Petrofac

Press Release

8 MARCH 2010

PETROFAC LIMITED

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

Petrofac Limited (Petrofac, the group or the Company), a leading international provider of facilities solutions to the oil & gas production and processing industry, today announces its final results for the year ended 31 December 2009.

FINANCIAL HIGHLIGHTS

- 2009 order intake[(1)] of US$7.3 billion (2008: US$2.9 billion) with backlog[(2)] of US$8.1 billion at 31 December 2009 (2008: US$4.0 billion)
- EBITDA[(3)] up 34% to US$559.0 million (2008: US$419.0 million)
- Net profit[(4)] up 33% to US$353.6 million (2008: US$265.0 million) on revenue up 10% to US$3,655 million (2008: US$3,330 million)
- Earnings per share (diluted) up 34% to 103.19 cents (2008: 77.11 cents)
- Final dividend up 40% to 25.10 cents (16.69 pence[(5)]) per share (2008: 17.90 cents); full year dividend up 41% to 35.80 cents (2008: 25.40 cents)
- Return on capital employed[(6)] of 47.7% (2008: 52.7%)
- Gross cash balances at 31 December 2009 of US$1.4 billion (2008: US$0.7 billion)

Commenting on the results, Ayman Asfari, Petrofac's group chief executive, said:

"Overall, 2009 was another excellent year. We have delivered record results and a record order intake, which gives us outstanding revenue visibility for the current year and beyond.

"While 2009 was a challenging year for our industry, we were successful in growing our capacity and capability, investing in both our people and our systems, to ensure that we maintain our focus on strong operational performance. Through our differentiated and competitive offering, we remain well-positioned to benefit from ongoing investment in oil & gas projects by our key customers in our core markets, which we believe will underpin strong growth in our business in 2010 and over the medium-term."

OPERATIONAL HIGHLIGHTS

Engineering & Construction

- Record order intake, with US$6.3 billion of new contract awards in 2009, including:
    - Major lump-sum contracts in Abu Dhabi, Algeria, Oman and Saudi Arabia; and,
    - US$100 million FEED study in Turkmenistan; contract contemplates us moving into a second phase large-scale EPC project during 2010

Offshore Engineering & Operations

- Secured a £75 million 3-year contract with Apache to provide engineering and construction services for the Forties field in the UK North Sea
- Awarded a £100 million 5-year contract by BP to deliver integrated maintenance management support services for all of BP's UK offshore assets and onshore Dimlington plant

Engineering, Training Services and Production Solutions

- Continued strong operational performance in service operator role for production of Dubai's offshore oil & gas

Energy Developments

- Commencement of oil production from West Don field in April 2009, less than 1 year from Field Development Programme approval, followed by commencement of production from Don Southwest field in June 2009
- Recently announced intention to demerge our interests in UKCS assets, including the Don assets, which represents the first major demonstration of our build and harvest strategy
- Acquired FPF1 floating production facility with a view to upgrade, modification and redeployment

OUTLOOK

In Engineering & Construction, we have grown our headcount by around 1,200[(7)], particularly in India and Indonesia, to ensure that we continue to deliver strong operational performance on our projects in hand, and to strengthen our competitive position. The terms on which our existing portfolio of contracts were secured and our progress to date gives us confidence that we can maintain net margins in this segment of around 10% over the medium-term. We remain very active in our ongoing bidding activity in key markets in the Middle East and Africa and the Commonwealth of Independent States, including in Turkmenistan where our existing contract contemplates us moving into a second phase large-scale EPC project, which positions us well for continued strong growth.

Following a successful second half of 2009 with the extension of a number of operations and maintenance contracts and the award of new contracts with Apache and BP, Offshore Engineering & Operations is well positioned to deliver good growth in 2010. We continue to be very active with tendering activity, as customers continue to look for ways to more effectively manage their supply-chain.

In Engineering, Training Services and Production Solutions, we are seeing an increase in business development opportunities and are anticipating a modest improvement in activity levels in 2010. We remain confident in delivering production enhancement services through Production Solutions under innovative commercial structures and we continue to explore opportunities with our customers.

As recently announced, we intend to demerge our interests in West Don and Don Southwest, which represents the first major demonstration of Energy Developments' build and harvest strategy. We consider this a timely and attractive way to give our shareholders the opportunity to continue to participate in the value created in the Don development. Going forward, Energy Developments remains integral to our strategy and we continue to review a number of upstream and energy infrastructure opportunities, including the deployment of the FPF1 floating production facility.

DIRECTORATE/BOARD COMMITTEE CHANGES

A number of changes are proposed in respect of Petrofac's Board composition and committee memberships, which are detailed in a separate announcement.

Ends

Analyst presentation:

A presentation for analysts will be held at 9.30am today, which will be webcast live via http://www.investorcalendar.com/IC/CEPage.asp?ID=156080.

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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 more than 11,700 employees, Petrofac operates out of five strategically located operational centres, in Aberdeen, Sharjah, Woking, Chennai and Mumbai 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 Annual Report and Accounts for the year ended 31 December 2009.)

CHAIRMAN'S STATEMENT

This has been another outstanding year for Petrofac. Our strength in execution, our strategic focus on markets and regions where there has continued to be strong demand and the increasing scale of our operations, have again combined to deliver record revenue and profits. Revenue grew by 10% to US$3,655 million and net profits increased by 33% to US$353.6 million.

