Petrofac Limited

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

CONTENTS

GROUP FINANCIAL HIGHLIGHTS

US$3,180 million

Revenue
Six months ended 30 June 2014: US$2,535 million

US$20.9 billion

Backlog[2]
As at 31 December 2014: US$18.9 billion

US$9 million

EBITDA[1,3]
Six months ended 30 June 2014: US$340 million

(39.3) cents

Earnings per share (diluted)[1]
Six months ended 30 June 2014: 39.8 cents

US$(133) million

Net (loss)/profit[1]
Six months ended 30 June 2014: US$136 million

22.0 cents

Interim dividend per share
Six months ended 30 June 2014: 22.0 cents

10%

Return on capital employed[1,4]
Year ended 30 June 2014: 20%

---

1 Before exceptional items and certain re-measurements.

2 Backlog consists of the estimated revenue attributable to the uncompleted portion of lump-sum engineering, procurement and construction contracts and variation orders plus, with regard to engineering, operations, maintenance and Integrated Energy Services contracts, the estimated revenue attributable to the lesser of the remaining term of the contract and five years. Backlog will not be booked on Integrated Energy Services contracts where the Group has entitlement to reserves. The Group uses this key performance indicator as a measure of the visibility of future revenue. Backlog is not an audited measure.

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

4 Return on capital employed is calculated as EBITA (earnings before interest, tax and amortisation) for the year ended 30 June 2015 divided by average capital employed (being total assets less total current liabilities per the interim condensed consolidated statement of financial position adjusted for gross up of finance lease creditors).

BUSINESS REVIEW

Results

The Group has had a strong start to the year in terms of new project awards, reflecting ongoing investment in large strategic projects by our clients in our core markets. Backlog increased 11% to US$20.9 billion at 30 June 2015 (31 December 2014: US$18.9 billion), with a further announced award of US$0.8 billion since 30 June 2015, giving us excellent revenue visibility for the rest of this year and beyond.

Operationally, on the Laggan-Tormore gas plant, commissioning is well underway, with major systems handed over to the client. We have recorded incremental losses on the contract in the first half of 2015 of approximately US$263 million after tax as a result of additional completion and pre-commissioning work (see notes 2 and 3 to the financial statements). The additional costs predominantly relate to additional direct construction manhours, along with the associated indirect, subcontractor and material costs. The rest of our portfolio remains in good shape and is performing in line with our expectations.

Revenue for the first six months of the year increased 25%, predominantly due to Onshore Engineering & Construction, where activity levels increased substantially from the second half of 2014 onwards as we moved into the execution phase on a number of projects. As in 2014, and as previously announced, net profit for 2015 is expected to be significantly weighted to the second half of 2015, reflecting the phasing of project delivery, particularly in Onshore Engineering & Construction, as a number of projects are expected to reach their percentage of completion threshold for initial profit recognition in the second half of 2015. Net profit attributable to Petrofac Limited shareholders for the six months ended 30 June 2015 before recognising the year to date loss on Laggan-Tormore and before exceptional items and certain re-measurements was US$130 million (2014: US$136 million). On the same basis, EBITDA for the first six months of the year was lower at US$305 million (2014: US$340 million), predominantly due to a lower contribution from Integrated Energy Services.

After recognising the year to date loss on Laggan-Tormore, but before exceptional items and certain re-measurements, the net loss for the first half of the year was US$133 million (2014: US$135 million net profit) and EBITDA was US$9 million (2014: US$340 million). We recognised exceptional items and certain re-measurements in the first half of the year of US$49 million after tax (2014: nil), predominantly in respect of an impairment charge of US$33 million in relation to Integrated Energy Services goodwill, in light of revised commodity price expectations and underlying asset performance in the year to date (see note 5 to the financial statements).

The Group's net debt stood at US$1.0 billion at 30 June 2015 (31 December 2014: net debt US$0.7 billion) as the net result of:

- operating profits before working capital and other non-current changes of US$70 million
- net working capital inflows of US$177 million, including:
    - a cash inflow of US$111 million from a decrease in other receivables and amounts due from joint venture partners within trade and other receivables
    - a cash inflow of US$149 million from an increase in accrued contract expenses on Onshore Engineering & Construction projects, particularly in relation to projects where we have recently moved into the execution phase
    - a cash inflow of US$82 million from an increase in trade and other payables, where an increase in trade payables and advances received from customers more than offset a reduction in accrued expenses and other payables
    - a cash outflow of US$151 million from an increase in work in progress, due to the ramp-up of activity and the timing of billing milestones on Onshore Engineering & Construction projects
- investing activities of US$242 million, including capital expenditure of approximately US$125 million on Integrated Energy Services projects and US$86 million on the Petrofac JSD6000 installation vessel
- financing activities, in particular, payment of the 2014 final dividend of US$149 million and financing the purchase of treasury shares for US$39 million for the purpose of making awards under the Group's share schemes
- net taxes paid of US$30 million and interest paid of US$41 million

Net debt (US$ millions)	**30 June 2015**	**31 December 2014**	**30 June 2014***
Cash and short-term deposits	858	986	715
Interest-bearing loans and borrowings	(1,891)	(1,719)	(1,982)
Net debt	(1,033)	(733)	(1,267)

* Includes amounts in assets held for sale

Finance costs for the period increased to US$53 million (2014: US$28 million), principally due to the interest cost of finance leases in relation to floating production facilities in Malaysia for Block PM304 and the Berantai Risk Service Contract which, prior to the 80% disposal of these vessels to PetroFirst Infrastructure Holdings Limited in August 2014, eliminated on consolidation. Finance income was US$3 million in the first half of the year (2014: US$11 million) with the majority of the finance income relating to the unwinding of the long-term receivable in relation to the Berantai Risk Service Contract (RSC).

The tax credit for the six months ended 30 June 2015 of US$1 million (2014: US$53 million charge) represents an effective tax rate credit of 0.5% (six months ended 30 June 2014: 27.9% charge; year ended 31 December 2014: 18.4% charge). The Group's effective tax rate is dependent upon a number of factors including the timing of profit recognition between the first and second halves of the year on contracts held as well as the mix of jurisdictions in which contracts' income is generated within the Onshore Engineering & Construction and the Integrated Energy Services segments. For the six months, the lower effective tax rate results from the impact of current period losses not recognised for tax purposes and a reduced proportion of total income being generated in higher tax jurisdictions compared with prior periods. However, if the consequences of the temporary issues noted above are accounted for, the Group's effective tax rate for year end 2015 is expected to be broadly in line with last year's effective tax rate.

Diluted earnings per share before exceptional items and certain re-measurements for the six months ended 30 June 2015 was a loss of 39.3 cents per share (2014: profit of 39.8 cents per share) in line with the change in net profit/(loss).

At 30 June 2015, the Group had around 20,200 employees (including long-term contractors) (31 December 2014: 19,800).

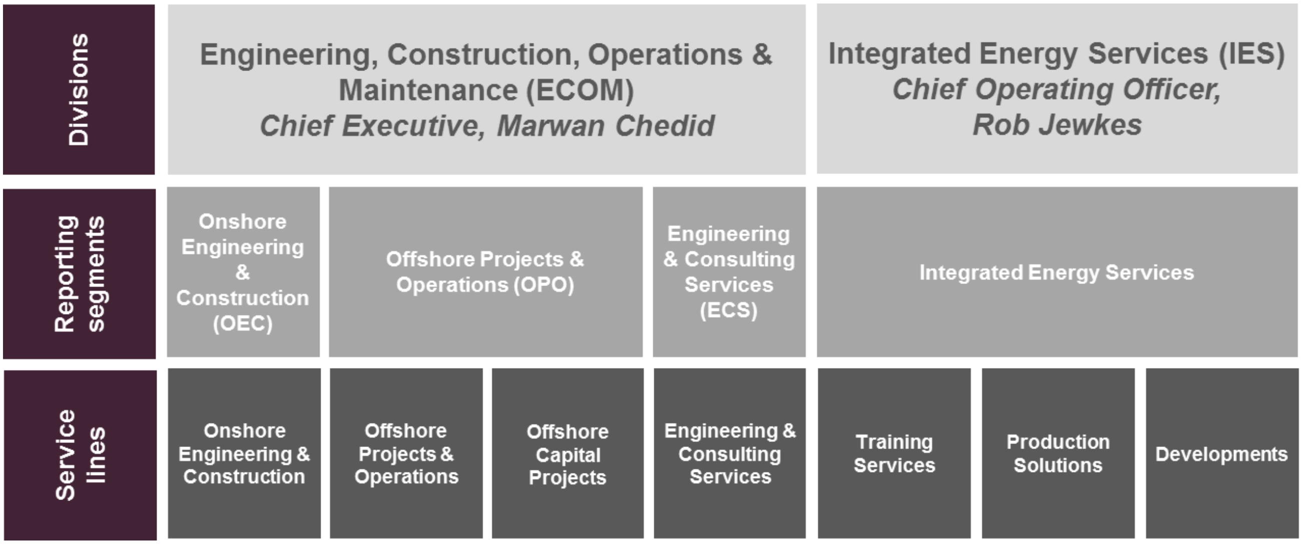
Dividend

The Board has declared an interim dividend of 22.0 cents per share (2014: 22.0 cents), in line with the 2014 interim dividend, which will be paid on 16 October 2015 to eligible shareholders on the register at 18 September 2015. Shareholders have the opportunity to elect by close of business on the record date to change their dividend currency election. Shareholders who have not elected to receive dividends in US dollars will receive a sterling equivalent, based on the exchange rate on 23 September 2015.

BUSINESS REVIEW

Segmental analysis

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



We present below an update on each of the Group's reporting segments[1]:

US$ million ***For the six months ended 30 June***	*Revenue*		*Operating profit*[2]		*Net profit*[3]		*EBITDA*	
	2015	*2014*	***2015***	*2014*	***2015***	*2014*	***2015***	*2014*
Onshore Engineering & Construction	**2,130**	988	**(131)**	123	**(123)**	107	**(110)**	144
Offshore Projects & Operations	**682**	1,050	**18**	5	**9**	-	**22**	7
Engineering & Consulting Services	**266**	214	**17**	3	**14**	4	**23**	6
Integrated Energy Services	**261**	467	**18**	81	**(7)**	55	**74**	182
Corporate, others, consolidation adjustments & eliminations	**(159)**	(184)	**(5)**	(7)	**(26)**	(30)	**-**	1
Group	**3,180**	2,535	**(83)**	205	**(133)**	136	**9**	340

Growth/margin analysis % ***For the six months ended 30 June***	*Revenue growth*		*Operating margin*		*Net margin*		*EBITDA margin*	
	2015	*2014*	***2015***	*2014*	***2015***	*2014*	***2015***	*2014*
Onshore Engineering & Construction	***115.9***	*(38.6)*	***(6.2)***	*12.4*	***(5.8)***	*10.8*	***(5.2)***	*14.6*
Offshore Projects & Operations	***(35.0)***	*56.7*	***2.6***	*0.5*	***1.3***	*-*	***3.2***	*0.7*
Engineering & Consulting Services	***24.3***	*18.9*	***6.4***	*1.4*	***5.3***	*1.9*	***8.6***	*2.8*
Integrated Energy Services	***(44.1)***	*11.5*	***6.9***	*17.3*	***(2.7)***	*11.8*	***28.4***	*39.0*
Group	***25.4***	*(9.3)*	***(2.6)***	*8.1*	***(4.2)***	*5.4*	***0.3***	*13.4*

[1] Before exceptional items and certain re-measurements.
[2] Profit from operations before tax and finance costs, including the Group's share of results of associates.
[3] Profit for the year attributable to Petrofac Limited shareholders.

