, Production Solutions was awarded its first production enhancement contract by Petrom in July 2010. Under the terms of the 15-year contract, which includes an option for extension by a further ten years, we will provide production enhancement services to Petrom as the concession holder for the Ticleni oilfield and its eight satellite fields in Romania. These services will cover a range of operations, drilling management, production engineering, facilities upgrade and training skills to increase production through improving recovery rates, optimising operational efficiencies and investing to upgrade the facilities. We will be paid a tariff per barrel of oil produced, including an enhanced tariff for incremental production. Elsewhere, we continue to deliver a good operational performance in Dubai, where we are transitioning towards a technical services agreement with the Government of Dubai. The technical services agreement will be effective from October 2010 and will be reported through the Offshore Engineering & Operations reporting segment.

Results

Reported revenue for the period was US$161.5 million (2009: US$184.0 million) and revenue excluding 'pass-through' revenue was US$149.8 million (2009: US$166.8 million). The decrease in revenue is primarily due to Production Solutions, where revenues from drilling management activities for Dubai Petroleum are lower than in the prior year, and in Engineering Services, where activity levels remain subdued.

Net profit was lower at US$13.0 million (2009: US$14.8 million), principally reflecting the lower levels of drilling management activities in Dubai. Net margin on revenue excluding pass-through revenue was broadly unchanged at 8.7% (2009: 8.9%).

At 30 June 2010, headcount was broadly unchanged at 2,900 (31 December 2009: 2,900). A further 900 personnel joined the group in conjunction with the award of the Ticleni production enhancement contract in Romania in July 2010. More than 500 personnel are expected to transfer from the group to Dubai Petroleum by October 2010, as part of the transition to a technical services agreement.

Backlog for the Engineering, Training Services and Production Solutions reporting segment was approximately US$30 million at 30 June 2010 (31 December 2009: US$0.3 billion) due to the planned transition from the facilities management contract with Dubai Petroleum to a technical services agreement. The award of the Ticleni production enhancement contract in July 2010 has added a further US$270 million to backlog after the period end.

Energy Developments

Where the group can leverage its service capabilities to mitigate risks and reduce costs, Energy Developments selectively co-invests alongside the group's partners in oil & gas upstream developments and energy infrastructure to create additional value for the group.

In early April 2010, we completed the demerger of Energy Development's UKCS assets, including its investments in the Don fields, to EnQuest PLC, an independent company subsequently listed on the London and Stockholm stock exchanges. The demerged assets contributed a trading net profit for the period from 1 January 2010 up to the date of the demerger of US$2.1 million in addition to a capital gain of US$125.6 million. Our investment in the Don project generated an Internal Rate of Return from inception to demerger of approximately 35 per cent, demonstrating the value of our proven 'build and harvest' strategy.

The Cendor field, in Block PM304, offshore Peninsular Malaysia, produced an average of 14,300 barrels per day (bpd) of oil during the first half of the year (2009: 14,400 bpd) and achieved production uptime of over 99 per cent. As operator (with a 30% interest), Energy Developments, along with its partners (Petronas, PetroVietnam and Kuwait Foreign Petroleum Exploration Company (KUFPEC)) has recently submitted a Field Development Programme for the second phase of the development of Block PM304.

The Ohanet development in Algeria, in which Energy Developments has a 10% share of a Risk Service Contract (alongside BHP Billiton, Japan Ohanet Oil & Gas Co and Woodside Energy) with Sonatrach, continues to perform in line with expectations. The 10,000 bpd capacity KPC refinery in Kyrgyzstan (in which Energy Developments has a 50% share) has recommenced operations following a two week shutdown in June 2010 due to a period of civil unrest in the country.

In Tunisia, the Chergui gas plant (in which Energy Developments has a 45% operated interest) produced an average of 27.0 million standard cubic feet per day (mmscfd) of gas during the period (2009: 24.3 mmscfd). A third production well was tied into the plant in early July.

Results

Energy Developments' revenue for the period increased to US$106.3 million (2009: US$82.2 million) and net profit increased to US$17.5 million (2009: US$9.8 million) due principally to higher average oil prices[1].

[1] Brent, a benchmark crude, averaged US$77 per barrel for the six months ended 30 June 2010, compared to US$52 per barrel for the corresponding period in 2009. Energy Developments' policy is to hedge 75% of forecast production on a rolling 12-month basis for those assets that have achieved steady-state production. At 30 June 2010, a series of commodity price collars and swaps were outstanding in relation to the Cendor and Chergui assets.

Key risks and uncertainties

Those key risks and uncertainties that could lead to a significant loss of reputation or that could prevent us from executing our strategy and creating shareholder value are summarised below. Our approach to managing and mitigating these risks is as described on pages 36 and 37 of the group's Annual report and accounts 2009, as is an explanation of our risk management systems and procedures:

Industry risk	Description
Level of demand for the group's services	The demand for our services is linked to the level of capital and operational expenditure by the oil & gas industry.
Oil & gas commodity prices	Long-term expectations of the price of oil & gas may have an impact on the level of new investment in the industry and may therefore affect demand for our services. The financial performance of Energy Developments is more leveraged to the price of oil & gas through its co-investment in upstream oil & gas assets, and its financial result may be impacted.
Availability of essential executive or project staff	The availability of skilled personnel remains one of the most significant challenges facing the oil & gas industry.
Country risk	**Description**
Security	We operate in a number of countries where the security risk is significant.
Business continuity	We are potentially exposed to, inter alia, natural hazards, acts of terrorism, war and civil unrest that could impact our infrastructure, either through the unavailability of physical assets or access to systems and data.
Exchange rates	Significant movements in exchange rates could impact our financial performance.
Sovereign change of law and contract enforcement	We operate in a number of countries where our ability to rely upon our contracts for protection is potentially reduced by the opaqueness of the legal system.
Breach of legal or regulatory code	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.
Political Risk	We are exposed to potential regime change and civil unrest that could affect our operations.
Project Risk	**Description**
Contract performance	Our financial performance could be materially affected by the performance of a relatively small number of large contracts, particularly those which are lump-sum. Furthermore, our operational performance is important in maintaining our reputation for successful project delivery.
Counterparty	Particularly given the downturn in economic conditions, there is a risk of commercial counterparties defaulting on payment terms or financial counterparties defaulting on deposits that we hold with them.

Cost inflation	Unexpected inflation in costs could adversely impact the financial performance of our contracts.
Health, safety and environmental performance	A serious health, safety or environmental incident on any of our projects has the potential to cause significant commercial and reputational damage.

The list above does not purport to be exhaustive. There may be other risks and uncertainties, not presently known to us or that we currently deem to be immaterial, that could affect the performance of the business.

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 2009 on pages 18 to 52. In addition, note 31 to the group's Annual report and accounts 2009 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 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

In Engineering & Construction, we continue to bid actively for opportunities in our core markets of the Middle East and Africa and the Commonwealth of Independent States, particularly the Caspian region. Our near-term focus remains working towards conversion to the second phase of the South Yoloten project in Turkmenistan where we have recently submitted our technical and commercial proposals following our work on the first phase. In Iraq, we have commenced early stage engineering work for an International Oil Company which is expected to lead to a larger contract award during the second half of the year.