Market overview

At a macro level, the global economic downturn continued to be a major factor throughout 2009. Consumer confidence remained low while the banking crisis prevented many companies from obtaining the funding they needed to undertake large scale projects.

Energy consumption was hit hard and I believe that it will be some time before we see any significant increase in demand for hydrocarbons. Against this background, it is to be hoped that we do not experience a rise in protectionism. World trade is challenging at any time, but it is a prerequisite for a thriving energy sector, as it is for many others.

Our progress

Despite the turbulence facing many western economies and businesses, we again experienced strong demand for our services and have secured significant new orders during the year which underpin future earnings. The Company has minimal debt and a cash balance of around US$1.4 billion and the Board's policy of maintaining a conservatively structured balance sheet has ensured that we have maintained a robust financial position.

How have we continued to grow during a period of recession? The achievements of 2009 are as a result of a clear and consistent strategy. We have high quality people throughout our organisation and a proven ability to serve our customers on large projects. Our recent growth has been reflected in the scale and complexity of the projects that we are now winning, underpinned by our proven execution capability and excellent track record in the lump-sum turnkey market.

Our strategic focus remains on the regions that we know well. When it comes to investing in major infrastructure projects, National Oil Companies (NOCs) are in a more advantageous position than many other organisations. Many of our customers have continued to invest in large-scale developments through the economic down-cycle, and our strength in delivery has placed us in an ideal position to work with them.

At the same time, we also expanded our geographic footprint during the year, winning major contracts in Abu Dhabi, Saudi Arabia and Turkmenistan.

In an important realisation of our strategy for Energy Developments, we announced, on 4 March 2010, the proposed demerger of our UK Continental Shelf oil & gas assets to a new company, EnQuest PLC, which will also acquire the UK Continental Shelf oil & gas assets of Lundin Petroleum, the Swedish oil & gas exploration and production group. Following the demerger, EnQuest PLC will be admitted to the Official List and to trading on the main market for listed securities of the London Stock Exchange and admitted to the Trading List and to trading on the Stockholm Stock Exchange via a secondary listing. Petrofac shareholders will own 45 per cent of EnQuest PLC.

Dividends

The Board is recommending a final dividend of 25.10 cents per ordinary share, equivalent to 16.69 pence per ordinary share which, if approved, will be paid on 21 May 2010 to eligible shareholders on the register at 23 April 2010. Together with the interim dividend of 10.70 cents, equivalent to 6.46 pence, this gives a total dividend for the year of 35.80 cents per ordinary share, an increase of 41% over 2008.

Corporate governance and corporate social responsibility

In the wake of the crisis in financial services, regulators are rightly concerned about risk management and our progression in undertaking larger and more complex projects has been accompanied by continued development of our risk management systems and processes. We remain committed to identifying, managing and mitigating risk in all areas of our operations and, to this end, the Board's Risk Committee deepened its oversight processes during the year.

From a community perspective, we continue to support and promote education and training in the regions where we operate, seeking to improve the future prospects of both the local children and of our workforces. In addition to the many programmes which we run with local schools close to our operations we are also establishing a new training centre in Syria.

Our people

Our growth is inextricably linked to our success in attracting, retaining and developing our people. Petrofac has long been a business where the brightest talents are encouraged to do their best work and we are committed to ensuring that it remains so with a number of talent management initiatives planned for the year.

During the past year, our numbers increased from some 11,100 to 11,700 as we brought in new skills and experience to complement our extremely capable employee base. In particular, our leadership capability was significantly expanded in 2009, underpinning our ability to work on the largest and most challenging projects.

On behalf of the Board, I extend our thanks unreservedly to all of our employees across the world. It has been a privilege to witness their expertise, commitment to excellence and constant focus on safety throughout the year.

The Board

This has been another year of stability for your Board, which benefits from great international diversity and a tremendous breadth of experience. Following our announcement on 4 March regarding the proposed demerger of our UKCS oil & gas assets, it is anticipated that Amjad Bseisu will step down from the Board in April 2010 subject to being appointed Chief Executive of EnQuest PLC and the successful listing of shares of that company. Aside from this, no changes have been made to the Board's composition since the Annual General Meeting held on Friday 15 May 2009. At the 2010 Annual General Meeting two of our long-serving non-executive Directors will be retiring from our Board. I would like to thank Michael Press and Bernard de Combret for their significant contributions to the Board since joining in 2002 and 2003, respectively. As a result, and subject to shareholder agreement, we look forward to welcoming two additional members to the Board in May, Thomas Thune Andersen and Stefano Cao.

Outlook

We secured a number of high value orders during 2009. Added to our existing backlog, these new orders give us excellent visibility of earnings and cash flow for the coming two to three years.

2009 has been a notable year for our group, our strong operational performance was reflected in the share price improvement during the period and it was pleasing to be named as one of the FTSE100's five best-performing stocks of the year. Notwithstanding these achievements, we are ever alert to the risks of complacency and recognise the increasing capability in our sector from firms based in the East, so we will continue with our prudent balance sheet strategy, our rigorous approach to risk management and our complete focus on execution excellence.

I thank our shareholders, customers, partners and suppliers for their support in 2009. Together, we can look forward to 2010 and beyond with confidence.