Engineering, Construction, Operations & Maintenance

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

Onshore Engineering & Construction

Onshore Engineering & Construction delivers onshore engineering, procurement and construction projects. We are predominantly focused on markets in the Middle East, Africa and the Caspian region of the Commonwealth of Independent States (CIS).

Operationally, on the Laggan-Tormore gas plant, commissioning is well underway, with major systems handed over to the client. The rest of our portfolio remains in good shape and is performing in line with our expectations.

New awards

Order intake for the first half of the year totalled US$3.4 billion, including the following major award:

Lower Fars Project, Kuwait

In January 2015, we announced that we are leading a consortium with Consolidated Contractors Company (CCC) to deliver the first phase of Kuwait Oil Company's (KOC) Lower Fars heavy oil development programme, which is located in the north of the country. The contract which is worth in excess of US$4 billion, with Petrofac's share being approximately US$3 billion, will be completed in approximately 52 months. The scope of work covers greenfield and brownfield facilities and includes engineering, procurement, construction, pre-commissioning, commissioning (EPC), start-up and operations and maintenance work for the main central processing facility (CPF) and associated infrastructure as well as the production support complex. This includes a pipeline of almost 162 kms which will transport the heavy crude from the CPF to the South Tank Farm located in Ahmadi, from where KOC has the option to send it to the proposed Al-Zour refinery in the south of Kuwait.

We have also secured the following major award since 30 June 2015:

Manifold Group Trunkline (MGT) system, Kuwait

In July 2015, we received an award notification for Kuwait Oil Company's Manifold Group Trunkline (MGT) system in the north of Kuwait, valued at approximately US$780 million, it is integral to KOC's plans to increase and maintain crude production over the next five years. Three new gathering centres (GCs), which form part of the broader project, are already under construction with Petrofac executing the EPC contract for GC29. Due for completion towards the end of 2017, the MGT system will provide the feedstock to each of the GCs via three independent networks of intermediate manifolds and pipelines. Each of the three gathering centres will be capable of producing around 100,000 barrels of oil per day together with associated water and gas.

Results

Revenue for the first half of the year was substantially higher than the prior period at US$2,130 million (2014: US$988 million), reflecting an increase in activity levels as we moved into the execution phase on a number of projects.

The net loss for the first six months of the year was US$123 million (2014: US$107 million net profit), reflecting the recognition of US$263 million of losses on the Laggan-Tormore project. The underlying net margin for the first six months of the year, before the Laggan-Tormore losses, was lower at 6.6% (2014: 10.8%), reflecting the phasing of project delivery, as a number of projects are expected to reach their percentage of completion threshold for initial profit recognition in the second half of 2015.

Onshore Engineering & Construction headcount stood at 6,500 at 30 June 2015 (31 December 2014: 5,900), reflecting the increase in activity levels.

At 30 June 2015, Onshore Engineering & Construction backlog stood at the record level of US$12.1 billion (December 2014: US$10.8 billion), reflecting the award of the Lower Fars heavy oil project in Kuwait.

BUSINESS REVIEW

Offshore Projects & Operations

Offshore Projects & Operations, which includes our Offshore Capital Projects (OCP) service line, specialises in both offshore engineering and construction services, for greenfield and brownfield projects, and the provision of operations and maintenance support, onshore and offshore.

Overall activity levels in the first half of 2015 were lower than the first half of 2014. This was primarily due to lower levels of activity on capital projects, such as the Laggan-Tormore gas plant on Shetland in the UK and the upgrade and modification of the FPF1 floating production facility (which will subsequently be deployed on the Greater Stella Area). We continue to make good progress across our portfolio of operations support contracts and offshore capital projects, such as the SARB3 project in Abu Dhabi, which is now 70% complete, and the BorWin3 project in the German North Sea, where we have completed 50% of the engineering.

New awards and extensions:

We secured a number of contract extensions in the year to date totalling approximately US$400 million: the largest of these awards is for the provision of operations and maintenance teams for CNR International across its North Sea assets – the three platforms in the Ninian complex; Murchison; and Tiffany – for the next five years. In addition, in the East Irish Sea, we secured a two-year contract renewal from Eni, covering operations and maintenance services for the Douglas fixed platforms, Offshore Storage Installation and Point of Ayr terminal; and Duty Holder responsibility for the Irish Sea Pioneer operations support vessel.

We also secured the following major new contract and entered into a strategic marketing alliance with McDermott during the first half of the year:

Oranje-Nassau Energie (ONE) UK Limited support contract, Southern North Sea

In June 2015, we secured a contract to support Oranje-Nassau Energie (ONE) UK Limited, a subsidiary of Amsterdam based oil and gas producer Oranje-Nassau Energie B.V., as the company has become operator of the Sean gas field in the Southern North Sea as of 1 June 2015. The contract is for Duty Holder Support Services and is worth US$45 million over three years, with the option of two one-year extensions. The Sean assets comprise a manned, bridge-linked wellhead and production platform, a normally unmanned installation and a 30" export pipeline to Bacton. The facilities are located 68 miles offshore, north-east of Lowestoft and the contract will support around 40 onshore and offshore jobs and will see Petrofac provide operations and maintenance services plus a range of ancillary functions.

McDermott strategic marketing alliance

In February 2015, we announced that we had entered into a Memorandum of Understanding (MoU) with offshore engineering, procurement, construction and installation (EPCI) company McDermott to form a strategic marketing alliance. Under the terms of the five year alliance, the two companies will jointly pursue opportunities in the deepwater subsea, umbilicals, risers and flowlines (SURF) sector. The aim is to develop a first-class SURF market position targeting EPCI projects in the US Gulf of Mexico, Mexico, West Africa, Brazil, Mediterranean and North Sea. The combination of our experience, assets and cultures will enable us to offer clients a very competitive integrated solution for their deepwater developments.

Results

Revenue for the first half of the year decreased 35% to US$682 million (2014: US$1,050 million), predominantly reflecting lower levels of activity on capital projects, such as the Laggan-Tormore gas plant on Shetland in the UK and the upgrade and modification of the FPF1 floating production facility.

Net profit for the first half of the year increased to US$9 million (2014: US$nil million). Net margin for the first half of the year increased to 1.3% (2014: 0%) as much of the activity on capital projects during the first half of 2014, which was at low margins, has now been completed.

Headcount stood at 5,300 at 30 June 2015 (31 December 2014: 5,500), reflecting the decrease in activity.

Offshore Projects & Operations backlog increased to US$3.5 billion at 30 June 2015 (31 December 2014: US$3.4 billion), reflecting a number of awards and contract extensions during the first half of the year.

BUSINESS REVIEW

Engineering & Consulting Services

Engineering & Consulting Services operates as our centre of technical engineering excellence. From offices across the Middle East and North Africa, CIS, Asia-Pacific, Europe and The Americas, we provide engineering services across the life cycle of oil and gas assets. Our teams execute all aspects of engineering, including conceptual studies, front-end engineering and design (FEED) and detailed design work, for onshore and offshore oil and gas fields and facilities.

As well as supporting the rest of ECOM and IES, we have secured and undertaken a wide range of projects in the six months to the 30 June 2015 for external customers. Engineering & Consulting Services' larger awards won during the first half of the year included:

Yibal Khuff Project, Oman

In June 2015, we were awarded an engineering and procurement contract by Petroleum Development Oman (PDO) to provide services for its Yibal Khuff project, a field located approximately 350 km south west of Muscat. Under the terms of the four and a half year contract, we will provide reimbursable engineering, and construction and commissioning management support services and procurement on an incentivised pass-through basis. This will extend throughout construction and during start-up of the integrated oil and sour gas facility. The total contract value is expected to be around US$900 million with around one-quarter of the revenues relating to professional services (engineering, construction and commissioning management). Development of the field will add to PDO's future oil production whilst the associated gas will be utilised for power generation and enhanced oil recovery developments.

Plant Asset Management (PAM), various

Throughout the year, we have been awarded a number of contracts in our Plant Asset Management (PAM) business, the asset performance management consultancy which is part of the Petrofac Group. These have included the award of an Integrity and Maintenance Programme Development contract by INPEX for the Ichthys LNG Project in Australia. It will be one of the largest global projects awarded to Plant Asset Management, involving an integrated gas chain covering both upstream and midstream assets. In addition, PAM has won a number of awards in the UK North Sea during the first half of the year.

Results

Revenue for the first half of the year increased 24% to US$266 million (2014: US$214 million), reflecting the ramp up of activity on the Rabab Harweel project awarded in March 2014. Net profit for the first half of the year increased to US$14 million (2014: US$4 million) due to higher margins earned by our Indian engineering offices and progress on the Rabab Harweel project. Net margin for the first half of the year was 5.3% (2014: 1.9%).

Headcount increased to 5,300 at 30 June 2015 (31 December 2014: 4,900), reflecting the increase in activity levels.

Engineering & Consulting Services backlog stood at US$2.3 billion at 30 June 2015 (31 December 2014: US$1.4 billion), following the award of the Yibal Khuff contract in June 2015.

BUSINESS REVIEW

Integrated Energy Services

Integrated Energy Services provides an integrated delivery service for hydrocarbon resource holders under innovative commercial models that are aligned with their requirements. Projects cover upstream developments, both greenfield and brownfield, and related energy infrastructure projects, and can include investment.

Integrated Energy Services deploys the Group's capabilities to meet the individual needs of customers using a range of commercial frameworks, including:

- Production Enhancement Contracts (PECs)
- Risk Service Contracts (RSCs)
- traditional Equity Upstream Investment models including both Production Sharing Contracts (PSCs) and concession agreements

Our service offering is underpinned by our ability to develop resource holders' local capability through the provision of skills training with competency development and assurance frameworks.

Production Enhancement Contracts

We continue to make progress on our Production Enhancement Contracts in Mexico and in July we brought on production from Santuario North East, the first developed near-field opportunity on the Santuario field. In addition, we continue to work with PEMEX as part of the ongoing energy reforms in Mexico, where we have the opportunity to migrate our portfolio of Mexican Production Enhancement Contracts to a new form of contract. We expect to be in a position to provide an update later in the year.

As noted at our full year results, we are in the process of exiting our position on the Ticleni field in Romania.

We earn a tariff per barrel on PECs for an agreed level of baseline production and an enhanced tariff per barrel on incremental production. During the first half of the year we earned tariff income on a total of 3.7 million barrels of oil equivalent (mboe) (2014: 4.7 mboe), reflecting lower investment in the PECs in Mexico.

Risk Service Contracts

The Berantai risk service contract continues to operate in line with expectations with steady production being maintained.

Equity Upstream Investments

On the Greater Stella Area development, work is ongoing through Offshore Projects & Operations on the FPF1 floating production facility. Our focus is on closing out the remaining pre-commissioning activities and the start-up of commissioning operations. Pipework pressure testing on the topsides processing and utility systems is well advanced and the post-testing reinstatement of subsystems for pre-commissioning is on-going. Electrical and instrumentation cable termination activities are nearing conclusion, close out of which will facilitate the commencement of the main commissioning phase. Sailaway of the FPF1 remains scheduled for the first quarter of 2016.

On Block PM304 in Malaysia, we completed the drilling programme on the Cendor field after five years of continuous rig activity on the Block. Production levels are expected to ramp up as we tie in new wells on Cendor phase 2 and optimise well production.

In Tunisia, production from the Chergui gas concession was below expectations for the first half of the year due to periods of civil unrest during March and April, however production has since returned to full capacity.

In the first half of the year, our net entitlement from production from Block PM304 and the Chergui gas plant was broadly stable at 1.1 mboe (2014: 1.2 mboe).