Our Offshore Engineering & Operations business development activities are focused on significant opportunities, both in the UK and internationally, which we are confident will lead to continued growth in the business.

In Engineering Services, we continue to experience weak activity levels and although the flow of enquiries is beginning to improve we do not expect to see a material improvement in the market until 2011. In Training Services we are seeing an improved performance in our core UK market, whereas performance in our international centres has been mixed. In Production Solutions, we were pleased to be awarded the Ticleni production enhancement contract in Romania in early July. This long-term contract gives us the opportunity to establish a track-record in the provision of our services on a commercial model which we believe will deliver increased value for both our customers and the group.

In Energy Developments, we expect to commence the development of the second phase of the Cendor field, offshore Malaysia, in the second half of this year.

We have achieved an order intake of approximately US$2 billion in the year to date, which, together with our healthy prospects list, gives us confidence that we will grow our backlog over the calendar year. Furthermore, we believe our strong operational performance will enable us to maintain our historical sector-leading net margins in Engineering & Construction over the medium-term.

Given our strong start to the year, we expect to deliver like-for-like[1] net profit growth for the full year, excluding the gain on the EnQuest demerger, of around 20 per cent.

Rodney Chase	Ayman Asfari
Chairman	Group Chief Executive

[1] Like-for-like net profit growth excludes the trading net profit from Energy Developments' demerged assets of US$12.7 million for the year ended 31 December 2009 and US$2.1 million for the year ending 31 December 2010.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Notes	***6 months ended 30 June 2010 Unaudited US$'000***	*6 months ended 30 June 2009 Unaudited US$'000*	*Year ended 31 December 2009 Audited US$'000*
Revenue	4	**2,130,628**	1,586,408	3,655,426
Cost of sales	5	**(1,755,517)**	(1,337,958)	(3,035,120)
Gross profit		**375,111**	248,450	620,306
Selling, general and administration expenses		**(115,405)**	(78,812)	(180,197)
Gain on EnQuest demerger	11	**125,569**	-	-
Other income		**7,185**	2,729	4,075
Other expenses		**(4,319)**	(1,666)	(2,998)
Profit from operations before tax and finance income/(costs)		**388,141**	170,701	441,186
Finance costs		**(4,580)**	(3,586)	(5,582)
Finance income		**5,049**	7,210	11,942
Profit before tax		**388,610**	174,325	447,546
Income tax expense	6	**(53,832)**	(28,754)	(84,515)
Profit for the period		**334,778**	145,571	363,031
Attributable to:				
Petrofac Limited shareholders		**331,918**	145,571	353,603
Non-controlling interests		**2,860**	-	9,428
		334,778	145,571	363,031
Earnings per share (US cents)	7			
- Basic (excluding gain on EnQuest demerger)		**60.90**	43.22	104.78
- Diluted (excluding gain on EnQuest demerger)		**60.14**	42.70	103.19
- Basic (including gain on EnQuest demerger)		**97.96**	43.22	104.78
- Diluted (including gain on EnQuest demerger)		**96.73**	42.70	103.19

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	6 months ended 30 June 2010 Unaudited US$'000	*6 months ended 30 June 2009 Unaudited US$'000*	*Year ended 31 December 2009 Audited US$'000*
Profit for the period	**334,778**	145,571	363,031
Foreign currency translation	**(10,247)**	15,249	15,087
Foreign currency translation recycled to income statement in the period on EnQuest demerger (note 11)	**45,818**	-	-
Net gains on maturity of cash flow hedges recycled in the period	**(14,409)**	(6,732)	(4,303)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	**(35,470)**	49,838	29,229
Disposal of available-for-sale financial assets	**(74)**	-	-
Other comprehensive (loss) income	**(14,382)**	58,355	40,013
Total comprehensive income for the period	**320,396**	203,926	403,044
Attributable to:			
Petrofac Limited shareholders	**322,917**	203,926	389,416
Non-controlling interests	**(2,521)**	-	13,628
	320,396	203,926	403,044

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	***30 June 2010 Unaudited US$'000***	*30 June 2009 Unaudited US$'000*	*31 December 2009 Audited US$'000*
ASSETS				
Non-current assets				
Property, plant and equipment	9	**286,631**	599,724	677,996
Goodwill	12	**105,189**	96,668	97,922
Intangible assets	13	**75,793**	61,068	73,107
Investment in associates	10	**716**	-	-
Available-for-sale financial assets		**-**	537	539
Other financial assets	14	**5,101**	31,287	12,535
Deferred income tax assets		**28,932**	53,353	49,726
		502,362	842,637	911,825
Current assets				
Inventories		**6,007**	5,665	9,798
Work in progress		**868,294**	437,461	333,698
Trade and other receivables		**819,559**	636,810	878,670
Due from related parties	19	**292**	2,805	18,260
Other financial assets	14	**27,760**	22,173	30,957
Cash and short-term deposits	15	**1,074,853**	900,177	1,417,363
		2,796,765	2,005,091	2,688,746
TOTAL ASSETS		**3,299,127**	2,847,728	3,600,571
EQUITY AND LIABILITIES				
Equity attributable to Petrofac Limited shareholders				
Share capital		**6,912**	8,636	8,638
Share premium		**-**	68,203	69,712
Capital redemption reserve		**10,881**	10,881	10,881
Shares to be issued		**1,988**	1,988	1,988
Treasury shares	16	**(67,039)**	(57,246)	(56,285)
Other reserves	17	**4,508**	24,417	21,194
Retained earnings		**608,045**	662,597	834,382
		565,295	719,476	890,510
Non-controlling interests		**8,993**	2,659	16,245
TOTAL EQUITY		**574,288**	722,135	906,755
Non-current liabilities				
Interest-bearing loans and borrowings		**51,074**	86,345	59,195
Provisions		**42,008**	79,998	92,103
Other financial liabilities	14	**31,546**	11,317	27,485
Deferred income tax liabilities		**53,789**	33,398	42,192
		178,417	211,058	220,975
Current liabilities				
Trade and other payables		**871,130**	530,995	967,791
Due to related parties	19	**1,077**	459	57,326
Interest-bearing loans and borrowings		**63,157**	26,265	58,071
Other financial liabilities	14	**47,565**	14,815	3,634
Income tax payable		**97,593**	115,372	88,219
Billings in excess of cost and estimated earnings		**424,719**	607,711	461,144
Accrued contract expenses		**1,041,181**	618,918	836,656
		2,546,422	1,914,535	2,472,841
TOTAL LIABILITIES		**2,724,839**	2,125,593	2,693,816