Rodney Chase
Chairman

Review of Operations

On 1 January 2009, the group reorganised its operations into seven business units, reporting under four segments:

Business unit		Reporting segment
Engineering & Construction, Sharjah 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*(8)		*Net profit*(4)		*EBITDA*	
	2009	*2008*	*2009*	*2008*	*2009*	*2008*	*2009*	*2008*
Engineering & Construction	**2,509.0**	1,993.5	**321.6**	241.2	**265.1**	206.3	**346.5**	252.4
Offshore Engineering & Operations	**626.7**	776.6	**17.8**	23.2	**12.8**	16.4	**19.7**	24.7
Engineering, Training Services and Production Solutions	**349.7**	510.4	**34.5**	48.3	**32.4**	33.1	**42.6**	61.9
Energy Developments	**248.7**	153.4	**77.4**	51.7	**46.2**	21.9	**160.9**	89.1
Corporate, consolidation & elimination	**(78.7)**	(104.3)	**(10.1)**	(8.8)	**(2.9)**	(12.7)	**(10.7)**	(9.1)
Group	**3,655.4**	3,329.5	**441.2**	355.6	**353.6**	265.0	**559.0**	419.0

Growth/margin analysis %	*Revenue growth*		*Operating margin*		*Net margin*		*EBITDA margin*	
	2009	*2008*	*2009*	*2008*	*2009*	*2008*	*2009*	*2008*
Engineering & Construction	*25.9*	*70.4*	*12.8*	*12.1*	*10.6*	*10.4*	*13.8*	*12.7*
Offshore Engineering & Operations	*(19.3)*	*0.3*	*2.8*	*3.0*	*2.0*	*2.1*	*3.1*	*3.2*
Engineering, Training Services and Production Solutions	*(31.5)*	*13.4*	*9.9*	*9.5*	*9.3*	*7.3*	*12.2*	*12.1*
Energy Developments	*62.1*	*15.5*	*31.1*	*33.7*	*18.6*	*14.3*	*64.7*	*58.1*
Group	*9.8*	*36.4*	*12.1*	*10.7*	*9.7*	*8.0*	*15.3*	*12.6*

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. Our core markets for this business remain the Middle East, North Africa and the Commonwealth of Independent States (CIS), particularly the Caspian region.

Our strong partnerships, proven execution track record and long-established presence in the Middle East and North African markets has helped us achieve a record order intake during the year of US$6.3 billion, which also includes a US$100 million FEED study for Turkmengaz, where the contract contemplates moving into a second phase multi-billion dollar EPC project during 2010. Initial progress on our new awards has been in line with our expectations and we have delivered good operational performance across our broader portfolio of projects:

- in Syria, we have made good progress on the Ebla gas plant for PetroCanada with first gas exports expected in the next few weeks and remain on schedule to complete the Jihar gas plant for the Hayan Petroleum Company (a joint venture between the state-owned Syrian Petroleum Company and INA Industrija Nafte d.d.-Naftaplin of Croatia) early next year
- in Egypt and Tunisia, we completed and commissioned the Salam and Hasdrubal gas plants for Khalda Petroleum (a joint venture between Apache and the state-owned Egyptian General Petroleum Corporation) and BG Tunisia, respectively
- we made significant progress on the Harweel cluster development project for Petroleum Development Oman (PDO), which, is scheduled for completion around the middle of this year
- we made substantial progress on the In Salah gas compression project in Algeria for Sonatrach, BP and Statoil, where the 3 compression stations are due for completion later this year
- in Kuwait, we completed the performance test for the last of the gathering centres in the facilities upgrade contract and all stations are now operational and have been handed over to Kuwait Oil Company and we have commenced construction on the Mina Alhmadi refinery 40" pipeline project which is due for completion later this year

Our principal contract awards during the year were:

Asab field development, Abu Dhabi

- Awarded in January 2009, the Asab field development is a 44-month US$2.3 billion lump-sum EPC project with Abu Dhabi Company for Onshore Oil Operations (ADCO) to upgrade facilities at the onshore Asab oil field in Abu Dhabi.

Karan utilities and cogeneration package, Saudi Arabia

- Awarded in February 2009, the Karan utilities and cogeneration package is a 34-month project with Saudi Aramco to build utilities and cogeneration facilities at the Khursaniyah gas plant in Saudi Arabia. The capacity of the plant is being extended to accommodate approximately 1.8 billion cubic feet of high pressure sour gas from the offshore Karan field.

El Merk central processing facility, Algeria

- Awarded in March 2009, El Merk is a 44-month US$2.2 billion EPC project for a consortium led by Sonatrach and Anadarko. We will design and build the El Merk central processing facility in the Berkine Basin, which will have a design capacity of approximately 100,000 barrels of oil per day, 29,000 barrels of condensate per day, 31,000 barrels of liquid petroleum gas (LPG) per day together with a natural gas liquids (NGL) train with a nominal capacity of 600 million standard cubic feet of gas per day.

Kauther gas compression, Oman

- Awarded in late June 2009, the Kauther gas compression contract is a US$0.4 billion EPC project for a gas compression system and associated facilities at the Kauther gas plant. The contract scope also includes commissioning and six months of initial operations. The project follows on from the successful completion of the Kauther gas plant in 2007, which Petrofac built on an EPC basis for PDO Oman. In early 2008, Petrofac was asked to carry out the front end engineering and design for a gas depletion-compression project and then invited to submit a commercial proposal for the EPC on a negotiated basis.