Results

Integrated Energy Services' revenue decreased by 44% to US$261 million (2014: US$467 million), predominantly reflecting the lower oil price environment and lower investment in our PECs in Mexico.

BUSINESS REVIEW

IES made a net loss before exceptional items and certain re-measurements of US$7 million (2014: US$55 million profit), reflecting the lower oil price environment, but including receipt of a US$9 million break fee from Bowleven in respect of our exit from the Etinde project in Cameroon.

We recognised exceptional items and certain re-measurements in the first half of the year of US$44 million (2014: nil), predominantly in respect of an impairment charge of US$33 million in relation to IES goodwill, in light of revised commodity price expectations and underlying asset performance in the year to date (see note 5 to the financial statements).

Headcount decreased to 3,100 at 30 June 2015 (December 2014: 3,300), while backlog decreased marginally to US$3.1 billion at 30 June 2015 (31 December 2014: US$3.3 billion).

Principal risks and uncertainties

These are the most significant risks that could have an adverse impact on our financial position or business performance. Their occurrence could therefore reduce the likelihood of us achieving our strategic goals. Our business risk systems, combined with the Board's ownership of strategic risk, ensure that a risk management culture is embedded in business. Details are included in the Board Risk Committee Report of the 2014 Annual report and accounts on pages 90 to 95.

In May 2015, the Board Risk Committee was dissolved following the departure of Stefano Cao (the Committee chairman) from the Board. Oversight of all enterprise risks has been transferred to the full Board, with responsibility for Risk Management transferred to the Audit Committee.

Risk	Mitigation and management
Sovereign, country and financial market risks	
Overexposure to a single market risk The risk of over-concentration in a particular market or geography.	When considering entry into new territories, or extending our activities in existing territories, operational plans are reviewed by the Group Risk Committee. The Audit Committee (and previously the Board Risk Committee) regularly reviews the Group's overall concentration of risk. We also take all reasonable measures to reduce and limit our commercial exposure in each territory. This includes regular security risk assessments, careful selection of contracting parties, out-of-country arbitration, advance payments, and a disciplined approach to cash management.
Counterparty risks The risk of financial or commercial exposure if counterparties (such as key financial institutions, clients, partners, subcontractors or vendors) default on their commitments.	We aim to minimise our cash flow exposure on contracts, especially where we deploy capital alongside our services (as in certain IES contracts). We will only do so where we are comfortable with the level of counterparty risk and with the contractual terms and conditions. We regularly monitor our exposure and ensure that our financial assets are spread across a number of creditworthy financial institutions and that limits are not breached. Our Sovereign and Financial Market Risk Policy requires that material financial counterparty risk is only held with counterparties that are rated by Standard and Poor's as 'A' or better (or the equivalent Moody's rating). Financial Counterparty Risk is managed by Group Treasury and the Board (previously the Board Risk Committee) has established specific limits for financial counterparties.
Liquidity risk The risk arising if we were not able to meet our financial commitments.	Given the need to finance our on-going operations and invest in future growth, we are exposed to certain liquidity risks. We manage these risks by ensuring that we always maintain an adequate level of liquidity in the form of readily available cash, short-term investments or committed credit facilities. As the Group has grown, we have invested more of our surplus cash into strategic investments and other opportunities, assuming a greater spread of longer-term investments making the Company more capital intensive. In 2014 we began a programme to reduce this exposure. The Board (previously the Board Risk Committee) has defined a minimum level of liquidity that must be maintained. Additionally, the Board has set a target for the maximum level of leverage. Cash flow forecasting is carried out across all service lines on a regular basis in order to identify any funding requirements well in advance.
Investment risks The risk that poor investment decisions could negatively impact our business model. This includes investments in the business itself and co-investment in our clients' assets (as is often the case with IES contracts).	As the Group moves into new geographies and Petrofac competes for larger, more integrated projects, the Board is required to sanction more complex bids and investments, such as the JSD6000 vessel. In doing so, it assesses the level of project management discipline and executive capability necessary to support them, to satisfy itself that the right mix of risk, capability and reward is established.

Risk	Mitigation and management
Sovereign, country and financial market risks *continued*	
Business disruption risks The risk of exposure to civil or political unrest, civil war, regime change or sanctions that could adversely affect our operations. There is also a risk that IT security failings could result in the loss of commercially sensitive data.	We face a range of political risks in a variety of territories, including the possibility of unforeseen regime change as well as legal or regulatory changes. The Board regularly monitors the changing political landscape, particularly in those countries regarded as unpredictable or core to our business. Security risk assessments are carried out in all high risk territories before entering into new contracts. Careful consideration is also given to project investment and income exposures and to the associated contract terms and conditions. As well as facing external cyber-security threats, almost every business is increasingly dependent on the on-going capability and reliability of its IT platforms. Across Petrofac, we are alert to the related risks and conscious of the need to be able to respond effectively to any far-reaching systems failure.
Commodity or currency risks Volatility in oil and gas prices could influence the level of investment in the industry and, hence, the demand for our services. Significant movements in exchange rates could impact our financial performance. The financial performance of IES is more susceptible to oil and gas price volatility (due to Equity Upstream Investments).	As detailed in the Market Outlook section on pages 20 to 22 of the 2014 Annual report and accounts, demand for our services in 2014 was high and backlog stood at a record year-end high at US$18.9 billion at 31 December 2014. We have continued to secure high levels of new awards and extensions in ECOM, with Group backlog increasing to US$20.9 billion at 30 June 2015, largely insulating the Company from the immediate effects of lower hydrocarbon prices. While lower hydrocarbon prices are leading to a reduction in the level of investment, exploration, development and production activity among International Oil Companies (IOCs), the majority of the Group's revenues come from National Oil Companies, who are continuing to invest in large strategic projects in our core markets. The majority of Group revenues are denominated in US dollars or currencies pegged to the US dollar. In instances where we are procuring equipment or incurring costs in other currencies, we use forward currency contracts to hedge any related exposures. Under our Sovereign and Financial Market Risk Policy we aim to hedge, on a rolling annual basis, the net profit exposure to hydrocarbon prices from 75% of our low-estimate of production on Equity Upstream Investments in IES. However, we do not begin hedging until a development has achieved steady-state production.
Operational and contractual risks	
Client concentration risks The risk of over-exposure to any one client – and the impact this could have if the relationship were to be jeopardised.	The Board regularly monitors the total value of contracts by customer to ensure that we are not overly dependent on any one relationship. In ECOM, our customer-base is already widely dis-aggregated and we are also working towards a larger client portfolio for IES services. Through our business strategy, we are progressively diversifying our business in terms of service lines, locations and business models. In addition, we have a formal programme of regular, senior level dialogue with our major customers to understand and pre-empt any concerns they may have.
Competition risks The risk of a significant change to the marketplace dynamics – and the ways in which this could threaten our market position or our geographic footprint.	As noted in the Market Outlook section on pages 20 to 22, the capital discipline of IOCs continues to increase and we therefore expect the demand for our services from this sector in 2015 to be challenging. Our business strategy assumes that a high level of competition will continue – but our progressive diversification aims to continue our drive to increase the size of our addressable market. Bid-to-win ratios and segmental competition is regularly analysed to monitor this risk.
Environmental, asset integrity and safety risks The risk of experiencing a serious environmental, asset integrity or safety incident – and the commercial and reputational damage that could be caused.	Our strong culture of health, safety and environmental awareness is central to our operational and business activities. This culture is continually re-emphasised and is supported by our operating framework and its associated management processes and systems – including our Asset Integrity Framework. We also have a wide variety of controls embedded within the business including: health, safety, security, environment and integrity assurance (HSSEIA) processes, safety case management processes, major accident hazard risk assessments and audits, and regular monitoring of integrity management and maintenance schedules. For all of our contracts, the respective management teams also review the commercial arrangements with clients, maintain emergency preparedness plans and review insurance coverage.

Risk	Mitigation and management
***Operational and contractual risks** continued*	
Contractual performance risks The portfolio may sometimes include a relatively small number of very large contracts – and the implications for our financial performance if any of these contracts were to be disrupted.	We have a long history of successful project execution (from bid submission through to project completion), which has demonstrated our rigorous approach to risk identification and mitigation. The delivery of our portfolio in 2014 and the first half of 2015 has proved challenging and as a result, we are reinforcing our delivery framework in OEC to include: operational excellence; margin capture; cost reduction; design optimisation; changes to execution and subcontracting models; and reinforced our system of governance. Within IES we have: strengthened the engineering design sub-surface and operational Technical Authorities; increased our governance and assurance processes; and provided greater interdependence between technical, asset management and sub-surface teams. We always seek to avoid liabilities that are unquantifiable or for which we could not reasonably be held responsible. See note 2 to the financial statements in respect of management's consideration of liquidated damages claims in respect of the Laggan-Tormore contract. We also monitor the level of insurance provision and the extent to which we could bear the financial consequences of a major disruption.
Risk transfer arrangements If we are unable to transfer certain risks to the insurance market (due to the availability or cost of cover, for example), we could be exposed to material uninsured losses.	We maintain a Group-wide insurance programme to mitigate against significant losses. The programme is consistent with general industry practice, and it also incorporates a captive insurance vehicle for the management of low level attritional losses. Insurance premium costs are subject to changes based on various facts including a particular company's loss experience; the overall loss experience of the insurance markets; and capacity constraints. To mitigate these risks, we have worked with our insurance brokers, Aon, to continually optimise the insurance policies that we purchase in terms of their limits; deductibles; and specific policy terms and conditions.
Organisation and succession risks The availability of sufficiently skilled, experienced and capable personnel (particularly at senior levels) is one of the most significant challenges facing the oil and gas industry.	Given our long-term growth expectations, it is necessary for Petrofac to attract and retain significant numbers of appropriately qualified employees. We have therefore developed a more systematic, Group-wide approach to talent management. We regularly review our resourcing needs, and aim to identify and nurture the best people through talent and performance management programmes, linked to effective recruitment and succession planning. We remain confident that our policies to attract, retain, train, promote and reward our people are appropriate for the Group – and will enable us to meet our strategic goals.
Ethical, social and regulatory risks	
Major breaches of our Code of Conduct The risk that employees or suppliers may fail to live up to our high ethical standards – and the consequent impact on our reputation.	Our Code of Conduct sets out the behaviours we expect of our employees and the third parties we work with (including suppliers, contractors, agents and partners). We have a full programme of ongoing activities to embed this Code of Conduct across the Group. We are also disciplined in monitoring and managing the social impacts of our operations, as set out in our Social Performance Standard. This includes supporting and investing in local communities affected by our operations. We seek assurances that the third parties we employ comply with our Code of Conduct and the principles set out in our Ethical, Social and Regulatory Risk Policy, and our Social Performance Standard. In addition, our external affairs risk reviews help to identify possible areas of exposure and ensure that we put appropriate controls in place.
Major regulatory breaches (including bribery and corruption) The potential financial and reputational risk that would arise if any of our employees (or third parties) were to breach local or international laws.	Our business is conducted in a range of territories, and is therefore subject to a broad range of legislation and regulations. The Group has an anti-corruption compliance programme that seeks to manage related risks across all of our business activities. This programme recognises the requirements of the UK Bribery Act 2010, and focuses on training, monitoring, risk management and due diligence. Our management takes a risk-based approach to due diligence activities. In recent years, we have increased the level of due diligence for new contracts in higher-risk countries; and, where appropriate, this includes the commissioning of independent investigations. We continue to emphasise our independently managed whistleblowing line, available to all employees as well as third parties – and are fully committed to investigating any suspected breaches of our Code of Conduct.