TOTAL EQUITY AND LIABILITIES	**3,299,127**	2,847,728	3,600,571

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010

	Notes	***6 months ended 30 June 2010 Unaudited US$'000***	*6 months ended 30 June 2009 Unaudited US$'000*	*Year ended 31 December 2009 Audited US$'000*
OPERATING ACTIVITIES				
Profit before tax including gain on EnQuest demerger		**388,610**	174,325	447,546
Gain on EnQuest demerger		**(125,569)**	-	-
		263,041	174,325	447,546
Adjustments for:				
Depreciation, amortisation, impairment and write-off		**58,731**	36,802	117,780
Share-based payments	16	**6,538**	6,111	13,263
Difference between other long-term employment benefits paid and amounts recognised in the income statement		**5,282**	4,339	7,905
Net finance (income)		**(469)**	(3,624)	(6,360)
Gain (loss) on disposal of property, plant and equipment		**(192)**	100	(784)
Other non-cash items, net		**11,586**	5,559	(3,233)
Operating profit before working capital changes		**344,517**	223,612	576,117
Trade and other receivables		**(24,936)**	68,254	(176,773)
Work in progress		**(534,596)**	(184,766)	(81,003)
Due from related parties		**17,968**	102	(15,353)
Inventories		**(1,787)**	(1,588)	(5,721)
Other current financial assets		**4,843**	639	(4,775)
Trade and other payables		**44,104**	32,062	466,469
Billings in excess of cost and estimated earnings		**(36,425)**	322,184	175,617
Accrued contract expenses		**204,525**	67,057	284,795
Due to related parties		**(56,249)**	(100)	56,767
Other current financial liabilities		**7,089**	-	177
		(30,947)	527,456	1,276,317
Other non-current items, net		**(9,786)**	1,957	(58)
Cash (used in) / generated from operations		**(40,733)**	529,413	1,276,259
Interest paid		**(941)**	(2,276)	(3,351)
Income taxes paid, net		**(47,167)**	(35,247)	(87,714)
Net cash flows (used in) / from operating activities		**(88,841)**	491,890	1,185,194
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	9	**(78,177)**	(176,430)	(317,174)
Acquisition of subsidiaries, net of cash acquired		**(15,290)**	-	-
Purchase of other intangible assets		**-**	(1,127)	(10,375)
Purchase of intangible oil & gas assets	13	**(4,778)**	(20,290)	(29,230)
Cash outflow on EnQuest demerger (including transaction costs)	11	**(17,783)**	-	-
Proceeds from disposal of property, plant and equipment		**987**	358	1,333
Proceeds from disposal of available-for-sale financial assets		**534**	95	95
Purchase of available-for-sale financial assets		**-**	(103)	(106)
Interest received		**3,914**	7,263	12,158
Net cash flows used in investing activities		**(110,593)**	(190,234)	(343,299)

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010 (continued)

	Notes	***6 months ended 30 June 2010 Unaudited US$'000***	*6 months ended 30 June 2009 Unaudited US$'000*	*Year ended 31 December 2009 Audited US$'000*
FINANCING ACTIVITIES				
Repayment of interest-bearing loans and borrowings		**(5,900)**	(5,000)	(9,958)
(Payment to) / proceeds from non-controlling interest		**(4,731)**	-	2,408
Treasury shares purchased	16	**(37,016)**	-	-
Equity dividends paid		**(84,548)**	(61,756)	(98,995)
Net cash flows used in financing activities		**(132,195)**	(66,756)	(106,545)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(331,629)**	234,900	735,350
Net foreign exchange difference on cash and cash equivalents		**(13,480)**	139	6,235
Cash and cash equivalents at 1 January		**1,390,744**	649,159	649,159
CASH AND CASH EQUIVALENTS AT PERIOD END	15	**1,045,635**	884,198	1,390,744

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN ENQUITY

For the six months ended 30 June 2010

	Attributable to Petrofac Limited Shareholders									
For the six months ended 30 June 2010	*Issued share capital US$'000*	*Share premium US$'000*	*Capital redemption reserve US$'000*	*Shares to be issued US$'000*	**Treasury shares US$'000 (note 16)*	*Other reserves US$'000 (note 17)*	*Retained earnings US$'000*	*Total US$'000*	*Non-controlling interests US$'000*	*Total equity US$'000*
Balance at 1 January 2010	8,638	69,712	10,881	1,988	(56,285)	21,194	834,382	890,510	16,245	906,755
Net profit for the period	-	-	-	-	-	-	331,918	331,918	2,860	334,778
Other comprehensive income	-	-	-	-	-	(9,001)	-	(9,001)	(5,381)	(14,382)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(9,001)**	**331,918**	**322,917**	**(2,521)**	**320,396**
Share-based payments charge (note 16)	-	-	-	-	-	6,538	-	6,538	-	6,538
Shares vested during the period (note 16)	-	-	-	-	26,262	(24,895)	(1,367)	-	-	-
Transfer to reserve for share-based payments (note 16)	-	-	-	-	-	12,750	-	12,750	-	12,750
Deferred tax on share-based payment reserve	-	-	-	-	-	(2,078)	-	(2,078)	-	(2,078)
Treasury shares purchased (note 16)	-	-	-	-	(37,016)	-	-	(37,016)	-	(37,016)
Shares issued on acquisition	2	1,460	-	-	-	-	-	1,462	-	1,462
Dividends (note 8)	-	-	-	-	-	-	(85,291)	(85,291)	-	(85,291)
EnQuest demerger share split and redemption (note 11)	(1,728)	-	-	-	-	-	1,728	-	-	-
Distribution on Enquest de-merger (note 11)	-	(71,172)	-	-	-	-	(473,325)	(544,497)	-	(544,497)
Payment to non-controlling interest	-	-	-	-	-	-	-	-	(4,731)	(4,731)
Balance at 30 June 2010 (unaudited)	**6,912**	**-**	**10,881**	**1,988**	**(67,039)**	**4,508**	**608,045**	**565,295**	**8,993**	**574,288**

	Attributable to Petrofac Limited Shareholders									
For the six months ended 30 June 2009	*Issued share capital US$'000*	*Share premium US$'000*	*Capital redemption reserve US$'000*	*Shares to be issued US$'000*	**Treasury shares US$'000 (note 16)*	*Other reserves US$'000 (note 17)*	*Retained earnings US$'000*	*Total US$'000*	*Non-controlling interests US$'000*	*Total equity US$'000*
Balance at 1 January 2009	8,636	68,203	10,881	1,988	(69,333)	(39,292)	577,739	558,822	209	559,031
Net profit for the period	-	-	-	-	-	-	145,571	145,571	-	145,571
Other comprehensive income	-	-	-	-	-	58,355	-	58,355	-	58,355
Total comprehensive income	-	-	-	-	-	58,355	145,571	203,926	-	203,926
Share-based payments charge (note 16)	-	-	-	-	-	6,111	-	6,111	-	6,111
Shares vested during the period (note 16)	-	-	-	-	12,087	(11,706)	(381)	-	-	-
Transfer to reserve for share-based payments (note 16)	-	-	-	-	-	10,949	-	10,949	-	10,949
Dividends (note 8)	-	-	-	-	-	-	(60,332)	(60,332)	-	(60,332)
Movement in non-controlling interest	-	-	-	-	-	-	-	-	2,450	2,450
Balance at 30 June 2009 (unaudited)	8,636	68,203	10,881	1,988	(57,246)	24,417	662,597	719,476	2,659	722,135

*Shares held by Petrofac Employee Benefit Trust.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN ENQUITY

For the six months ended 30 June 2010 (continued)