4th NGL train at Integrated Gas Development, Abu Dhabi

- In July 2009, we were awarded a contract through our 50% owned joint venture, Petrofac Emirates, and in partnership with GS Engineering & Construction, with GASCO worth approximately US$2.1 billion with a value to Petrofac Emirates of around US$1 billion. The 48-month lump-sum contract with GASCO is for the construction of the 4th natural gas liquids (NGL) train at the Ruwais complex in Abu Dhabi. This is the first project to be awarded to Petrofac Emirates, our joint venture with Mubadala Petroleum Services LLC which was established in late 2008.

South Yoloten gas field development, Turkmenistan

- We were awarded a contract in late December 2009 by Turkmengaz, Turkmenistan's state-run gas producer, to undertake a FEED study and initial planning and set-up studies 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). After satisfactory conclusion of the first phase, worth US$100 million, the contract contemplates moving into a second phase which will include the engineering, procurement and commissioning work. The second phase will be on a lump-sum basis, with a value not to exceed US$4 billion.

Results

Engineering & Construction's achieved strong revenue growth in the year due to high levels of activity, principally on our projects in hand at the beginning of the year. Revenue increased by 25.9% to US$2,509.0 million (2008: US$1,993.5 million). The main contributors to revenue were: the Ebla and Jihar gas plants in Syria; the Harweel project in Oman; the In Salah gas compression project in Algeria; and, the Asab project in Abu Dhabi.

Net profit increased by 28.5% to US$265.1 million (2008: US$206.3 million), representing a net margin of 10.6% (2008: 10.4%). The growth in net margin is due to continued strong operational performance, augmented by the recovery of prior year bid costs from a bidding partner, the first-time profit recognition on a project awarded in 2008 and a prior year adjustment in relation to the applicability of a lower tax rate in relation to our projects in Oman (see note 6 to the financial statements), partially offset by the dilutive effect of the recognition of revenue on some new contracts, where we are not yet recognising profit as the projects are in their early stages.

Over the year, Engineering & Construction grew its headcount from 3,400 to 4,200. In addition, our engineering offices in Mumbai and Chennai are reported within our Engineering, Training Services and Production Solutions segment, but principally support our Engineering & Construction activities. At 31 December 2009, we had approximately 1,300 employees in our Indian offices (2008: 1,000).

At 31 December, the Engineering & Construction backlog stood at US$6.2 billion (2008: US$2.4 billion), reflecting the high level of order intake during the year.

Offshore Engineering & Operations

Through Offshore Engineering & Operations we provide operations, maintenance and brownfield engineering services, predominantly in the UK Continental Shelf (UKCS) and principally on a reimbursable basis, but often with incentive income linked to the successful delivery of performance targets. Many of our operations contracts are long-term (typically three to five years) and in the case of the provision of Duty Holder services are generally open-ended.

We have seen an increase in tendering activity during the year both in the UKCS and international markets. Whereas in prior years contracts were often 'rolled-over' with the existing supplier, under similar terms and conditions, customers will now often retender contracts on their expiry as they seek improved terms. We have been a beneficiary of the increase in tendering activity, winning two key awards:

Apache engineering & construction, UK

- In July 2009, we were pleased to announce the award of an engineering and construction contract with Apache for the Forties field in the North Sea. This represents the first time that we have secured a major brownfield engineering & construction contract where we have not been the Duty Holder on the facilities. The contract is expected to generate revenue of approximately £25 million per annum and run for at least 3 years.

BP maintenance, UK

- In November 2009, we secured a 5 year contract to deliver integrated maintenance management support services, including the planning, co-ordination and execution of maintenance activities, for all of BP's UK offshore assets and the onshore Dimlington plant. This is the first time that BP has separated out maintenance services in this way. The contract is expected to generate revenue of approximately £20 million per annum.

In addition to securing these new awards, we have been successful in extending a number of our operations and maintenance contracts with oil majors and independents, including an extension to our Duty Holder contract with Venture Production to May 2011.

Acquisitions

In early January 2010, we completed the acquisition of Scotvalve Services Limited (Scotvalve), a mechanical services business, for an initial consideration of £3 million. A further consideration of up to £2 million will be payable in cash and/or shares over three years, subject to achieving certain agreed performance targets. Scotvalve, which was founded in 1985, has around 40 employees located at a mechanical workshop in Aberdeen from which the company provides the servicing and repair of oilfield pressure control equipment. In addition, Scotvalve has the capability to provide its services to the oil & gas sectors in the Middle East and North Africa, building upon our existing mechanical workshop facilities in the United Arab Emirates and Saudi Arabia.

Results

Largely as a consequence of the strength of the US dollar against Sterling, reported revenue for the year decreased by 19.3% to US$626.7 million (2008: US$776.6 million) and revenue excluding 'pass-through' revenue(9) decreased by 21.4% to US$436.4 million (2008: US$555.4 million). Approximately 90% of Offshore Engineering & Operations' revenue is generated in the UKCS and those revenues are generally denominated in Sterling. The US dollar was stronger against Sterling in 2009 compared to 2008 (see the Financial Review on page 34 for a summary of the exchange rates), thereby having a significant impact on the US dollar value of reported revenues for the Offshore Engineering & Operations reporting segment. On a constant currency basis, revenue excluding pass through revenue decreased by approximately 7%.

Net profit was lower at US$12.8 million (2008: US$16.4 million), again reflecting the strengthening of the US dollar against Sterling as well as the more challenging trading environment. On a constant currency basis, net profit was approximately 5% lower. Net margin on revenue excluding pass-through revenue was only marginally lower than the prior year at 2.9% (2008: 3.0%).