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 2014 on pages 1 to 65. In addition, note 32 to the Group's Annual report and accounts 2014 includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has access to considerable financial resources together with long-term contracts with a number of clients 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

Against the backdrop of a challenging environment for the industry, we are in a strong position. Our clients are continuing to invest in large strategic projects in our core markets, where we have an unrivalled track record and a very cost-competitive delivery capability. We continue to work with our clients to address cost pressures and generate value for them whilst protecting our margins.

From an already high level, our ECOM backlog has grown 14% to US$17.8 billion over the first half of the year to stand at record levels, giving us excellent revenue visibility for the second half of the year and beyond. Our overall portfolio remains in good shape, with embedded margins consistent with guidance, and we continue to see a healthy pipeline of bidding opportunities.

Our priorities for the immediate future are focused on returning Petrofac to its traditional areas of strength through:

- Execution of our existing backlog, which is primarily in our core markets, to a high standard with a relentless focus on risk management across the portfolio
- Closing-out the Laggan-Tormore gas plant project in line with our expectations and to the client's satisfaction
- Delivering the FPF1 floating production facility to enable first production from the Greater Stella Area development mid-2016
- Reducing the capital-intensity of the business and delivering value from our IES portfolio
- Continuing to drive operational efficiencies to maintain our cost-competitiveness and retain a healthy backlog

The Board has declared an interim dividend of 22.00 cents per share, in line with the 2014 interim dividend.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2015

	Notes	***Business performance US$m**	***Exceptional items and certain re-measurements US$m***	***Six months ended 30 June 2015 Unaudited US$m***	*Six months ended 30 June 2014 Unaudited US$m*	*Year ended 31 December 2014 Audited US$m*
Revenue	4	**3,180**	–	**3,180**	2,535	6,241
Cost of sales		**(3,098)**	–	**(3,098)**	(2,117)	(5,242)
Gross profit		**82**	–	**82**	418	999
Selling, general and administration expenses		**(183)**	–	**(183)**	(203)	(368)
Exceptional items and certain re-measurements	5	–	**(50)**	**(50)**	–	(463)
Other operating income	6	**14**	–	**14**	24	95
Other operating expenses	7	**(1)**	–	**(1)**	(25)	(42)
(Loss)/profit from operations before tax and finance (costs)/income		**(88)**	**(50)**	**(138)**	214	221
Finance costs	8	**(53)**	–	**(53)**	(28)	(79)
Finance income		**3**	–	**3**	11	22
Share of profits/(losses) of associates/joint ventures	15	**5**	–	**5**	(9)	7
(Loss)/profit before tax		**(133)**	**(50)**	**(183)**	188	171
Income tax credit/(expense)	9	–	**1**	**1**	(53)	(31)
(Loss)/profit for the period		**(133)**	**(49)**	**(182)**	135	140
Attributable to:						
Petrofac Limited shareholders		**(133)**	**(49)**	**(182)**	136	120
Non-controlling interests		–	–	–	(1)	20
		(133)	**(49)**	**(182)**	135	140
Earnings per share (US cents) on profit attributable to Petrofac Limited shareholders	10					
- Basic		**(39.3)**	**(14.2)**	**(53.5)**	40.1	35.1
- Diluted		**(39.3)**	**(14.2)**	**(53.5)**	39.8	34.8

* This measurement is shown by Petrofac as it is used as a means of measuring the underlying performance of the business see note 2.

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2015

	Notes	***Six months ended 30 June 2015 Unaudited US$m***	*Six months ended 30 June 2014 Unaudited US$m*	*Year ended 31 December 2014 Audited US$m*
(Loss)/profit for the period		**(182)**	135	140
Other comprehensive income				
Foreign currency translation (losses)/gains	19	**(7)**	12	(22)
Net gains on cash flow hedges recycled in the period	19	**(30)**	(3)	(14)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	19	**(5)**	8	(21)
Other comprehensive (loss)/income to be reclassified to consolidated income statement in subsequent periods		**(42)**	17	(57)
Total comprehensive (loss)/income for the period		**(224)**	152	83
Attributable to:				
Petrofac Limited shareholders		**(219)**	153	76
Non-controlling interests		**(5)**	(1)	7
		(224)	152	83

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2015

	Notes	***30 June 2015 Unaudited US$m***	*30 June 2014 Unaudited US$m*	*31 December 2014 Audited US$m*
ASSETS				
Non-current assets				
Property, plant and equipment	12	**1,797**	1,275	1,698
Goodwill	13	**83**	159	115
Intangible assets	14	**142**	379	186
Investments in associates/joint ventures	15	**72**	41	71
Available-for-sale investment		**185**	174	185
Other financial assets	16	**735**	472	790
Income tax receivable		**11**	9	9
Deferred tax assets		**63**	24	34
		3,088	2,533	3,088
Current assets				
Inventories		**21**	21	16
Work in progress		**1,753**	1,560	1,602
Trade and other receivables		**2,709**	2,464	2,783
Due from related parties	22	**9**	4	2
Other financial assets	16	**550**	426	435
Income tax receivable		**9**	14	18
Cash and short-term deposits	17	**858**	658	986
		5,909	5,147	5,842
Assets held for sale		**–**	99	–
		5,909	5,246	5,842
TOTAL ASSETS		**8,997**	7,779	8,930
EQUITY AND LIABILITIES				
Equity				
Share capital		**7**	7	7
Share premium		**4**	4	4
Capital redemption reserve		**11**	11	11
Treasury shares	18	**(113)**	(102)	(101)
Other reserves	19	**1**	86	31
Retained earnings		**1,577**	1,999	1,909
Equity attributable to Petrofac Limited shareholders		**1,487**	2,005	1,861
Non-controlling interests		**5**	2	10
TOTAL EQUITY		**1,492**	2,007	1,871
Non-current liabilities				
Interest-bearing loans and borrowings	20	**1,836**	1,831	1,710
Provisions		**295**	226	273
Other financial liabilities	16	**691**	10	756
Deferred tax liabilities		**127**	130	151
		2,949	2,197	2,890
Current liabilities				
Trade and other payables		**2,728**	2,291	2,670
Due to related parties	22	**2**	2	3
Interest-bearing loans and borrowings	20	**55**	27	9
Other financial liabilities	16	**417**	28	317
Income tax payable		**121**	157	105
Billings in excess of cost and estimated earnings		**228**	282	265
Accrued contract expenses		**1,005**	638	800
		4,556	3,425	4,169
Liabilities directly associated with assets held for sale		**–**	150	–
		4,556	3,575	4,169
TOTAL LIABILITIES		**7,505**	5,772	7,059
TOTAL EQUITY AND LIABILITIES		**8,997**	7,779	8,930

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2015

	Notes	***Six months ended 30 June 2015 Unaudited US$m***	*Six months ended 30 June 2014 Unaudited US$m*	*Year ended 31 December 2014 Audited US$m*
OPERATING ACTIVITIES				
(Loss)/profit before tax		**(183)**	188	171
Exceptional items and certain re-measurements		**50**	–	463
(Loss)/profit before tax, exceptional items and certain re-measurements		**(133)**	188	634
Adjustments to reconcile (loss)/profit before tax, exceptional items and certain re-measurements to net cash flows:				
Depreciation, amortisation, impairment and write off		**92**	135	244
Share-based payments	18	**10**	11	22
Difference between other long-term employment benefits paid and amounts recognised in the income statement		**12**	6	8
Net finance expense		**50**	17	57
Gain arising from disposal of non-current asset		**–**	–	(56)
Provision for costs in excess of revenues on a contract		**54**	–	27
Loss on fair value changes in Seven Energy warrants		**–**	2	–
Share of (profits)/losses of associates/joint ventures	15	**(5)**	9	(7)
Other non-cash items, net		**(10)**	17	(16)
		70	385	913
Working capital adjustments:				
Trade and other receivables		**111**	(114)	(407)
Work in progress		**(151)**	(87)	(129)
Due from related parties		**(7)**	1	26
Inventories		**(5)**	(5)	–
Other current financial assets		**36**	100	131
Trade and other payables		**82**	47	441
Billings in excess of cost and estimated earnings		**(37)**	28	11
Accrued contract expenses		**149**	(198)	(93)
Due to related parties		**(1)**	(1)	(40)
		247	156	853
Long-term receivable from customers		**(29)**	(49)	(63)
Other non-current items, net		**3**	13	–
Cash generated from operations		**221**	120	790
Interest paid		**(41)**	(21)	(66)
Income taxes paid, net		**(30)**	(45)	(76)
Net cash flows from operating activities		**150**	54	648
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	12	**(125)**	(212)	(470)
Payments for intangible oil and gas assets		**(33)**	(81)	(119)
Investment in a joint venture/loan extended to an associate		**(1)**	(10)	(13)
Dividend received from associate/joint venture		**4**	1	10
Loan in respect of the development of the Greater Stella Area		**(87)**	(109)	(199)
Proceeds from disposal of property, plant and equipment		**–**	–	2
Proceeds from disposal of subsidiary, net of cash disposed		**–**	–	39
Proceeds from repayments of loans on disposal of subsidiary		**–**	–	220
Interest received		**–**	–	2
Net cash flows used in investing activities		**(242)**	(411)	(528)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2015 (continued)

	Notes	***Six months ended 30 June 2015 Unaudited US$m***	*Six months ended 30 June 2014 Unaudited US$m*	*Year ended 31 December 2014 Audited US$m*
FINANCING ACTIVITIES				
Interest-bearing loans and borrowings obtained, net of debt acquisition cost		**492**	731	1,696
Repayment of interest-bearing loans and borrowings including repayment of finance lease creditors		**(385)**	(99)	(1,172)
Treasury shares purchased	18	**(39)**	(23)	(25)
Equity dividends paid		**(149)**	(150)	(225)
Net cash flows (used in)/from financing activities		**(81)**	459	274
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(173)**	102	394
Net foreign exchange difference		**(1)**	1	(2)
Cash and cash equivalents at 1 January		**977**	585	585
CASH AND CASH EQUIVALENTS AT PERIOD END	17	**803**	688	977

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2015

	Attributable to Petrofac Limited shareholders								
For the six months ended 30 June 2015	*Issued share capital US$m*	*Share premium US$m*	*Capital redemption reserve US$m*	**Treasury shares US$m (note 18)*	*Other reserves US$m (note 19)*	*Retained earnings US$m*	*Total US$m*	*Non-controlling interests US$m*	*Total equity US$m*
Balance at 1 January 2015	7	4	11	(101)	31	1,909	1,861	10	1,871
Loss for the period	–	–	–	–	–	(182)	(182)	–	(182)
Other comprehensive loss	–	–	–	–	(37)	–	(37)	(5)	(42)
Total comprehensive loss for the period	–	–	–	–	(37)	(182)	(219)	(5)	(224)
Treasury shares purchased (note 18)	–	–	–	(39)	–	–	(39)	–	(39)
Share-based payments charge (note 18)	–	–	–	–	10	–	10	–	10
Transfer to reserve for share-based payments (note 18)	–	–	–	–	23	–	23	–	23
Shares vested during the period (note 19)	–	–	–	27	(26)	(1)	–	–	–
Dividends (note 11)	–	–	–	–	–	(149)	(149)	–	(149)
Balance at 30 June 2015 (unaudited)	7	4	11	(113)	1	1,577	1,487	5	1,492