For the year ended 31 December 2009	Issued share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Shares to be issued US$'000	*Treasury shares US$'000 (note 16)	Other reserves US$'000 (note 17)	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total Equity US$'000
	Attributable to Petrofac Limited Shareholders									
Balance at 1 January 2009	8,636	68,203	10,881	1,988	(69,333)	(39,292)	577,739	558,822	209	559,031
Net profit for the year	-	-	-	-	-	-	353,603	353,603	9,428	363,031
Other comprehensive income	-	-	-	-	-	35,813	-	35,813	4,200	40,013
Total comprehensive income	-	-	-	-	-	35,813	353,603	389,416	13,628	403,044
Shares issued on acquisition	2	1,509	-	-	-	-	-	1,511	-	1,511
Share-based payments charge (note 16)	-	-	-	-	-	13,263	-	13,263	-	13,263
Shares vested during the year (note 16)	-	-	-	-	13,048	(12,617)	(431)	-	-	-
Transfer to reserve for share-based payments (note 16)	-	-	-	-	-	10,942	-	10,942	-	10,942
Deferred tax on share-based payment reserve	-	-	-	-	-	13,085	-	13,085	-	13,085
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	2,408	2,408
Dividends (note 8)	-	-	-	-	-	-	(96,529)	(96,529)	-	(96,529)
Balance at 31 December 2009 (audited)	8,638	69,712	10,881	1,988	(56,285)	21,194	834,382	890,510	16,245	906,755

*Shares held by Petrofac Employee Benefit Trust.

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

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 activities are the provision of facilities solutions to the oil & gas production and processing industry and appraisal, development and operation of oil & gas production and refining projects. The interim condensed consolidated financial statements of the group for the six months ended 30 June 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 20 August 2010.

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$) and all values in the interim condensed consolidated financial statements are rounded to the nearest thousand (US$'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 2010 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 2009. Certain comparative information has been reclassified to conform to current period presentation.

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 2009, 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 2010. The principal effects of the adoption of the relevant new and amended standards and interpretations are discussed below:

IFRS 3 '*Business Combinations (Revised)*' effective for annual periods beginning on or after 1 July 2009, have been enhanced to, amongst other matters, specify the accounting treatments for acquisition costs, contingent consideration, pre-existing relationships and reacquired rights. The revised standards include detailed guidance in respect of step acquisitions and partial disposals of subsidiaries and associates as well as in respect of allocation of income to non-controlling interests. Further, an option has been added to IFRS 3 to permit an entity to recognise 100 per cent of the goodwill of an acquired entity, not just the acquiring entity's portion of the goodwill. See note 10 for new acquisitions in the period.

IAS 27 *'Consolidated and Separate Financial Statements (Amendments)'* effective for annual periods beginning on or after 1 July 2009, prescribes accounting treatment in respect of change in ownership interest in a subsidiary, allocation of losses incurred by a subsidiary between controlling and non-controller interests and accounting for loss of interest in a subsidiary. This may affect the group where a subsidiary with non-controlling interest becomes loss making or, there is a change in ownership interest in any of its subsidiaries.

IFRIC 17 *'Distributions of Non-cash Assets to owners'* this interpretation provides guidance in respect of accounting for non-cash asset distributions to shareholders. This interpretation is effective for periods beginning on or after 1 July 2009. See note 11 for distributions in respect of the EnQuest demerger.

3 SEGMENT INFORMATION

The following tables represent revenue and profit information relating to the group's primary business segments for the six months ended 30 June 2010.

Included within the Engineering, Training Services and Production Solutions segment are three diverse businesses none of which have ever met the quantitative thresholds set by IFRS 8 'Operating Segments' for determining reportable segments.

The consolidation adjustments and corporate columns include certain balances which due to their nature are not allocated to segments.

	Engineering & Construction US$'000	*Offshore Engineering & Operations US$'000*	*Engineering, Training Services & Production Solutions US$'000*	*Energy Developments US$'000*	*Corporate & others US$'000*	*Consolidation adjustments & eliminations US$'000*	*Total US$'000*
Six months ended 30 June 2010 (unaudited)							
Revenue							
External sales	**1,587,494**	**325,537**	**111,339**	**106,258**	**-**	**-**	**2,130,628**
Inter-segment sales	**-**	**1,641**	**50,166**	**-**	**-**	**(51,807)**	**-**
Total revenue	**1,587,494**	**327,178**	**161,505**	**106,258**	**-**	**(51,807)**	**2,130,628**
Segment results	**214,354**	**5,774**	**13,582**	**37,104**	**(734)**	**204**	**270,284**
Gain on EnQuest demerger	**-**	**-**	**-**	**125,569**	**-**	**-**	**125,569**
Unallocated corporate costs	**-**	**-**	**-**	**-**	**(7,712)**	**-**	**(7,712)**
Profit / (loss) before tax and finance income / (costs)	**214,354**	**5,774**	**13,582**	**162,673**	**(8,446)**	**204**	**388,141**
Finance costs	**-**	**(425)**	**(619)**	**(2,400)**	**(3,531)**	**2,395**	**(4,580)**
Finance income	**5,001**	**97**	**86**	**112**	**2,148**	**(2,395)**	**5,049**
Profit / (loss) before income tax	**219,355**	**5,446**	**13,049**	**160,385**	**(9,829)**	**204**	**388,610**
Income tax (expense) / income	**(36,155)**	**(1,492)**	**91**	**(17,269)**	**993**	**-**	**(53,832)**
Non-controlling interests	**(2,761)**	**-**	**(99)**	**-**	**-**	**-**	**(2,860)**
Profit / (loss) for the period attributable to Petrofac Limited shareholders	**180,439**	**3,954**	**13,041**	**143,116**	**(8,836)**	**204**	**331,918**
Other segment information							
Depreciation & amortisation	**17,056**	**1,211**	**7,913**	**32,729**	**151**	**(329)**	**58,731**
Other long-term employment benefits	**6,005**	**1,109**	**134**	**30**	**51**	**-**	**7,329**
Share-based payments	**3,292**	**968**	**463**	**561**	**1,254**	**-**	**6,538**