Headcount was broadly unchanged at the end of 2009 at 4,100 (2008: 4,200).

Backlog for Offshore Engineering & Operations increased to US$1.6 billion at 31 December 2009 (2008: US$1.1 billion), in part due to exchange rate movements (on a constant currency basis at 31 December 2008, backlog was approximately US$1.3 billion), but principally due to new contract awards and extensions.

Engineering, Training Services and Production Solutions

Three of our business units - Engineering Services, Training Services and Production Solutions - are reported together as ‘Engineering, Training Services and Production Solutions’.

Engineering Services predominantly provides early stage engineering studies such as conceptual studies or FEED studies. With the rapid fall in oil prices in the second half of 2008 and a more uncertain economic outlook, a significant number of customers postponed such studies or re-phased work, resulting in a significant reduction in activity during 2009. While staff numbers in our Woking engineering office have seen a modest reduction, we have seen a substantial reduction in the number of self-employed contractors, which has reduced from more than 250 to around 50, as existing projects have reached completion. Moving into 2010, we have been participating in more tendering activity, which should signal a modest improvement in activity levels. We have substantially grown our Mumbai and Chennai engineering offices, which predominantly support our Engineering & Construction activities.

In Training Services, we have seen a variation in activity levels in different regions, though, in general, there has been a reduction in technical and other training activities as customers have sought to defer discretionary expenditure. We have refocused our business development activities to concentrate on high-value opportunities and we are seeing an improvement in the pipeline of opportunities.

Activity levels for Production Solutions, of which the group’s service operator role for Dubai Petroleum is a significant part, have remained robust. Some of our consultancy and technology businesses have experienced a reduction in activity during the year as customers have deferred discretionary expenditure, though there have been indications of improvement as the year has progressed. On our service operator contract with Dubai Petroleum, we delivered a particularly good operational performance exceeding the year’s production targets agreed with our customer.

Results

Reported revenue for the year decreased by 31.5% to US$349.7 million (2008: US$510.4 million) and revenue excluding 'pass-through' revenue decreased by 32.0% to US$309.7 million (2008: US$455.6 million). While a proportion of the reporting segment's revenues are non-US dollar denominated and were therefore impacted by the strengthening of the US dollar, the decrease is primarily due to the decline in activity levels for Engineering Services and Training Services.

Despite the reduction in activity in Engineering Services and Training Services and the strengthening of the US dollar, net profit was broadly in line with the prior year at US$32.4 million (2008: US$33.1 million). Net margin on revenue excluding pass-through revenue increased to 10.4% (2008: 7.3%), reflecting an increase in net margins in Engineering Services, due to an increased contribution from the lower-cost Mumbai and Chennai engineering offices, and in Production Solutions due to good operational performance on the Dubai Petroleum contract.

At 31 December 2009, headcount, which includes long-term contractors, was broadly unchanged at 2,900 (2008: 3,000), although this includes an increase in our engineering offices in Mumbai and Chennai of around 300 employees[10], offset by a reduction in self-employed contractors at our Woking engineering office, predominantly due to lower activity levels.

Backlog for the Engineering, Training Services and Production Solutions reporting segment was US$0.3 billion at year end (2008: US$0.5 billion) due principally to expected lower activity in Production Solutions' well operations management business.

Energy Developments

Where we can leverage our 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.

During the year, good progress was made on Energy Developments' existing portfolio of operational assets (Don Southwest, West Don, Chergui, Cendor, Ohanet and the Kyrgyz Petroleum Company refinery):

Don Southwest and West Don, UKCS

The highlight of the first half was the commencement of production from both the Don Southwest and West Don fields in the UK North Sea. This represents a very significant milestone in the development and was achieved in less than a year from field development programme approval. The first of two planned production wells on West Don came on-stream in late April 2009, followed by two production wells on Don Southwest in late June 2009, although one of the wells was sidetracked in early 2010 after the original well failed to flow significant amounts of oil. The sidetracked well commenced production in early March 2010, which facilitated tie-in and commencement of the two Don Southwest water injection wells. The second production well on West Don was brought on-stream in August 2009 and the water injection well was brought on-stream in September 2009.

Total production for 2009 for the Don fields was 3.1 million barrels, with our share totalling 1.2 million barrels. As originally planned, export switched to a permanent pipeline export route over Lundin's Thistle platform in early March 2010. The new system is expected to reduce interruption and improve production stability and export operations.

During the drilling of the Don Southwest water injection wells, two cost-effective pilot holes were drilled into adjacent reservoir structures, both of which encountered oil. One of the pilot holes was drilled into an area known as the "Horst", which has excellent reservoir quality with high oil saturations. The other pilot hole was drilled into Area H, which revealed a 60 feet oil column in the Brent formation.

At 31 December 2009, Energy Developments' estimate of proven and probable reserves (net entitlement basis) for the Don Southwest and West Don fields is 19.5 million barrels (2008: 22.2 million barrels), including the Area 5 Horst. The net downward revision is due to production experience to date on both fields.

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Cendor PM304, Malaysia

The Cendor field, in Block PM304, offshore Peninsular Malaysia, produced an average of 14,400 bpd of oil over the year (2008: 14,700 bpd) and achieved production uptime of over 99 per cent. Towards the end of 2009, Offshore Engineering & Operations installed a Caltec WELLCOM multiphase boosting unit on one of the wells, which has subsequently seen a marked increase in output. Further units are now under consideration.