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

	Attributable to Petrofac Limited shareholders								
For the six months ended 30 June 2014	*Issued Share Capital US$m*	*Share premium US$m*	*Capital redemption reserve US$m*	**Treasury shares US$m (note 18)*	*Other reserves US$m (note 19)*	*Retained earnings US$m*	*Total US$m*	*Non-controlling interests US$m*	*Total equity US$m*
Balance at 1 January 2014	7	4	11	(110)	63	2,014	1,989	3	1,992
Profit for the period	–	–	–	–	–	136	136	(1)	135
Other comprehensive income	–	–	–	–	17	–	17	–	17
Total comprehensive income for the period	–	–	–	–	17	136	153	(1)	152
Treasury shares purchased (note 18)	–	–	–	(23)	–	–	(23)	–	(23)
Share-based payments charge (note 18)	–	–	–	–	11	–	11	–	11
Transfer to reserve for share-based payments (note 18)	–	–	–	–	24	–	24	–	24
Shares vested during the period (note 19)	–	–	–	31	(29)	(2)	–	–	–
Dividends (note 11)	–	–	–	–	–	(149)	(149)	–	(149)
Balance at 30 June 2014 (unaudited)	7	4	11	(102)	86	1,999	2,005	2	2,007

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2015 (continued)

For the year ended 31 December 2014	*Attributable to Petrofac Limited shareholders* Issued Share Capital US$m	Share premium US$m	Capital redemption reserve US$m	*Treasury shares US$m (note 18)	Other reserves US$m (note 19)	Retained earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
Balance at 1 January 2014	7	4	11	(110)	63	2,014	1,989	3	1,992
Profit for the year	–	–	–	–	–	120	120	20	140
Other comprehensive loss	–	–	–	–	(44)	–	(44)	(13)	(57)
Total comprehensive (loss)/income for the year	–	–	–	–	(44)	120	76	7	83
Treasury shares purchased (note 18)	–	–	–	(25)	–	–	(25)	–	(25)
Share-based payments charge (note 18)	–	–	–	–	22	–	22	–	22
Transfer to reserve for share-based payments (note 18)	–	–	–	–	24	–	24	–	24
Shares vested during the year (note 19)	–	–	–	34	(33)	(1)	–	–	–
Income tax on share-based payments reserve	–	–	–	–	(1)	–	(1)	–	(1)
Dividends (note 11)	–	–	–	–	–	(224)	(224)	–	(224)
Balance at 31 December 2014 (audited)	7	4	11	(101)	31	1,909	1,861	10	1,871

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

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2015

1 CORPORATE INFORMATION

Petrofac Limited is a limited liability company registered and domiciled in Jersey under the Companies (Jersey) Law 1991 and is the holding company for the international group of Petrofac subsidiaries (together "the Group"). The Group's principal activity is the provision of services to the oil and gas production and processing industry. The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 24 August 2015.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and applicable requirements of Jersey law. The interim condensed consolidated financial statements 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 2014.

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

Presentation of results

Petrofac presents its results in the income statement to identify separately the contribution of impairments, certain re-measurements and onerous contract provisions in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business (see note 5).

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 2015.

Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates

In the process of applying the Group's accounting policies, management has made the following judgments and estimates which have the most significant effect on the amounts recognised in the interim condensed consolidated financial statements:

Potential prior year restatement of the Group's year end 31 December 2014 reported results

In the full year results announcement issued on 25 February 2015, we recognised a post-tax loss in respect of Laggan-Tormore of US$227m for the year ended 31 December 2014, taking cumulative net of tax losses on the project to US$177m (given that an amount of US$50m had been recognised as profits in respect of the project in the years prior to 2014). The loss recorded in 2014 was based on a total cost-to-complete forecast prepared by site management and reviewed and approved by the senior OEC leadership team in January 2015.

On 19 April 2015, we announced an additional pre-tax loss in respect of Laggan-Tormore of US$195m (with a related deferred tax credit of US$33m) based on a revised cost-to-complete forecast reviewed by the Board on 18 April 2015.

Given the scale of these incremental losses and the proximity of the timing of the market update to our year end results announcement, the Board has considered whether any of the incremental losses should have been recognised at the time of the preparation of the 2014 accounts and be accounted for as a prior year adjustment. As a result, the Board commissioned KPMG LLP to carry out a review of the circumstances leading up to the 19 April 2015 market update with a view to identifying the issues for consideration relating to the incremental losses.

The Audit Committee, on behalf of the Board, has evaluated the report prepared by KPMG LLP and considered management’s recommendation with regard to the need to restate the Group’s 2014 results. We have determined that the range of over-statement of 2014 net income is US$27m to US$57m. There is no effect on cash flows and the balance sheet impact is immaterial. We have concluded that no restatement of the 2014 reported results is required. We have considered the quantum of the prior year overstatement of profit in conjunction with relevant qualitative considerations. Specifically, the amount of the restatement is only a component of cumulative post-tax losses now incurred on the contract of US$440m and in the context of these total contract losses we do not consider that correcting the prior year to reflect an earlier recognition of this element of the contract loss is material to users of the financial statements. We also assessed the disclosures made on Laggan-Tormore and the impact on each of the Group’s financial highlights as reported for 2014 and in these financial statements in reaching the conclusion.

Provision for potential interim 30 June 2015 liquidated damages claims (LD’s) in respect of the Laggan-Tormore contract

The Group provides for LD claims where there have been significant contract delays and it is considered probable that the customer will successfully pursue such a claim. This requires an estimate of the amount of LD’s contractually payable under a claim, and the likelihood that any amount will be levied. This involves a number of management judgments and assumptions regarding the appropriate amounts to recognise.

The delay in commissioning the Laggan-Tormore plant in Shetland could result in a claim for liquidated damages under the contract with our client, Total. No provision has been recorded for any potential claim. The contractual completion date specified in the revised commercial settlement we entered into with Total earlier this year was 31 July 2015. The Group is working in collaboration with Total as we commission the plant and we currently anticipate completion in the fourth quarter of 2015. Management believes that liquidated damages are not likely to be claimed in the event that our revised completion schedule is achieved and the gas plant is successfully handed over in line with our client’s expectation. Further delays to completion of the contract would increase the risk of a claim arising. Any further disclosure in relation to this matter would be commercially prejudicial to the Group’s interests.

3 SEGMENT INFORMATION

The Group delivers its services through the four reporting segments set out below:

- Onshore Engineering & Construction (OEC) which provides engineering, procurement and construction project execution services to the onshore oil and gas industry
- Offshore Projects & Operations (OPO) which provides offshore engineering, operations and maintenance onshore and offshore and engineering, procurement and construction project execution services to the offshore oil and gas industry
- Engineering & Consulting Services which provides technical engineering, consultancy, conceptual design, front end engineering and design (FEED) and project management consultancy (PMC) across all sectors including renewables
- Integrated Energy Services which co-invests with partners in oil and gas production, processing and transportation assets, provides production improvement services under value aligned commercial structures and oil and gas related technical competency training and consultancy services

Management separately monitors the trading results of its four reporting segments for the purpose of making an assessment of their performance and for making decisions about how resources are allocated. Interest costs and income arising from borrowings and cash balances which are not directly attributable to individual operating segments are allocated to Corporate rather than allocated to individual segments. In addition, certain shareholder services related overheads, intra-group financing and consolidation adjustments are managed at a corporate level and are not allocated to reporting segments.

The presentation of the Group results below also separately identifies the effect of asset impairments, certain re-measurements and onerous contract provisions. Results excluding these non-recurring items are used by management and presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the business.

The following tables represent revenue and profit/(loss) information relating to the Group's reporting segments for the six months ended 30 June 2015:

	Onshore Engineering & Construction US$m	*Offshore Projects & Operations US$m*	*Engineering & Consulting Services US$m*	*Integrated Energy Services US$m*	*Corporate & others US$m*	*Consolidation adjustments & eliminations US$m*	*Business performance US$m*	*Exceptional items and certain re-measurements US$m (note5)*	*Total US$m*
Six months ended 30 June 2015 (unaudited)									
Revenue									
External sales	2,121	660	148	251	–	–	3,180	–	3,180
Inter-segment sales	9	22	118	10	–	(159)	–	–	–
Total revenue	**2,130**	**682**	**266**	**261**	**–**	**(159)**	**3,180**	**–**	**3,180**
Segment results	165	18	17	13	–	–	213	(50)	163
Laggan-Tormore loss	(296)	–	–	–	–	–	(296)	–	(296)
Unallocated corporate costs	–	–	–	–	(5)	–	(5)	–	(5)
(Loss) / profit before tax and finance income / (costs)	(131)	18	17	13	(5)	–	(88)	(50)	(138)
Share of profits of associates/joint ventures	–	–	–	5	–	–	5	–	5
Finance costs	–	–	–	(29)	(24)	–	(53)	–	(53)
Finance income	–	–	–	3	–	–	3	–	3
(Loss) / profit before income tax	(131)	18	17	(8)	(29)	–	(133)	(50)	(183)
Income tax (expense) / benefit	(24)	(9)	(4)	1	3	–	(33)	1	(32)
Laggan-Tormore tax relief	33	–	–	–	–	–	33	–	33
Non-controlling interests	(1)	–	1	–	–	–	–	–	–
(Loss) / profit for the period attributable to Petrofac Limited shareholders	**(123)**	**9**	**14**	**(7)**	**(26)**	**–**	**(133)**	**(49)**	**(182)**

3 SEGMENT INFORMATION (continued)

Six months ended 30 June 2015 (unaudited)

	Onshore Engineering & Construction US$m	*Offshore Projects & Operations US$m*	*Engineering & Consulting Services US$m*	*Integrated Energy Services US$m*	*Corporate & others US$m*	*Consolidation adjustments & eliminations US$m*	*Total US$m*
Other segment information							
Depreciation, amortisation and write-offs	21	4	6	56	5	–	92
Exceptional items and certain re-measurements	–	–	–	42	–	–	42
Other long-term employment benefits	15	1	–	–	–	–	16
Share-based payments	7	1	1	1	–	–	10

	Onshore Engineering & Construction US$m	*Offshore Projects & Operations US$m*	*Engineering & Consulting Services US$m*	*Integrated Energy Services US$m*	*Corporate & others US$m*	*Consolidation adjustments & eliminations US$m*	*Total US$m*
Six months ended 30 June 2014 (unaudited)							
Revenue							
External sales	958	1,024	115	454	–	[1] (16)	2,535
Inter-segment sales	30	26	99	13	–	(168)	–
Total revenue	988	1,050	214	467	–	(184)	2,535
Segment results	123	5	3	90	–	1	222
Unallocated corporate costs	–	–	–	–	(8)	–	(8)
Profit / (loss) before tax and finance income / (costs)	123	5	3	90	(8)	1	214
Share of losses of associates/joint ventures	–	–	–	(9)	–	–	(9)
Finance costs	–	–	–	(2)	(26)	–	(28)
Finance income	–	–	–	11	–	–	11
Profit / (loss) before income tax	123	5	3	90	(34)	1	188
Income tax (expense) / benefit	(16)	(5)	–	(35)	2	1	(53)
Non-controlling interests	–	–	1	–	–	–	1
Profit / (loss) for the period attributable to Petrofac Limited shareholders	107	–	4	55	(32)	2	136
Other segment information							
Depreciation, amortisation and write-offs	21	2	3	101	9	(1)	135
Other long-term employment benefits	11	1	–	–	–	–	12
Share-based payments	6	2	1	1	1	–	11

[1] Elimination of external sales shown above of US$16m represents a Group adjustment to the overall project percentage of completion on the Laggan-Tormore project as OEC and OPO are reflecting in their segments progress on their own respective shares of the total project scope.