3 SEGMENT INFORMATION (continued)

	Engineering & Construction US$'000	*Offshore Engineering & Operations US$'000*	*Engineering, Training Services & Production Solutions US$'000*	*Energy Developments US$'000*	*Corporate & others US$'000*	*Consolidation adjustments & eliminations US$'000*	*Total US$'000*
Six months ended 30 June 2009 (unaudited)							
Revenue							
External sales	**1,060,711**	**288,891**	**154,627**	**82,179**	**-**	**-**	**1,586,408**
Inter-segment sales	**-**	**6,055**	**29,324**	**-**	**-**	**(35,379)**	**-**
Total revenue	**1,060,711**	**294,946**	**183,951**	**82,179**	**-**	**(35,379)**	**1,586,408**
Segment results	**129,472**	**4,479**	**17,440**	**24,845**	**(611)**	**(174)**	**175,451**
Unallocated corporate costs	**-**	**-**	**-**	**-**	**(4,750)**	**-**	**(4,750)**
Profit / (loss) before tax and finance income / (costs)	**129,472**	**4,479**	**17,440**	**24,845**	**(5,361)**	**(174)**	**170,701**
Finance costs	**-**	**(154)**	**(1,342)**	**(4,782)**	**(3,269)**	**5,961**	**(3,586)**
Finance income	**8,521**	**10**	**86**	**63**	**4,964**	**(6,434)**	**7,210**
Profit / (loss) before income tax	**137,993**	**4,335**	**16,184**	**20,126**	**(3,666)**	**(647)**	**174,325**
Income tax (expense) / income	**(16,835)**	**(1,387)**	**(1,367)**	**(10,298)**	**1,000**	**133**	**(28,754)**
Profit / (loss) for the period attributable to Petrofac Limited shareholders	**121,158**	**2,948**	**14,817**	**9,828**	**(2,666)**	**(514)**	**145,571**
Other segment information							
Depreciation & amortisation	**11,058**	**335**	**3,680**	**21,881**	**124**	**(276)**	**36,802**
Other long-term employment benefits	**4,509**	**788**	**198**	**27**	**32**	**-**	**5,554**
Share-based payments	**2,880**	**774**	**763**	**642**	**1,052**	**-**	**6,111**

	Engineering & Construction US$'000	*Offshore Engineering & Operations US$'000*	*Engineering, Training Services & Production Solutions US$'000*	*Energy Developments US$'000*	*Corporate & others US$'000*	*Consolidation adjustments & eliminations US$'000*	*Total US$'000*
Year ended 31 December 2009 (audited)							
Revenue							
External sales	**2,508,951**	**616,542**	**281,225**	**248,708**	**-**	**-**	**3,655,426**
Inter-segment sales	**-**	**10,178**	**68,431**	**-**	**-**	**(78,609)**	**-**
Total revenue	**2,508,951**	**626,720**	**349,656**	**248,708**	**-**	**(78,609)**	**3,655,426**
Segment results	**321,600**	**17,830**	**34,483**	**77,395**	**(1,615)**	**(326)**	**449,367**
Unallocated corporate costs	**-**	**-**	**-**	**-**	**(8,181)**	**-**	**(8,181)**
Profit / (loss) before tax and finance income / (costs)	**321,600**	**17,830**	**34,483**	**77,395**	**(9,796)**	**(326)**	**441,186**
Finance costs	**-**	**(258)**	**(1,582)**	**(10,702)**	**(5,705)**	**12,665**	**(5,582)**
Finance income	**14,087**	**94**	**313**	**64**	**10,049**	**(12,665)**	**11,942**
Profit / (loss) before income tax	**335,687**	**17,666**	**33,214**	**66,757**	**(5,452)**	**(326)**	**447,546**
Income tax (expense) / income	**(61,328)**	**(4,853)**	**(672)**	**(20,566)**	**3,095**	**(191)**	**(84,515)**
Non-controlling interests	**(9,240)**	**-**	**(188)**	**-**	**-**	**-**	**(9,428)**
Profit / (loss) for the year attributable to Petrofac Limited shareholders	**265,119**	**12,813**	**32,354**	**46,191**	**(2,357)**	**(517)**	**353,603**
Other segment information							
Depreciation & amortisation	**24,940**	**1,887**	**8,150**	**78,677**	**251**	**(918)**	**112,987**

Impairment	**-**	**-**	**-**	**4,793**	**-**	**-**	**4,793**
Other long-term employment benefits	**7,779**	**833**	**1,736**	**52**	**38**	**-**	**10,438**
Share-based payments	**6,213**	**1,263**	**2,258**	**1,337**	**2,192**	**-**	**13,263**

3 SEGMENT INFORMATION (continued)

The significant movements in total group assets as at 30 June 2010 compared to total assets as at 31 December 2009 are primarily in the following segment:

	Energy Developments US$'000
Total assets as at 30 June 2010	**293,895**
Total assets as at 31 December 2009	769,129

- Decrease in Energy Developments segment assets during the period is primarily due to demerger of the Don assets of US$562,454,000 (see note 11).

4 REVENUES

	6 months ended 30 June 2010 Unaudited US$'000	*6 months ended 30 June 2009 Unaudited US$'000*	*Year ended 31 December 2009 Audited US$'000*
Rendering of services	**2,043,245**	1,524,098	3,446,037
Sale of crude oil & gas	**85,012**	58,983	202,770
Sale of processed hydrocarbons	**2,371**	3,327	6,619
	2,130,628	1,586,408	3,655,426

Included in revenues from rendering of services are Offshore Engineering & Operations, Engineering, Training Services and Production Solutions revenues of a "pass-through" nature with zero or low margins amounting to US$95,011,000 (six months ended 30 June 2009: US$102,804,000; year ended 31 December 2009: US$230,262,000).

5 COST OF SALES

Also included in cost of sales are forward points and ineffective portions on derivatives designated as cash flow hedges and loss on maturity of undesignated derivatives of US$3,175,000 (six months ended 30 June 2009: US$2,346,000 gains; year ended 31 December 2009: US$19,508,000 gains).

6 INCOME TAX

Income tax expense is recognised based on management's best estimate of each segment's annual income tax rate expected for the full financial year.

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

	6 months ended 30 June 2010 Unaudited US$'000	*6 months ended 30 June 2009 Unaudited US$'000*	*Year ended 31 December 2009 Audited US$'000*
Current income tax			
Current income tax charge	**52,508**	51,489	100,985
Adjustments in respect of current income tax of previous years	**(3,495)**	(14,218)	(31,448)
Deferred income tax			

Relating to origination and reversal of temporary differences	**5,484**	(5,935)	5,570
Adjustments in respect of deferred income tax of previous years	**(665)**	(2,582)	9,408
	53,832	28,754	84,515

6 INCOME TAX (CONTINUED)

The group's effective tax rate for the six months, including the US$125,569,000 gain on the demerger of Energy Development's UKCS business is 14.0% and excluding this gain the effective tax rate is 20.7% (six months ended 30 June 2009: 16.5%; year ended 31 December 2009: 18.9%).

On 5th April 2010 Petrofac completed the demerger of its UKCS business to EnQuest PLC, an independent company which was subsequently listed on the London and Stockholm stock exchanges. No chargeable gain arose on the transaction for UK corporation tax purposes. This decreased the group's effective tax rate for the period.

Excluding the gain from the demerger, the effective tax rate has increased from the comparable 2009 period and the year ended 31 December 2009. Factors contributing to the increase include the ring fence expenditure supplement no longer being available for claim following the demerger of Petrofac Energy Developments Limited, no additional adjustments being made in respect of the applicability of the lower tax rate to the group's projects in Oman and material changes in jurisdictions in which profits are expected to be earned for Engineering & Construction.

In June 2010, the UK government announced its intention to propose to parliament to reduce the UK corporation tax rate from 28% to 24% over the course of 4 years. As of 30 June 2010, the tax rate change was not substantively enacted. The deferred tax assets and liabilities would have reduced by approximately US$2,600,000 and US$400,000 respectively, had the change to the corporation tax rate been substantively enacted as of the said date.