As operator (with a 30% interest), Energy Developments, along with its partners (Petronas, PetroVietnam and Kuwait Foreign Petroleum Exploration Company (KUFPEC)) drilled a number of successful near-field appraisal wells and is assessing a second phase of development of Block PM304. A FEED study for the second phase has been commissioned and a field development programme to develop the near field opportunities is expected to be submitted for approval during the second half of 2010.

Ohanet, Algeria

Energy Developments, in a joint venture with BHP Billiton (as joint venture operator), Japan Ohanet Oil & Gas Co, and Woodside Energy (Algeria), has invested in excess of US$100 million for a 10% share in a Risk Service Contract (RSC) with Sonatrach, Algeria's national oil company. Through Engineering & Construction, we undertook the EPC contract for the gas processing facilities in joint venture with ABB Lummus and were responsible for part of the on-site commissioning works. First gas for export began flowing in late 2003.

The plant continued to perform well in 2009. Overall production was somewhat lower than in 2008 at an average of approximately 123,100 bpd of oil equivalent (2008: 147,500 bpd of oil equivalent), due in part to a planned shutdown in late 2009. On average, we earned our share of the monthly liquids production by the 15th day of the month (2008: 7th), reflecting lower average oil & gas prices[(11)] and, to a lesser extent, lower average production rates. It is expected that we will earn our defined return by November 2011, at which point the RSC contract will expire.

Chergui field, Tunisia

In Tunisia, the Chergui gas plant (in which Energy Developments has a 45% operating interest) produced an average of 26.5 million standard cubic feet per day (mmscfd) of gas during the year (2008, from August to December: 24.3 mmscfd), which is in excess of the original nameplate design capacity of 20 mmscfd following commissioning of a refrigeration unit and debottlenecking of the plant. Engineering and procurement activities have commenced in relation to the tie-in of a third well, which should see an increase in the capacity of the plant.

KPC refinery, Kyrgyzstan

Energy Developments owns a 50% share in the Kyrgyz Petroleum Company (KPC) which is engaged in the refining of crude oil and the marketing of oil products from the KPC refinery. Offshore Engineering & Operations operates the refinery on behalf of the joint venture partners on a reimbursable basis. During 2009, the 10,000 bpd capacity refinery performed in line with expectations, producing an average of approximately 2,000 bpd (2008: 2,800 bpd) of principally gasoline, diesel and fuel oil. The decrease in throughput was due to lower demand.

FPF1 floating production facility, undeployed

During July 2009, Energy Developments acquired a floating production facility, AH001 (subsequently renamed the FPF1), from Hess and Endeavour Energy UK. The FPF1 had been deployed on the Hess operated Ivanhoe and Rob Roy Fields, in the UK North Sea, since 1989 with the Renee and Rubie Fields produced over it since 1999. The vessel, weighing approximately 17,000 tonnes, has a processing capacity of 70,000 bpd of oil and 42.5 mmscfd of gas with water injection capability of 72,000 bpd and treatment of 75,000 bpd. The vessel will remain in dry dock at the McNulty offshore facility in Newcastle-upon-Tyne, while options for its upgrade, modification and redeployment on fields, including those where Energy Developments has or can take an interest, are considered.

Permit NT/P68, Australia

During the second half of the year, Energy Developments signed an agreement with MEO Australia Limited to exit its interest in Permit NT/P68 in Australia. No consideration was paid in relation to the transaction and the carrying value of the asset (US$4.8 million) was written-off during the second half of 2009.

Results

Despite considerably lower oil prices in 2009 compared to the prior year, Energy Developments' revenue increased to US$248.7 million (2008: US$153.4 million), due to commencement of exports from the West Don and Don Southwest fields during the year and a full year's contribution from the Chergui gas plant, which commenced exports in August 2008.

Net profit for the year was higher at US$46.2 million (2008: US$21.9 million). Adjusting for current and prior year non-recurring items, net profit increased to US$49.9 million (2008:

US$38.5 million), reflecting commencement of exports from the West Don and Don Southwest fields during the year and a full year's contribution from the Chergui gas plant, partially offset by lower oil & gas prices. Current and prior year non-recurring adjustments were as follows:

Current and prior year

- an impairment provision of US$3.7 million (US$4.8 million less a tax credit of US$1.1 million) against Energy Developments' investment in Permit NT/P68 (2008: US$3.5 million (US$5.0 million less a tax credit of US$1.5 million))

Prior year only

- a US$8.2 million charge in relation to a currency hedge for capital expenditure on the Don area development, which, while being an economic hedge, was deemed an ineffective cash flow hedge under International Accounting Standard 39 'Financial Instruments: Recognition and Measurement'
- costs of US$4.9 million (US$9.8 million less a tax credit of US$4.9 million) in relation to the unsuccessful Prospero well in the Greater Don area

An analysis of Energy Developments' oil & gas reserve entitlements is presented on page 153.

Financial review

Revenue

Group revenue increased by 9.8% to US$3,655.4 million (2008: US$3,329.5 million) due to strong growth in Engineering & Construction and Energy Developments, offset by a decrease in Offshore Engineering & Operations and Engineering, Training Services and Production Solutions. Strong growth in Engineering & Construction, which accounted for approximately two-thirds of the group's revenue, was as a result of high levels of activity on ongoing lump-sum EPC contracts, including new projects awarded during the year. The increase in revenues in Energy Developments was as a result of commencement of exports from the Don fields and a full year's contribution from the Chergui gas plant, which commenced exports in August 2008. The decrease in reported revenues in Offshore Engineering & Operations was primarily as a result of the strengthening of the US dollar, as the majority of revenues are denominated in Sterling, while the decrease in Engineering, Training Services and Production Solutions was principally as a result of a decrease in activity levels for Engineering Services and Training Services.