3 SEGMENT INFORMATION (continued)

	Onshore Engineering & Construction US$m	*Offshore Projects & Operations US$m*	*Engineering & Consulting Services US$m*	*Integrated Energy Services US$m*	*Corporate & others US$m*	*Consolidation adjustments & eliminations US$m*	*Business performance US$m*	*Integrated Energy Services exceptional items and certain re-measurements US$m*	*Total US$m*
Year ended 31 December 2014									
Revenue									
External sales	3,207	2,000	276	768	–	[1](10)	6,241	–	6,241
Inter-segment sales	34	9	161	14	–	(218)	–	–	–
Total revenue	3,241	2,009	437	782	–	(228)	6,241	–	6,241
Segment results	595	119	39	165	(4)	[2]11	925	(463)	462
Laggan-Tormore loss	(200)	(30)	–	–	–	–	(230)	–	(230)
Unallocated corporate costs	–	–	–	–	(11)	–	(11)	–	(11)
Profit / (loss) before tax and finance income / (costs)	395	89	39	165	(15)	11	684	(463)	221
Share of profits of associates/joint ventures	–	–	–	7	–	–	7	–	7
Finance costs	–	–	–	(25)	(54)	–	(79)	–	(79)
Finance income	–	–	–	20	2	–	22	–	22
Profit / (loss) before income tax	395	89	39	167	(67)	11	634	(463)	171
Income tax (expense) / benefit	28	(28)	(6)	(36)	6	–	(36)	2	(34)
Laggan-Tormore tax relief	–	3	–	–	–	–	3	–	3
Non-controlling interests	(20)	–	–	–	–	–	(20)	–	(20)
Profit / (loss) for the period attributable to Petrofac Limited shareholders	403	64	33	131	(61)	11	581	(461)	120
Other segment information									
Depreciation, amortisation and write-offs	43	18	6	173	4	–	244		
Exceptional items and certain re-measurements	–	–	–	433	–	–	433		
Other long-term employment benefits	18	1	–	–	–	–	19		
Share-based payments	11	4	1	3	3	–	22		

[1] Negative elimination of external sales shown above of US$10m represents a Group adjustment to the overall project percentage of completion on the Laggan-Tormore project as OEC and OPO are reflecting in their segments progress on their own respective shares of the total project scope.

[2] Represents release of previously eliminated margin relating to West Desaru and Berantai vessel on disposal of subsidiary.

4 REVENUES

	Six months ended 30 June 2015 Unaudited US$m	*Six months ended 30 June 2014 Unaudited US$m*	*Year ended 31 December 2014 Audited US$m*
Rendering of services	**3,109**	2,413	6,044
Sale of crude oil and gas	**71**	122	197
	3,180	2,535	6,241

Included in revenues from rendering of services are Offshore Projects & Operations, Engineering & Consulting Services, and Integrated Energy Services revenues of a “pass-through” nature with zero or low margins amounting to US$116m (six months ended 30 June 2014: US$98m; year ended 31 December 2014: US$226m).

5 EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS

	Six months ended 30 June 2015 Unaudited US$m	*Six months ended 30 June 2014 Unaudited US$m*	*Year ended 31 December 2014 Audited US$m*
Integrated Energy Services:			
Impairment of assets including goodwill	**(33)**	**–**	(172)
Fair value re-measurements	**(6)**	–	(261)
	(39)	–	(433)
Provision for onerous contract	**–**	–	(30)
Others	**(6)**	–	–
	(45)	–	(463)
Tax relief	**1**	–	2
	(44)	–	(461)
Offshore Projects & Operations:			
Onerous leasehold property provision and impairment	**(5)**	–	–
	(49)	–	(461)

The Group has reviewed the carrying value of goodwill allocated to the IES portfolio in light of revised commodity price expectations and underlying asset performance in the year to date. As a result of this review, a further impairment charge of US$33m (post-tax US$33m) has been recognised in respect of IES goodwill.

As a result of a re-assessment of oil and gas forward prices up to June 2017, cost overruns on the conversion of the FPF1 vessel and the latest view of the timing of first production, the Group reviewed the carrying value of its loan receivable from Ithaca Energy in respect of the Greater Stella Area in the UK. The review was carried out on a fair value basis using risk adjusted cash flow projections discounted at a post-tax rate of 9.0%. This resulted in a pre-tax reduction in fair value of the Greater Stella Area receivable of US$6m (post-tax US$6m) in the IES segment.

US$5m of onerous leasehold property provision represents the write-off of US$3m of leasehold property improvements and the estimated future costs of US$2m relating to the vacant leasehold office building at Quattro House in Aberdeen, UK for which the lease expires in 2024.

US$172m of impairment charges in respect of the year ended 31 December 2014 related to the Ticleni Production Enhancement Contract in Romania (US$134m), the FPSO Opportunity and OML119 in Nigeria (US$20m) and IES goodwill impairment (US$18m).

US$261m of fair value re-measurements in respect of the year ended 31 December 2014 included Ithaca Greater Stella Area loan receivable (US$207m) and US$54m in respect of the Berantai RSC in Malaysia and warrants held over shares in Seven Energy International Limited.

US$30m of onerous contract provision for the year ended 31 December 2014 related to expenses of terminating the Ticleni Production Enhancement Contract.

6 OTHER OPERATING INCOME

Other operating income for the current period includes a US$9m contractual break fee earned in Integrated Energy Services for exiting the Bowleven Etinde project and US$3m of foreign exchange gains. In the comparative periods, other operating income consisted of foreign exchange gains (30 June 2014: US$22m; 31 December 2014: US$30m) and included a gain on disposal of non-current assets of US$56m in 31 December 2014.

7 OTHER OPERATING EXPENSES

Other operating expenses have been reduced by US$24m compared with the equivalent prior period due largely to the prior period including US$24m of foreign exchange losses (30 June 2015: US$nil).

8 FINANCE COSTS

The US$25m increase in finance costs compared with the equivalent prior period is principally due to the interest cost of finance leased assets in Malaysia for Block PM304 and Berantai RSC which prior to the disposal of these vessels to PetroFirst Infrastructure Holdings Limited used to eliminate on consolidation of the Group's interest in the vessels and in the fields deploying these assets.

9 INCOME TAX

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

The major components of the income tax (credit)/expense are as follows:

	***Business performance US$m**	***Exceptional items and certain re-measurements US$m***	***Six months ended 30 June 2015 Unaudited US$m***	*Six months ended 30 June 2014 Unaudited US$m*	*Year ended 31 December 2014 Audited US$m*
Current income tax					
Current income tax charge	**43**	**(1)**	**42**	53	108
Adjustments in respect of current income tax of previous periods	**2**	–	**2**	(4)	(89)
Deferred tax					
Relating to origination and reversal of temporary differences	**(46)**	–	**(46)**	6	9
Recognition of tax losses relating to prior periods	**1**	–	**1**	(2)	3
	–	**(1)**	**(1)**	53	31

The Group's effective tax rate credit for the six months is 0.5% (six months ended 30 June 2014: 27.9% charge; year ended 31 December 2014: 18.4% charge).

The Group's effective tax rate is dependent upon a number of factors including the timing of profit recognition between the first and second halves of the year on contracts held as well as the mix of jurisdictions in which contracts income is generated within the Onshore Engineering & Construction and the Integrated Energy Services segments.

For the six months, the lower effective tax rate results from the impact of current period losses not recognised for tax purposes and a reduced proportion of total income being generated in higher tax jurisdictions compared with prior periods. However, if the consequences of the temporary issues noted above are accounted for, the Group's effective tax rate for year end 2015 is expected to be broadly in line with last year's effective tax rate.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2015

10 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net (loss)/ 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 (loss)/ profit attributable to ordinary shareholders, after adjusting for any dilutive effect, by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of ordinary shares granted under the employee share award schemes which are held in trust.

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

	Six months ended 30 June 2015 Unaudited US$m	*Six months ended 30 June 2014 Unaudited US$m*	*Year ended 31 December 2014 Audited US$m*
(Loss)/profit attributable to ordinary shareholders for basic and diluted earnings per share excluding impairments and certain re-measurements	**(133)**	136	581
(Loss)/profit attributable to ordinary shareholders for basic and diluted earnings per share including impairments and certain re-measurements	**(182)**	136	120

	30 June 2015 Unaudited Number'm	*30 June 2014 Unaudited Number'm*	*31 December 2014 Audited Number'm*
Weighted average number of ordinary shares for basic earnings per share	**340**	341	341
Effect of dilutive potential ordinary shares granted under share-based payment schemes[1]	**–**	2	3
Adjusted weighted average number of ordinary shares for diluted earnings per share	**340**	343	344

[1] For the six months ended 30 June 2015, potentially issuable ordinary shares under share-based payment schemes are excluded from the diluted earnings per ordinary share calculation, as their inclusion would decrease the loss per ordinary share.

11 DIVIDENDS PAID AND PROPOSED

	Six months ended 30 June 2015 Unaudited US$m	*Six months ended 30 June 2014 Unaudited US$m*	*Year ended 31 December 2014 Audited US$m*
Declared and paid during the period			
Equity dividends on ordinary shares:			
Final dividend for 2013: 43.80 cents per share	**–**	149	149
Interim dividend 2014: 22.00 cents per share	**–**	–	75
Final dividend for 2014: 43.80 cents per share	**149**	–	–
	149	149	224

The Company proposes an interim dividend of 22.00 cents per share which was approved by the Board on 24 August 2015 for payment on 16 October 2015.

12 PROPERTY, PLANT AND EQUIPMENT

The increase in property, plant and equipment during the period mainly comprises the capital expenditure of US$86m incurred on the construction of the Petrofac JSD6000 installation vessel, addition to camps relating to a project in OEC of US$24m, a transfer from intangible oil and gas assets of US$56m of field development costs on Block PM304 in Malaysia (note 14) and expenditure of US$13m in respect of oil and gas assets on the Mexico Production Enhancement contracts. This increase is partly offset by depreciation charged and write-off during the period of US$90m.

13 GOODWILL

A summary of the movement in goodwill is presented below:

	30 June 2015 Unaudited US$m	*30 June 2014 Unaudited US$m*	*31 December 2014 Audited US$m*
At 1 January	**115**	155	155
Impairment (note 5)	**(33)**	–	(18)
Goodwill written off on disposal of subsidiary	**–**	–	(15)
Exchange difference	**1**	4	(7)
	83	159	115

Goodwill of US$33m relating to the Integrated Energy Services cash-generating unit was impaired during the interim period (30 June 2014: US$nil; 31 December 2014: US$18m). Aside from adopting the updated oil and gas price forward curve as at 30 June 2015 for the period to June 2017, the methodology used is consistent with the approach disclosed in our most recent annual report. Refer to note 5 for further explanation.

In 2014, goodwill written off on disposal of subsidiary related to the sale of 80% of the share capital of Petrofac FPSO Holding Limited to PetroFirst Infrastructure Holdings Limited.

Carrying amount of goodwill allocated to each group of cash-generating units is shown below:

	30 June 2015 Unaudited US$m	*30 June 2014 Unaudited US$m*	*31 December 2014 Audited US$m*
Onshore Engineering & Construction unit	**29**	29	29
Offshore Projects & Operations unit	**28**	31	28
Engineering & Consulting Services unit	**26**	27	24
Integrated Energy Services unit	**–**	72	34
	83	159	115

14 INTANGIBLE ASSETS

The decrease in intangible assets during the period comprises largely of US$56m of capitalised expenditure on the Group's assets in Malaysia that were transferred to property, plant and equipment (note 12). This decrease is offset by additions of US$17m in respect of capitalised expenditure on the Group's assets in Malaysia.