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 2010 Unaudited US$'000	*6 months ended 30 June 2009 Unaudited US$'000*	*Year ended 31 December 2009 Audited US$'000*
Net profit attributable to ordinary shareholders for basic and diluted earnings per share (excluding gain on EnQuest demerger)	**206,349**	145,571	353,603
Net profit attributable to ordinary shareholders for basic and diluted earnings per share (including gain on EnQuest demerger)	**331,918**	145,571	353,603
Weighted average number of ordinary shares for basic earnings per share	**338,817**	336,776	337,473
Effect of diluted potential ordinary shares granted under share-based payment schemes	**4,314**	4,172	5,187
Adjusted weighted average number of ordinary shares for diluted earnings per share	**343,131**	340,948	342,660

8 DIVIDENDS PAID AND PROPOSED

	6 months ended 30 June 2010 Unaudited US$'000	*6 months ended 30 June 2009 Unaudited US$'000*	*Year ended 31 December 2009 Audited US$'000*
Declared and paid during the period			
Equity dividends on ordinary shares:			
Final dividend for 2008: 17.90 cents per share	-	60,332	60,332
Interim dividend 2009: 10.70 cents per share	-	-	36,197
Final dividend for 2009: 25.10 cents per share	**85,291**	-	-
	85,291	60,332	96,529

The Company proposes an interim dividend of 13.80 cents per share which was approved by the Board on 20 August 2010 for payment on 22 October 2010.

9 PROPERTY, PLANT AND EQUIPMENT

Decrease in property, plant and equipment during the period is mainly due to the transfer out by the group of its Don oil & gas assets with a net book value of US$410,855,000 as part of the EnQuest demerger transaction (see note 11). During the period, the group incurred capital expenditure of US$78,177,000 mainly comprising of US$32,363,000 on project related buildings and leasehold improvements, vehicles and office furniture and equipment in the E&C Division and US$26,064,000 in respect of Don assets prior to the demerger.

10 BUSINESS COMBINATIONS

Scotvalve Services Limited

On 14 January 2010, the group acquired a 100% interest in the share capital of Scotvalve Services Limited (Scotvalve), a United Kingdom based company, involved in the servicing and repair of oilfield pressure control equipment. The consideration for the acquisition was Sterling 4,940,000 (equivalent US$8,015,000) comprising of Sterling 2,801,000 (equivalent US$4,545,000) as an initial cash payment, Sterling 460,000 (equivalent US$746,000) to be settled in cash during the year and the balance being the discounted value of deferred consideration amounting to Sterling 1,679,000 (equivalent US$2,724,000) payable based on the estimated future profitability of Scotvalve.

The provisional fair values of the identifiable assets and liabilities of Scotvalve on completion of the acquisition are analysed below:

	Recognised on acquisition US$'000	*Carrying value US$'000*
Property, plant and equipment	1,891	1,978
Investments in associates	777	777
Intangible assets (note 13)	1,107	-
Trade and other receivables	2,606	2,606
Cash and short-term deposits	410	410
Total assets	6,791	5,771
Less:		
Deferred tax liability	(325)	(16)
Income tax liability	(279)	(279)
Trade and other payables	(1,220)	(1,220)
Total liabilities	(1,824)	(1,515)

Fair value of net assets acquired	4,967	4,256
Goodwill arising on acquisition	3,048	
Consideration at acquisition	8,015	

10 BUSINESS COMBINATIONS (CONTINUED)

Scotvalve Services Limited (continued)

	US$'000
Cash outflow on acquisition:	
Cash acquired with subsidiary	410
Cash paid on acquisition	(4,545)
Net cash outflow on the acquisition of subsidiary	(4,135)

Intangible assets recognised on acquisition comprise equipment manufacturer warranty repair licenses which are being amortised over their remaining economic useful lives of five years 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, Scotvalve has contributed a net income of US$45,000 to the net profit of the group after charging US$134,000 of post acquisition costs relating to amortisation of intangibles and finance costs in respect of deferred consideration payable.

The transaction costs of Sterling 102,000 (equivalent US$ 154,000) relating to the acquisition have been expensed in the period and are included within selling, general and administration and are included as cash flows from operating activities in the consolidated cash flow statement.

Stephen Gillespie Consultants Limited

On 1 April 2010, the group acquired a 100% interest in the share capital of Stephen Gillespie Consultants Limited (SGC), a United Kingdom based provider of software consultancy to flow metering control system manufacturers for a consideration of Sterling 4,523,000 (equivalent US$6,853,000) comprising of Sterling 3,178,000 (equivalent US$4,815,000) paid upfront in cash and the balance being the discounted value of deferred consideration amounting to Sterling 1,345,000 (equivalent US$2,038,000) payable based on the estimated future profitability of the company.

The provisional fair values of the identifiable assets and liabilities of SGC on completion of the acquisition are analysed below:

	Recognised on acquisition US$'000	*Carrying value US$'000*
Property, plant and equipment	61	61
Intangible assets (note 13)	2,065	-
Trade and other receivables	1,424	1,424
Cash and short-term deposits	1,920	1,920
Total assets	5,470	3,405
Less:		
Deferred tax liability	(579)	-
Income tax liability	(383)	(383)
Trade and other payables	(1,254)	(1,254)
Total liabilities	(2,216)	(1,637)
Fair value of net assets acquired	3,254	1,768
Goodwill arising on acquisition	3,599	
Consideration at acquisition	6,853	

	US$'000
Cash outflow on acquisition:	
Cash acquired with subsidiary	1,920
Cash paid on acquisition	(4,815)
Net cash outflow on the acquisition of subsidiary	(2,895)

Intangible assets recognised on acquisition comprise of software related to metering technology which is being amortised over its remaining economic useful lives of five years on a straight-line basis.

10 BUSINESS COMBINATIONS (CONTINUED)

Stephen Gillespie Consultants Limited (continued)

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, SGC has contributed a net income of US$25,000 to the net profit of the group after charging US$140,000 of post acquisition costs relating to amortisation of intangibles and finance costs in respect of deferred consideration payable.

The transaction costs of Sterling 65,000 (equivalent US$ 99,000) relating to the acquisition have been expensed in the period and are included within selling, general and administration and are included as cash flows from operating activities in the consolidated cash flow statement.

CO2DeepStore Limited

On 27 April 2010, the group acquired a 100% interest in the share capital of CO2DeepStore Limited (CO2Deepstore), a United Kingdom based company focused on the CO2 geological storage sector of the carbon capture and storage market for a initial cash consideration of Sterling 220,000 (equivalent US$340,000) and the balance being the discounted value of deferred consideration amounting to Sterling 189,000 (equivalent US$292,000) payable based on the estimated future profitability of the company.

The provisional fair values of the identifiable assets and liabilities of CO2Deepstore on completion of the acquisition are analysed below:

	Recognised on acquisition US$'000	*Carrying value US$'000*
Property, plant and equipment	3	3
Trade and other receivables	134	134
Cash and short-term deposits	263	263
Total assets	400	400
Less:		
Income tax liability	(31)	(31)
Trade and other payables	(29)	(29)
Total liabilities	(60)	(60)
Fair value of net assets acquired	340	340
Goodwill arising on acquisition	292	
Consideration at acquisition	632	

	US$'000
Cash outflow on acquisition:	
Cash acquired with subsidiary	263
Cash paid on acquisition	(340)
Net cash outflow on the acquisition of subsidiary	(77)

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, CO2Deepstore has contributed a net loss of US$96,000 to the net profit of the group after charging US$1,000 of post acquisition costs relating to amortisation of intangibles and finance costs in respect of deferred consideration payable.