Operating profit

Group operating profit increased by 24.1% to US$441.2 million (2008: US$355.6 million) and operating margins increased to 12.1% (2008: 10.7%), reflecting the increased operating profit contribution from the higher margin Energy Developments reporting segment. Engineering & Construction operating profit increased by 33.3% to US$321.6 million (2008: US$241.2 million) due to strong growth in activity levels and continued good operational performance. Energy Developments operating profit increased by 49.7% to US$77.4 million (2008: US$51.7 million) following commencement of production form the Don fields and a full year's contribution from the Chergui gas plant. Operating profit in Offshore Engineering & Operations decreased by 23.1% to US$17.8 million (2008: US$23.2 million) due principally to the strengthening of the US dollar, while Engineering, Training Services and Production Solutions decreased by 28.5% to US$34.5 million (2008: US$48.3 million) due to the decrease in activity levels for Engineering Services and Training Services, partly offset by an improvement in the operating margin from the lower-cost Mumbai and Chennai engineering offices, and in Production Solutions due to good operational performance on the Dubai Petroleum contract.

Net profit

Net profit for the year increased to US$363.0 million (2008: US$265.0 million).

Profit for the year attributable to Petrofac Limited shareholders increased to US$353.6 million, an increase of 33.4%, driven primarily by strong growth in Engineering & Construction and strong growth and improvement in net margin in Energy Developments, following commencement of production form the Don fields and a full year's contribution from the Chergui gas plant. The net margin for the group increased to 9.7% (2008: 8.0%), broadly in line with the increase in the group's operating margin.

EBITDA

EBITDA increased by 33.4% to US$559.0 million (2008: US$419.0 million), representing an EBITDA margin of 15.3% (2008: 12.6%). The increase in margin was due to growth in the higher margin Energy Developments reporting segment. Energy Developments' share of group EBITDA, excluding the effect of corporate, consolidation and elimination adjustments, increased to 28.2% (2008: 20.8%), while Engineering & Construction was broadly consistent with the prior year at 60.8% (2008: 59.0%), and Offshore Engineering & Operations and Engineering, Training Services and Production Solutions were lower at 3.5% (2008: 5.8%) and 7.5% (2008: 14.5%), respectively, following a decrease in reported EBITDA.

Backlog

The group's combined backlog at the end of 2009 was approximately US$8.1 billion (2008: US$4.0 billion), reflecting our high level of order intake during year, particularly in the Engineering & Construction reporting segment.

Exchange rates

Our reporting currency is US dollars. The US dollar was considerably stronger against Sterling in 2009 and there was therefore a significant impact on the reported results of our UK trading activities, principally within Offshore Engineering & Operations. The impact on the Offshore Engineering & Operations reporting segment is discussed further on page 26. The table below sets out the average and year-end exchange rates for the US dollar and Sterling for the years ended 31 December 2009 and 2008 as used by the group for financial reporting purposes.

Financial reporting exchange rates **US$/Sterling**	**2009**	**2008**
Average rate for the year	1.56	1.85
Year-end rate	1.62	1.46

Interest

Net finance income for the year was lower at US$6.4 million (2008: US$10.9 million, excluding finance charges in relation to hedges deemed ineffective under IAS 39) as the effect of higher average net cash balances during 2009 was more than offset by lower interest rates.

Taxation

An analysis of the income tax charge is set out in note 6 to the financial statements. The income tax charge as a percentage of profit before tax in 2009 was substantially lower at 18.9% (2008: 26.1%). The decrease in the effective tax rate compared to the prior year is due principally to:

- a lower than average tax charge in Energy Developments, which fully utilised the tax allowances available to it during 2009, including claiming a ring-fenced expenditure supplement available to operators within the UK Continental Shelf
- a shift in profitability within Engineering, Training Services and Production Solutions from the UK to overseas, including increased profitability in Production Solutions, where a zero tax rate applies to the business unit's largest contract with Dubai Petroleum, and
- confirmation during the year` of the applicability of a lower tax rate in relation to the group's projects, principally in Engineering & Construction, in Oman

Earnings per share

Fully diluted earnings per share increased to 103.19 cents per share (2008: 77.11 cents), an increase of 33.8%, in line with the group's increase in profit for the year attributable to Petrofac Limited shareholders.

Operating cash flow and liquidity

The net cash generated from operations was US$1,276.3 million (2008, as restated: US$586.6 million), representing 228.3% of EBITDA (2008, as restated: 140.0%). The increase in net cash inflows was due principally to advances received from customers and billings in excess of cost and estimated earnings in relation to Engineering & Construction contracts secured during 2009.

At 31 December 2009, the group's net cash had increased to US$1,300.1 million (2008: US$551.8 million) as a result of:

- operating profits generated of US$576 million
- net working capital inflows of US$700 million, including US$439 million of advance payments received in relation to Engineering & Construction awards less US$81 million of

cash outflows in relation to the growth of work in progress on other Engineering & Construction projects

- taxes paid of over US$87 million
- investing activities of US$343 million, including US$221 million in relation to capital expenditure on Energy Developments' portfolio of assets, predominantly on the Don fields, US$29 million on Cendor PM304 near field development and US$26 million on the acquisition of the FPF1 floating production facility
- financing activities, in particular, payment of the 2008 final dividend and 2009 interim dividend totalling approximately US$99 million.