15 INVESTMENTS IN ASSOCIATES / JOINT VENTURES

	Associates US$m	*Joint ventures US$m*	*Total US$m*
As at 1 January 2015	66	5	71
Additions	–	1	1
Share of profits	3	2	5
Dividends received	(3)	(2)	(5)
Balance at 30 June 2015 (unaudited)	**66**	**6**	**72**
As at 1 January 2014	210	5	215
Loan made to Petrofac FPF1 Limited	10	–	10
Share of (losses)/profits	(10)	1	(9)
Transferred to available-for-sale investment (Seven Energy)	(174)	–	(174)
Dividends received	–	(1)	(1)
Balance at 30 June 2014 (unaudited)	36	5	41
As at 1 January 2014	210	5	215
Loan made to Petrofac FPF1 Limited	13	–	13
Share of profits	4	3	7
Fair valuation gain on initial recognition of investment in associate	31	–	31
Transferred to available-for-sale investment (Seven Energy)	[1](185)	–	(185)
Dividends received	(7)	(3)	(10)
Balance at 31 December 2014 (audited)	66	5	71

[1] The increase of US$11m in the amount transferred to available-for-sale investment related to the recognition of a further share of profits earned during the first half of 2014.

16 FINANCIAL INSTRUMENTS

	Classification	***30 June 2015 Unaudited US$m***	*30 June 2014 Unaudited US$m*	*31 December 2014 Audited US$m*
OTHER FINANCIAL ASSETS				
Non-Current				
Receivable under the Berantai RSC	Fair value through profit and loss	**314**	347	343
Receivable from joint venture partners	Loans and receivables	**349**	115	396
Forward currency contracts designated as hedges	Designated as cash flow hedges	**71**	9	50
Restricted cash	Loans and receivables	**1**	1	1
		735	472	790
Current				
Receivable in respect of the development of the Greater Stella Area	Fair value through profit and loss	**273**	310	192
Receivable from joint venture partners	Loans and receivables	**162**	–	150
Receivable under the Berantai RSC	Fair value through profit and loss	**54**	89	38
Forward currency contracts designated as hedges	Designated as cash flow hedges	**29**	14	27
Forward currency contracts undesignated	Fair value through profit and loss	**10**	–	–
Oil derivative	Designated as cash flow hedges	**5**	–	20
Restricted cash	Loans and receivables	**17**	4	8
Seven Energy warrants	Fair value through profit and loss	**–**	9	–
		550	426	435
OTHER FINANCIAL LIABILITIES				
Non-Current				
Finance lease creditors	Loans and borrowings	**666**	–	738
Forward currency contracts designated as hedges	Designated as cash flow hedges	**25**	9	18
Contingent consideration payable	Fair value through profit and loss	–	1	–
		691	10	756
Current				
Finance lease creditors	Loans and borrowings	**250**	4	234
Forward currency contracts designated as hedges	Designated as cash flow hedges	**85**	4	74
Forward currency contracts undesignated	Fair value through profit and loss	**21**	9	–
Oil derivative	Designated as cash flow hedges	–	2	–
Interest payable	Loans and borrowings	**61**	8	8
Contingent consideration payable	Fair value through profit and loss	–	1	1
		417	28	317

The long-term and short-term receivables under the Berantai RSC represent the discounted value of amounts due under the contract which are being recovered over a six year period from 2013 in line with the contractual terms of the project.

The short-term receivable in respect of the development of the Greater Stella Area represents a loan made to the consortium partners to fund Petrofac's share of the development costs of the field.

The short-term and long-term receivable from joint venture partners represents the 70% gross up on finance leases in respect of oil and gas facilities relating to Block PM304 in Malaysia that are included 100% in the Group's consolidated statement of financial position. The Group's 30% share was US$219m (30 June 2014: US$nil; 31 December 2014: US$234m).

Restricted cash comprises deposits with financial institutions securing various guarantees and performance bonds associated with the Group's trading activities. This cash will be released on the maturity of these guarantees and performance bonds.

16 FINANCIAL INSTRUMENTS (continued)

Fair value measurement

The following financial instruments are measured at fair value using the hierarchy below for determination and disclosure of their respective fair values:

Level 1: Unadjusted quoted prices in active markets for identical financial assets or liabilities

Level 2: Other valuation techniques where the inputs are based on significant observable factors

Level 3: Other valuation techniques where the inputs are based on significant unobservable market data

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at:

	Level	*Carrying amount*			*Fair value*		
		30 June 2015 Unaudited US$m	*30 June 2014 Unaudited US$m*	*31 December 2014 Audited US$m*	***30 June 2015 Unaudited US$m***	*30 June 2014 Unaudited US$m*	*31 December 2014 Audited US$m*
Financial assets							
Cash and short-term deposits	Level 1	**858**	658	986	**858**	658	986
Restricted cash	Level 2	**18**	5	9	**18**	5	9
Seven Energy warrants	Level 3	–	9	–	–	9	–
Seven Energy available-for-sale investment	Level 3	**185**	174	185	**185**	174	185
Receivable under Berantai RSC	Level 3	**368**	436	381	**368**	436	381
Receivable in respect of the development of the Greater Stella Area	Level 3	**273**	310	192	**273**	310	192
Oil derivative	Level 2	**5**	–	20	**5**	–	20
Euro forward currency contracts – designated as cash flow hedge	Level 2	**93**	20	77	**93**	20	77
Sterling forward currency contracts – designated as cash flow hedge	Level 2	**3**	3	–	**3**	3	–
Kuwaiti dinar forward currency contracts – designated as cash flow hedge	Level 2	**4**	–	–	**4**	–	–
Sterling forward currency contracts – undesignated	Level 2	**10**	–	–	**10**	–	–
Financial liabilities							
Interest-bearing loans and borrowings							
Senior notes	Level 2	**744**	742	743	**750**	750	750
Term loan	Level 2	**499**	–	498	**500**	–	500
Revolving credit facility	Level 2	**580**	1,089	469	**590**	1,096	475
Export credit agency funding	Level 2	**13**	–	–	**17**	–	–
Bank overdrafts	Level 2	**55**	27	9	**55**	27	9
Finance lease creditors	Level 2	**916**	4	972	**916**	4	972
Euro forward currency contracts – designated as cash flow hedge	Level 2	**102**	13	91	**102**	13	91
Sterling forward currency contracts – designated as cash flow hedge	Level 2	**2**	–	1	**2**	–	1
Malaysian ringgit forward currency contracts – designated as cash flow hedge	Level 2	**6**	–	–	**6**	–	–
Sterling forward currency contracts – undesignated	Level 2	**21**	9	–	**21**	9	–
Contingent consideration	Level 2	–	2	1	–	2	1
Oil derivative	Level 2	–	2	–	–	2	–

The Group considers that the carrying amounts of trade and other receivables, work-in-progress, trade and other payables, other current and non-current financial assets and liabilities approximate their fair values and are therefore excluded from the above table.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

16 FINANCIAL INSTRUMENTS (continued)

Fair values of financial assets and liabilities (continued)

The following methods and assumptions were used to estimate the fair values:

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly foreign exchange forward contracts and oil derivatives. Externally provided sources of quoted market prices have been used to determine the fair values of forward currency contracts, interest rate swaps and oil derivatives.
- The fair values of long-term interest-bearing loans and borrowings and finance lease creditors are equivalent to their amortised costs determined as the present value of discounted future cash flows using the effective interest rate.
- The fair value of the receivable under the Berantai RSC (page 32) has been calculated using a discounted cash flow model. The valuation requires management to make certain assumptions about unobservable inputs to the model, the oil price assumptions used are the same as disclosed in note 13, other significant unobservable inputs are disclosed in the table below:

	30 June 2015 Unaudited	*30 June 2014 Unaudited*	*31 December 2014 Audited*
Internal rate of return	**11.5%**	15.2%	11.5%
Discount rate	**6.0%**	6.0%	6.0%
Gas price (per gigajoule)	**US$6.60**	US$7.37	US$6.60

Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value. The fair value of the receivable under the Berantai RSC is only sensitive to a reasonable change in the internal rate of return and the discount rate. The table below explains the impact on the fair value of the receivable as a result of changes to these inputs:

	30 June 2015 Unaudited US$m	*30 June 2014 Unaudited US$m*	*31 December 2014 Audited US$m*
100 basis points decrease in the internal rate of return	**(1)**	(13)	(1)
100 basis points increase in the discount rate	**2**	6	2
100 basis points decrease in the discount rate	**(2)**	(6)	(2)

Reconciliation of fair value measurement of the receivable under the Berantai RSC:

	30 June 2015 Unaudited US$m	*30 June 2014 Unaudited US$m*	*31 December 2014 Audited US$m*
Opening balance	**381**	476	476
Billings during the year	**29**	21	65
Fair value gain/(loss) included in revenue	**–**	2	(3)
Fair value loss on contract receivables	**–**	–	(43)
Unwinding of discount	**3**	11	20
Receipts during the year	**(45)**	(74)	(134)
Closing balance	**368**	436	381

16 FINANCIAL INSTRUMENTS (continued)

- The fair value of the available-for-sale investment in Seven Energy (page 32) has been calculated using a discounted cash flow model. The oil price assumptions used are the same as disclosed in note 13, the risk adjusted cash flow projections are discounted at a post-tax rate of 9.0%.

The table below explains the impact on the fair value of the available-for-sale investment as a result of changes to these inputs:

	30 June 2015 Unaudited US$m	*30 June 2014 Unaudited US$m*	*31 December 2014 Audited US$m*
10% decrease in the oil price (per barrel)	**(9)**	(3)	(4)
10% increase in the oil price (per barrel)	**9**	3	4
100 basis points decrease in the discount rate	**18**	13	14
100 basis points increase in the discount rate	**(16)**	(13)	(14)

Reconciliation of fair value measurement of the available-for-sale investment:

	30 June 2015 Unaudited US$m	*30 June 2014 Unaudited US$m*	*31 December 2014 Audited US$m*
Opening balance	**185**	–	–
Transferred from investment in associate	–	174	185
Fair value change	–	–	–
Closing balance	**185**	174	185

- The fair value of the amounts receivable in respect of the development of the Greater Stella Area (page 32) has been calculated using a discounted cash flow model that represents the value which management expects would be converted to oil and gas assets upon transfer of legal title of the licence on achieving first oil. The oil price assumptions used are the same as disclosed in note 13, the risk adjusted cash flow projections are discounted at a post-tax rate of 9.0%.

The table below explains the impact on the fair value of the amounts receivable in respect of the development of the Greater Stella Area as a result of changes to these inputs:

	30 June 2015 Unaudited US$m	*30 June 2014 Unaudited US$m*	*31 December 2014 Audited US$m*
10% decrease in the oil price (per barrel)	**(28)**	–	(29)
10% increase in the oil price (per barrel)	**28**	–	27
10% decrease in the gas price (per mcf)	**(32)**	–	(30)
10% increase in the gas price (per mcf)	**32**	–	30
100 basis points decrease in the discount rate	**23**	–	17
100 basis points increase in the discount rate	**(21)**	–	(19)

16 FINANCIAL INSTRUMENTS (continued)

Reconciliation of fair value measurement of the amounts receivable in respect of the development of the Greater Stella Area:

	30 June 2015 Unaudited US$m	*30 June 2014 Unaudited US$m*	*31 December 2014 Audited US$m*
Opening balance	**192**	200	200
Advances during the year to the partners	**87**	110	199
Fair value loss	**(6)**	–	(207)
Closing balance	**273**	310	192

17 CASH AND CASH EQUIVALENTS

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

	30 June 2015 Unaudited US$m	*30 June 2014 Unaudited US$m*	*31 December 2014 Audited US$m*
Cash at bank and in hand	**852**	519	899
Short-term deposits	**6**	139	87
Cash and short-term deposits	**858**	658	986
Bank overdrafts	**(55)**	(27)	(9)
	803	631	977
Cash included in assets held for sale	–	57	–
	803	688	977

18 TREASURY SHARES AND SHARE-BASED PAYMENTS

During the period, the Company acquired 2,800,000 (30 June 2014: 1,000,000; 31 December 2014: 1,000,000) of its own shares at a cost of US$39m (30 June 2014: US$23m; 31 December 2014: US$25m) 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 1,618,162 shares (including 94,756 accrued dividend shares) with a cost of US$27m were transferred out of the Employee Benefit Trust on vesting of various employee share scheme awards.