The transaction costs of Sterling 17,000 (equivalent US$ 26,000) relating to the acquisition have been expensed in the period and are included within selling, general and administration and are included as cash flows from operating activities in the consolidated cash flow statement.

10 BUSINESS COMBINATIONS (CONTINUED)

TNEI Services Limited

On 14 June 2010, the group acquired a 100% interest in the share capital of TNEI Services Limited (TNEI) through the acquisition of its holding company New Energy Industries Limited for a total consideration of Sterling 7,594,000 (equivalent US$11,055,000). TNEI provides services in the areas of power transmission and distribution, planning and environmental consent and energy management. The above consideration consists of Sterling 6,056,000 (equivalent US$ 8,816,000) paid in cash and the balance of Sterling 1,538,000 (equivalent US$ 2,239,000) payable in three equal tranches over 3 years from the date of completion. The carrying value of net assets acquired, excluding any fair value adjustments, was Sterling 2,533,000 (equivalent US$3,687,000) and provisional goodwill of Sterling 5,061,000 (equivalent US$ 7,367,000) has been recognised on acquisition pending the receipt of a detailed completion balance sheet and the valuation of any intangible assets.

The transaction costs of Sterling 38,000 (equivalent US$ 58,000) relating to the acquisition have been expensed in the period and are included within selling, general and administration and are included as cash flows from operating activities in the consolidated cash flow statement.

11 GAIN ON ENQUEST DEMERGER

On 5 April 2010, the group's interests in the Don area oil assets were demerged via a transfer of three of its subsidiaries, Petrofac Energy Developments Limited (PEDL), Petrofac Energy Developments Oceania Limited (PEDOL) and PEDL Limited (PEDLL) to EnQuest PLC for a deemed consideration for accounting purposes of US$553,300,000 which was settled by the issue of EnQuest PLC shares directly to Petrofac Limited shareholders*. The gain on the demerger transaction has been computed as follows:

	US$'000	*US$'000*
Fair value of consideration		553,300
Less:		
Total book value of assets transferred	(562,454)	
Total book value of liabilities transferred	183,007	
Net assets transferred		(379,447)
Transaction costs		(1,636)
Bonus payable to employees		(5,000)
Release of foreign currency translation reserve		(45,818)
Other consolidation adjustments		4,170
Gain on demerger		**125,569**

*In order to effect the demerger of the PEDL sub group to EnQuest, the existing issued ordinary share capital of Petrofac Limited was subdivided and converted into new ordinary Petrofac shares with a nominal value of US$0.02 each and Petrofac B shares of US$0.005 each and subsequent to this share split the B shares were purchased and cancelled in exchange for an allotment and issue of EnQuest ordinary shares directly to holders of Petrofac B shares.

As a result of this capital re-organisation and purchase of Petrofac B shares US$1,728,000 of Petrofac issued ordinary share capital was extinguished and transferred to retained earnings and the non-cash distribution to Petrofac shareholders for accounting purposes of US$553,300,000 was made via the utilisation of the existing share premium account of balance of US$71,172,000 with the remaining amount of US$482,128,000 being transferred out of retained earnings. In addition US$8,803,000 of proceeds generated by the Petrofac Employee Benefit Trust selling its holding of EnQuest shares arising from the demerger have been credited to retained earnings leaving a net impact on retained earnings of US$473,325,000.

12 GOODWILL

The net increase in the goodwill balance in the current period represents unrealised foreign exchange losses on translation of US$7,038,000 and increases as a result of the new acquisitions of Scotvalve Limited of US$3,048,000, Stephen Gillespie Consultants Limited of US$3,599,000, CO2DeepStore Limited of US$292,000 and TNEI Services Limited of US$7,367,000 (see note 10).

13 INTANGIBLE ASSETS

Movements in intangible assets mainly comprise additions to intangible oil & gas assets of US$4,778,000 representing further appraisal drilling costs in respect of the group's interest in the Cendor field in Malaysia and intangible assets recognised on acquisition of US$3,172,000 (note 10) reduced by the disposal of PetroAtlas software amounting to US$ 3,742,000.

14 DERIVATIVE FINANCIAL INSTRUMENTS

The movement during the period is due to changes in the fair value of derivative financial instruments which 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 and exposure to oil price revenue fluctuations.

During the period the group entered into various fuel oil swaps for hedging gas production of 25,000MT with maturities ranging from April 2010 to March 2011. In addition, two crude oil swaps were also entered into for hedging oil production of 70,000 bbl with maturities from June 2010 to June 2011.

During the period the group entered into the following foreign exchange forward contracts designated as cash flow hedges:

Currencies	**Sales**		**Purchases**	
	Foreign currency amount	**US$ equivalent**	**Foreign currency amount**	**US$ equivalent**
	'000	***US$'000***	***'000***	***US$'000***
Euro	15,000	20,387	15,875	21,564
Sterling	-	-	40,623	61,150
Yen	3,400,000	37,904	-	-
Kuwaiti Dinars	30,000	103,328	-	-
UAE Dirhams	1,764,360	480,454	165,294	45,015

15 CASH AND CASH EQUIVALENTS

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

	30 June 2010 Unaudited US$'000	*30 June 2009 Unaudited US$'000*	*31 December 2009 Audited US$'000*
Cash at bank and in hand	**215,356**	112,093	203,105
Short-term deposits	**859,497**	788,084	1,214,258
Cash and short term deposits	**1,074,853**	900,177	1,417,363
Bank overdrafts	**(29,218)**	(15,979)	(26,619)
	1,045,635	884,198	1,390,744

16 TREASURY SHARES AND SHARE-BASED PAYMENTS

During the period, the Company acquired 2,122,786 (30 June 2009: nil; 31 December 2009: nil) of its own shares at a cost of US$37,016,000 (30 June 2009: US$ nil; 31 December 2009: US$ nil) 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 2,392,576 shares (including 121,653 accrued dividend shares) with a cost of US$26,262,000 were transferred out of the Employee Benefit Trust on vesting of various employee share scheme awards as shown below.

During the period 5,467,852 Petrofac shares previously held in a Lehman Brothers custody account pending the finalisation of their legal administration were released to the Employee Benefit Trust.

16 TREASURY SHARES AND SHARE-BASED PAYMENTS (CONTINUED)

The following table shows the movements in the number of shares held under the three group employee share schemes excluding the 8% EnQuest demerger uplift adjustment and rolled up dividends neither of which attract IFRS2 costs:

	Deferred Bonus Share Plan Number*	*Performance Share Plan Number*	*Restricted Share Plan Number*
Outstanding at 1 January 2010	4,694,191	1,432,680	1,082,461
Granted during the period	1,397,094	390,278	169,645
Vested during the period	(1,769,699)	(414,428)	(86,796)
Forfeited during the period	(122,566)	(58,338)	(96,260)
Outstanding but not exercisable at 30 June 2010	**4,199,020**	**1,350,192**	**1,069,050**
Made up of following awards:			
2007	-	-	182,073
2008	834,904	421,312	685,292
2009	1,999,466	538,602	39,843
2010	1,364,650	390,278	161,842
	4,199,020	**1,350,192**	**1,069,050**

* Includes invested and matching shares.