Net cash (US$ million)	***2009***	***2008***
Cash and short term deposits	1,417.4	694.4
Interest-bearing loans and borrowings	(117.3)	(142.6)
Net cash	1,300.1	551.8

The group decreased its levels of interest-bearing loans and borrowings to US$117.3 million (2008: US$142.6 million) following repayment of an overdraft facility previously utilised by the Offshore Engineering & Operations and Training Services business units. As a result of lower interest-bearing loans and borrowings and higher cash and short-term deposits, the group's gross gearing ratio fell to 13.2% (2008: 25.5%).

Gearing ratio	**2009**	**2008**
	US$ million (unless otherwise stated)	
Interest-bearing loans and borrowings (A)	117.3	142.6
Cash and short term deposits (B)	1,417.4	694.4
Net cash/(debt) (C = B - A)	1,300.1	551.8
Total net assets (D)	890.5	558.8
Gross gearing ratio (A/D)	13.2%	25.5%
Net gearing ratio (C/D)	Net cash position	Net cash position

The group's total gross borrowings before associated debt acquisition costs at the end of 2009 were US$123.1 million (2008: US$148.0 million), of which 51.0% was denominated in US dollars (2008: 45.9%) and 49.0% was denominated in Sterling (2008: 51.8%) (in 2008 the balance of 2.3% was denominated in Kuwaiti Dinars).

As detailed in note 31 to the financial statements, the group maintained a balanced borrowing profile with 47.2% of borrowings maturing within one year and 52.8% maturing between one and five years (2008: 36.8% and 63.2%). The borrowings repayable within one year include US$46.6 million of bank overdrafts and revolving credit facilities (representing 37.9% of total gross borrowings), which are expected to be renewed during 2010 in the normal course of business (2008: US$45.3 million and 30.6% of total gross borrowings).

Prior to 31 December 2009, the group's policy was to hedge between 60% and 80% of interest payable on floating rate interest bearing loans and borrowings. On 31 December 2009, a number of the group's hedging instruments matured and a decision was taken to revise the group's hedging policy to give the group flexibility to repay borrowing should it so choose. As such, none of the group's borrowings were hedged at 31 December 2009 (2008: 65.1%). An analysis of the derivative instruments used by the group to hedge its interest rate and other exposures is contained in note 31 to the financial statements.

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

Capital expenditure

Capital expenditure on property, plant and equipment during the year was US$375.4 million (2008: US$255.5 million). The principal elements of capital expenditure were:

- additions to oil & gas assets in relation to development expenditure on Energy Developments' interest in the Don assets of US$274.1 million
- Energy Developments' acquisition of the FPF1 floating production facility of US$26.4 million

Capital expenditure on intangible oil & gas assets during the year was US$29.2 million (2008: US$37.0 million) in respect of capitalised expenditure on near field appraisal wells in relation to Energy Developments' interest in Block PM304, offshore Malaysia.

Shareholders' funds

Total equity at 31 December 2009 was US$906.8 million (2008: US$559.0 million). The main elements of the net movement were the increase in retained earnings for the year of US$256.6 million, a gain on foreign currency translation of US$15.1 million and the net change in the fair value of derivatives of US$29.2 million.

Return on capital employed

The group's return on capital employed for the year ended 31 December 2009 was 47.7% (2008: 52.7%).

Dividends

The Company proposes a final dividend of 25.10 cents per share for the year ended 31 December 2009 (2008: 17.90 cents), which, if approved, will be paid to shareholders on 21 May 2010 provided they were on the register on 23 April 2010. Shareholders who have not elected (before 5 March 2010) to receive dividends in US dollars will receive a Sterling equivalent of 16.69 pence per share.

Notes

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

(2) Backlog consists of the estimated revenue attributable to the uncompleted portion of lump-sum engineering, procurement and construction contracts and variation orders plus, with regard to engineering services and facilities management contracts, the estimated revenue attributable to the lesser of the remaining term of the contract and, in the case of life-of-field facilities management contracts, five years. The group uses this key performance indicator as a measure of the visibility of future earnings. Backlog is not an audited measure.

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

(4) Net profit for the year attributable to Petrofac Limited shareholders.

(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 2009 final dividend from US dollars into Sterling is based upon an exchange rate of US$1.5038:£1, being the Bank of England Sterling spot rate as at midday on 5 March 2010.

(6) ROCE is calculated as EBITA (earnings before interest, tax, amortisation and impairment charges, calculated as EBITDA less depreciation per note 3 to the financial statements) divided by average capital employed (being total equity and non-current liabilities per the consolidated balance sheet).

(7) Our engineering offices in Mumbai and Chennai are reported within our Engineering, Training Services and Production Solutions segment, but principally support our Engineering & Construction activities and are included within this statistic.

(8) Profit from operations before tax and finance costs.

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

(10) Engineering offices in Mumbai and Chennai are managed by Engineering Services, and headcount statistics are reported within the Engineering, Training Services and Production Solutions reporting segment; however, these offices principally provide engineering services to support Engineering & Construction. At 31 December 2009, the Mumbai and Chennai offices had a total of approximately 1,300 employees.

(11) For example, Brent, a benchmark crude oil, averaged US$62 per barrel for 2009 (2008: US$97 per barrel).