The Group has recognised an expense in the income statement for the period to 30 June 2015 relating to employee share-based incentives of US$10m (six months ended 30 June 2014: US$11m; year ended 31 December 2014: US$22m) which has been transferred to the reserve for share-based payments. This charge covers shares granted in relation to the existing Deferred Bonus, Performance and Restricted Share Plans. In addition US$23m of the remaining bonus liability accrued for the year ended 31 December 2014 (2013 bonus of US$24m) which has been voluntarily elected or mandatorily obliged to be settled in shares granted during the period has been transferred to the reserve for share-based payments.

19 OTHER RESERVES

	Net unrealised (losses)/ gains on derivatives US$m	*Foreign currency translation US$m*	*Reserve for share-based payments US$m*	*Total US$m*
Balance at 1 January 2015	(7)	(51)	76	18
Foreign currency translation losses	–	(7)	–	(7)
Net gains on maturity of cash flow hedges recycled in the period	(30)	–	–	(30)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	(5)	–	–	(5)
Share-based payments charge (note 18)	–	–	10	10
Transfer during the period (note 18)	–	–	23	23
Shares vested during the period	–	–	(26)	(26)
Balance at 30 June 2015 (unaudited)	**(42)**	**(58)**	**83**	**(17)**
Attributable to:				
Petrofac Limited shareholders	(23)	(59)	83	1
Non-controlling interests	(19)	1	–	(18)
Balance at 30 June 2015 (unaudited)	**(42)**	**(58)**	**83**	**(17)**
Balance at 1 January 2014	28	(29)	64	63
Foreign currency translation gains	–	12	–	12
Net gains on maturity of cash flow hedges recycled in the period	(3)	–	–	(3)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	8	–	–	8
Share-based payments charge (note 18)	–	–	11	11
Transfer during the period (note 18)	–	–	24	24
Shares vested during the period	–	–	(29)	(29)
Balance at 30 June 2014 (unaudited)	33	(17)	70	86
Attributable to:				
Petrofac Limited shareholders	33	(17)	70	86
Non-controlling interests	–	–	–	–
Balance at 30 June 2014 (unaudited)	33	(17)	70	86
Balance at 1 January 2014	28	(29)	64	63
Foreign currency translation losses	–	(22)	–	(22)
Net gains on maturity of cash flow hedges recycled in the year	(14)	–	–	(14)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	(21)	–	–	(21)
Share-based payments charge (note 18)	–	–	22	22
Transfer during the year (note 18)	–	–	24	24
Shares vested during the year	–	–	(33)	(33)
Deferred tax on share based payments reserve	–	–	(1)	(1)
Balance at 31 December 2014 (audited)	(7)	(51)	76	18
Attributable to:				
Petrofac Limited shareholders	6	(51)	76	31
Non-controlling interests	(13)	–	–	(13)
Balance at 31 December 2014 (audited)	(7)	(51)	76	18

20 INTEREST-BEARING LOANS AND BORROWINGS

The Group had the following interest-bearing loans and borrowings outstanding:

		30 June 2015 Actual interest rate %	30 June 2014 Actual interest rate %	31 December 2014 Actual interest rate %	Effective interest rate %	Maturity	***30 June 2015 Unaudited US$m***	*30 June 2014 Unaudited US$m*	*31 December 2014 Audited US$m*
Current									
Bank overdrafts	(i)	US/UK LIBOR + 1.50%	US/UK LIBOR + 1.50%	US/UK LIBOR + 1.50%	US/UK LIBOR + 1.50%	on demand	**55**	27	9
Total current interest-bearing loans and borrowings							**55**	27	9
Non-current									
Senior notes	(ii)	3.40%	3.40%	3.40%	3.68%	3 years	**750**	750	750
Term loans	(iii)	US LIBOR + 0.85%	–	US LIBOR + 0.85%	US LIBOR + 0.85%	1 years	**500**	–	500
Revolving credit facility	(iv)	US LIBOR + 0.95%	US LIBOR + 1.50%	US LIBOR + 1.50%	US LIBOR + 0.95%	5 years	**590**	1,096	475
Export Credit Agency Funding	(v)	US LIBOR + 1.50%	–	–	US LIBOR + 1.50%	14 years	**17**	–	–
							1,857	1,846	1,725
Less:									
Debt acquisition costs net of accumulated amortisation and effective interest rate adjustments							**(19)**	(12)	(13)
Discount on senior notes issuance							**(2)**	(3)	(2)
Total non-current interest-bearing loans and borrowings							**1,836**	1,831	1,710
Total interest-bearing loans and borrowings							**1,891**	1,858	1,719

Details of the Group's interest-bearing loans and borrowings are as follows:

(i) Bank overdrafts

Bank overdrafts are drawn down in US dollars and sterling denominations to meet the Group's working capital requirements. These are repayable on demand.

(ii) Senior notes

Petrofac has an outstanding aggregate principal amount of US$750m Senior Notes due in 2018 (Notes). The Group pays interest on the Notes at an annual rate equal to 3.40% of the outstanding principal amount. Interest on the Notes is payable semi-annually in arrears in April and October each year. The Notes are senior unsecured obligations of the Company and will rank equally in right of payment with the Company's other existing and future unsecured and unsubordinated indebtedness. Petrofac International Ltd and Petrofac International (UAE) LLC irrevocably and unconditionally guarantee, jointly and severally, the due and prompt payment of all amounts at any time becoming due and payable in respect of the Notes. The Guarantees are senior unsecured obligations of each Guarantor and will rank equally in right of payment with all existing and future senior unsecured and unsubordinated obligations of each Guarantor.

(iii) Term loan

On 31 August 2014, Petrofac entered into a US$500m 2 year term loan facility with a syndicate of 5 international banks. The facility, which matures on 31 August 2016, is unsecured and is subject to two financial covenants relating to leverage and interest cover. Petrofac was in compliance with these covenants for the period ending 30 June 2015. The loan was fully drawn as of 30 June 2015 (30 June 2014: US$nil; 31 December 2014: US$500m).

Interest is payable on the facility at LIBOR + 0.85%.

(iv) Revolving credit facility

Petrofac has a US$1,200m 5 year committed revolving credit facility with a syndicate of international banks, which is available for general corporate purposes. The facility, which was signed on 11 September 2012, was amended and extended in June 2015 and will now mature on 2 June 2020. The facility is unsecured and is subject to two financial covenants relating to leverage and interest cover. Petrofac was in compliance with these covenants for the period ending 30 June 2015. As at 30 June 2015, US$590m was drawn under this facility (30 June 2014: US$1,096m; 31 December 2014: US$475m).

Interest is payable on the drawn balance of the facility at LIBOR + 0.95% and in addition utilisation fees are payable depending on the level of utilisation.

20 INTEREST-BEARING LOANS AND BORROWINGS (continued)

(v) Export credit agency funding

On 26 February 2015, Petrofac entered into a US$58m, 14 year term loan facility guaranteed by the Italian Export Credit Agency SACE. The facility is linked to the procurement of certain goods and services from Italian exporters in connection with the construction of the Petrofac JSD6000 vessel and repayments of the loan will commence from the date of delivery of the vessel. The facility is unsecured and is subject to two financial covenants relating to leverage and interest cover. Petrofac was in compliance with these covenants for the period ending 30 June 2015. As at 30 June 2015, US$17m was drawn under this facility (30 June 2014: US$nil; 31 December 2014: US$nil).

21 CAPITAL COMMITMENTS

At 30 June 2015 the Group had capital commitments of US$709m (30 June 2014: US$916m; 31 December 2014: US$1,034m).

Included in the US$709m of commitments are:

	30 June 2015 Unaudited US$m	*30 June 2014 Unaudited US$m*	*31 December 2014 Audited US$m*
Building of the Petrofac JSD6000 installation vessel	**349**	464	392
Production Enhancement Contracts in Mexico	**63**	239	229
Further appraisal and development of wells as part of Block PM304 in Malaysia	**27**	20	192
Costs in respect of Ithaca Greater Stella Field development in the UK North Sea	**236**	193	193
Commitments in respect of the construction of a new training centre in Oman	**26**	–	28
Commitments in respect of the OEC Zadco project temporary facilities	**8**	–	–

22 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$m	*Purchases from related parties US$m*	*Amounts owed by related parties US$m*	*Amounts owed to related parties US$m*
Joint ventures	**Six months ended 30 June 2015 (unaudited)**	**–**	**–**	**3**	**2**
	Six months ended 30 June 2014 (unaudited)	–	–	4	2
	Year ended 31 December 2014 (audited)	–	–	1	3
Associates	**Six months ended 30 June 2015 (unaudited)**	**–**	**–**	**6**	**–**
	Six months ended 30 June 2014 (unaudited)	–	–	–	–
	Year ended 31 December 2014 (audited)	–	–	1	–

All sales to and purchases from joint ventures/associates 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 will be settled in cash.

22 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

	Six months ended 30 June 2015 Unaudited US$m	*Six months ended 30 June 2014 Unaudited US$m*	*Year ended 31 December 2014 Audited US$m*
Short-term employee benefits	**4**	4	12
Share-based payments	**–**	2	3
Fees paid to non-executive Directors	**1**	1	1
	5	7	16

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that, to the best of their knowledge, the condensed set of financial statements on pages 14 to 39 has been prepared in accordance with IAS 34 'Interim Financial Reporting', and that the interim management report on pages 1 to 13 includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The Directors of Petrofac Limited are listed in the *Petrofac Annual Report and Accounts 2014*.

By the order of the Board

Ayman Asfari	Tim Weller
Chief Executive Officer	Chief Financial Officer
24 August 2015	24 August 2015

INDEPENDENT REVIEW REPORT TO PETROFAC LIMITED

Introduction

We have been engaged by Petrofac Limited ('the Company') to review the interim condensed consolidated financial statements in the interim report for the six months ended 30 June 2015 which comprises the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of financial position, the interim condensed consolidated statement of cash flows, the interim condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim condensed consolidated financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRS. The interim condensed consolidated financial statements included in this interim report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our Responsibility

Our responsibility is to express to the Company a conclusion on the interim condensed consolidated financial statements in the interim report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland), "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 2015 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 Conduct Authority.

Ernst & Young LLP
London
24 August 2015

SHAREHOLDER INFORMATION
At 30 June 2015

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

Registrar

Capita Registrars (Jersey) Limited
12 Castle Street
St Helier
Jersey JE23RT

Company Secretary and registered office

Elian Corporate Services (Jersey) Limited
44 Esplanade
St Helier
Jersey JE4 9WG

UK Transfer Agent

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

Legal Advisers to the Company

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS

Corporate Brokers

Goldman Sachs
Peterborough Court
133 Fleet Street
London EC4A 2BB

JP Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Auditors

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

Corporate and Financial PR

Tulchan Communications Group
85 Fleet Street
London EC4Y 1AE

Financial calendar

18 September 2015	Interim dividend record date
16 October 2015	Interim dividend payment
31 December 2015	2015 financial year end
24 February 2016	2015 full year results announcement

Dates are based on current expectations.

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