The fair value of the equity-settled awards granted during the period ended 30 June 2010 in respect of the Deferred Bonus Share Plan were estimated based on the quoted closing market price of 1,103p per Company share at the date of grant with an assumed vesting rate of 95.8% per annum over the vesting period of the plan.

The fair value of the non-market based equity-settled awards granted during the period ended 30 June 2010 representing 50% of the total Performance Share Plan award were estimated based on the quoted closing market price of 1,103p 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 743p 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:

Expected share price volatility (based on median of comparator group's three year volatilities)	50.0%
Share price correlation with comparator group	39.0%
Risk-free interest rate	1.5%
Expected life of share award	3 years

The fair value of the equity-settled awards granted at various dates during the period ended 30 June 2010 in respect of the Restricted Share Plan were based on an average market price of 738p with an assumed vesting rate of 96.0% per annum over the vesting period of the plan.

The group has recognised an expense in the income statement for the period to 30 June 2010 relating to employee share-based incentives of US$6,538,000 (six months ended 30 June 2009: US$6,111,000; year ended 31 December 2009: US$13,263,000) which has been transferred to the reserve for share-based payments along with US$12,750,000 of the remaining bonus liability accrued for the year ended 31 December 2009 (30 June 2009: US$10,949,000; 31 December 2009: US$10,942,000) which has been voluntarily elected or mandatorily obliged to be settled in shares granted during the period.

17 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 2010	74	28,573	(64,328)	56,875	21,194
Foreign currency translation	-	-	(10,247)	-	(10,247)
Foreign currency translation recycled to income statement in the period on EnQuest demerger (note 11)	-	-	45,818	-	45,818
Disposal of available-for-sale financial assets	(74)	-	-	-	(74)
Net gains on maturity of cash flow hedges recycled in the period	-	(14,409)	-	-	(14,409)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	-	(30,089)	-	-	(30,089)
Share-based payments charge (note 16)	-	-	-	6,538	6,538
Transfer during the period (note 16)	-	-	-	12,750	12,750
Shares vested during the period (note 16)	-	-		(24,895)	(24,895)
Deferred tax on share based payments reserve	-	-	-	(2,078)	(2,078)
Balance at 30 June 2010 (unaudited)	**-**	**(15,925)**	**(28,757)**	**49,190**	**4,508**
Balance at 1 January 2009	74	7,847	(79,415)	32,202	(39,292)
Foreign currency translation	-	-	15,249	-	15,249
Net gains on maturity of cash flow hedges recycled in the period	-	(6,732)	-	-	(6,732)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	-	49,838	-	-	49,838
Share-based payments charge (note 16)	-	-	-	6,111	6,111
Transfer during the period (note 16)	-	-	-	10,949	10,949
Shares vested during the period				(11,706)	(11,706)
Balance at 30 June 2009 (unaudited)	74	50,953	(64,166)	37,556	24,417
Balance at 1 January 2009	74	7,847	(79,415)	32,202	(39,292)
Foreign currency translation	-	-	15,087	-	15,087
Net gains on maturity of cash flow hedges recycled in the year	-	(4,303)	-	-	(4,303)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	-	25,029	-	-	25,029
Share-based payments charge (note 16)	-	-	-	13,263	13,263
Transfer during the year (note 16)	-	-	-	10,942	10,942
Shares vested during the year	-	-	-	(12,617)	(12,617)
Deferred tax on share based payments reserve	-	-	-	13,085	13,085
Balance at 31 December 2009 (audited)	74	28,573	(64,328)	56,875	21,194

18 CAPITAL COMMITMENTS

At 30 June 2010 the group had capital commitments of US$10,744,000 (31 December 2009: US$18,786,000; 30 June 2009: US$83,663,000).

Included in the above are commitments relating to expenditure on the Ohanet asset US$1,500,000 (31 December 2009: US$ nil; 30 June 2009: US$ nil), the development of the Don area assets of US$ nil (31 December 2009: US$914,000; 30 June 2009: US$59,418,000), additional appraisal and development well costs on the Cendor project in Malaysia of US$ nil (31 December 2009: US$14,572,000; 30 June 2009: US$21,358,000) and commitments in respect of IT projects of US$ 8,400,000 (31 December 2009: US$ 3,300,000; 30 June 2009: US$ nil).

19 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 2010 (unaudited)**	**36,638**	**22,876**	**292**	**712**
	Six months ended 30 June 2009 (unaudited)	349	13	2,805	436
	Year ended 31 December 2009 (audited)	27,337	15,434	17,773	56,925
Key management	**Six months ended 30 June 2010 (unaudited)**	**-**	**561**	**-**	**365**
Personnel	Six months ended 30 June 2009 (unaudited)	-	588	-	23
Interests	Year ended 31 December 2009 (audited)	-	1,405	487	401

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 2010 will be settled in cash.

Purchases in respect of key management personnel interests of US$561,000 (six months ended 30 June 2009: US$588,000; year ended 31 December 2009: US$1,336,000) 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.

Compensation of key management personnel

	6 months ended 30 June 2010 Unaudited US$'000	*6 months ended 30 June 2009 Unaudited US$'000*	*Year ended 31 December 2009 Audited US$'000*
Short-term employee benefits	**3,132**	1,428	11,209
Other long-term employment benefits	**71**	23	129
Share-based payments	**1,976**	780	3,368
Fees paid to non-executive directors	**276**	249	506
	5,455	2,480	15,212

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that, to the best of their knowledge, the condensed set of financial statements on pages 11 to 30 has been prepared in accordance with IAS 34 'Interim Financial Reporting', and that the interim management report on pages 2 to 10 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 2009*.

By the order of the Board

Ayman Asfari	Keith Roberts
Chief Executive Officer	Chief Financial Officer
20 August 2010	20 August 2010

INDEPENDENT REVIEW REPORT TO PETROFAC LIMITED

Introduction

We have been engaged by the Company to review the Interim condensed consolidated financial statements in the interim report for the six months ended 30 June 2010 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 cash flow statement, 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 condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE 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 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 2010 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
20 August 2010

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

Registrar

Capita Registrars (Jersey) Limited
12 Castle Street
St Helier
Jersey JE2 3RT

Company Secretary and registered office

Ogier Corporate Services (Jersey) Limited
Whiteley Chambers
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St Helier
Jersey JE4 9WG

UK Transfer Agent

Capita Registrars
The Registry
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Beckenham
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London EC2R 6DA

Auditors

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London SE1 2AF

Corporate and Financial PR

Tulchan Communications Group
85 Fleet Street
London EC4Y 1AE

Financial calendar

24 September 2010	Interim dividend record date
22 October 2010	Interim dividend payment
31 December 2010	2010 financial year end
7 March 2011	2010 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.