Petrofac Limited

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

CONTENTS

GROUP FINANCIAL HIGHLIGHTS

US$2,535 million

Revenue

Six months ended 30 June 2013: US$2,794 million

US$20.3 billion

Backlog[1]

As at 31 December 2013: US$15.0 billion

US$340 million

EBITDA[2]

Six months ended 30 June 2013: US$405 million

39.80 cents

Earnings per share (diluted)

Six months ended 30 June 2013: 70.72 cents

US$136 million

Net profit

Six months ended 30 June 2013: US$243 million

22.00 cents

Interim dividend per share

Six months ended 30 June 2013: 22.00 cents

20%

Return on capital employed[3]

Year ended 30 June 2013: 32%

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1 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.

2 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).

3 Return on capital employed (ROCE) is calculated as EBITA (earnings before interest, tax and amortisation) for the year ended 30 June 2014 divided by average capital employed (being total assets less current liabilities per the interim condensed consolidated statement of financial position).

BUSINESS REVIEW

Results

The Group has had a strong start to the year in terms of new project awards, bid at margins consistent with our medium-term guidance, reflecting ongoing high levels of investment by our customers in our core geographic markets and our strong competitive position. Backlog stood at the record level of US$20.3 billion at 30 June 2014 (31 December 2013: US$15.0 billion), with further announced awards of US$1.2 billion since 30 June 2014, giving us very good revenue visibility for the rest of this year and beyond.

Operationally, we have delivered good performance in our Engineering, Construction, Operations and Maintenance division (ECOM), with progress being made across the engineering, procurement and construction (EPC) portfolio. In Integrated Energy Services (IES), we completed a review of the portfolio during the first half of the year and identified a number of performance issues that are being addressed, in particular on the Greater Stella Area project and the Ticleni project in Romania. We remain focused on delivering improved performance on these projects. Looking further ahead, whilst we continue to see good demand for the provision of integrated services, we are prioritising those opportunities which make the best use of our existing core areas of strength, offer clear synergies with ECOM, and deliver attractive returns on capital employed.

Our revenue and net profit for 2014 is expected to be significantly weighted towards the second half of the year, reflecting the phasing of project delivery, particularly in Onshore Engineering & Construction, where several large projects were substantially completed in 2013 and activity levels on more recent awards are low while the projects are in their early stages. We expect a significant increase in activity, revenue and net profit in Onshore Engineering & Construction in the second half of the year. As in previous years, net profit in Offshore Projects & Operations and Engineering & Consulting Services is also expected to be significantly weighted towards the second half of the year. As a result, in the six months ended 30 June 2014, revenue was lower at US$2,535 million (2013: US$2,794 million) and net profit attributable to Petrofac Limited shareholders was lower at US$136 million (2013: US$243 million). EBITDA for the first six months of the year was lower at US$340 million (2013: US$405 million).

The Group's net debt stood at US$1.3 billion at 30 June 2014 (31 December 2013: net debt US$0.7 billion) as the net result of:

- operating profits before working capital and other non-current changes of US$385 million
- net working capital outflows of US$229 million, including:
  - a cash outflow of US$114 million from an increase in trade and other receivables, predominantly in relation to trade receivables and retentions on Onshore Engineering & Construction projects
  - a cash outflow of US$87 million from an increase in work in progress, with the largest increase in relation to the Laggan-Tormore project on Shetland, UK, following a step-up in activity levels in recent months to address the impact of exceptionally poor winter weather
  - a cash outflow from a US$198 million reduction in accrued contract expenses, predominantly in relation to the El Merk project in Algeria and the Galkynysh project in Turkmenistan, which are both substantially complete
  - a cash inflow in other current financial assets of US$100 million, predominantly in relation to cash received from the Berantai risk service contract in Malaysia
- investing activities of US$411 million, including capital expenditure of US$352 million on Integrated Energy Services projects and US$44 million on the Petrofac JSD6000 installation vessel
- financing activities, in particular, payment of the 2013 final dividend of US$150 million and financing the purchase of treasury shares for US$23 million for the purpose of making awards under the Group's share schemes
- net taxes paid of US$45 million

The management of working capital and the resolution of commercial settlements remains a high priority. We have made positive progress during the second half of the year to date, with reductions expected in respect of a number of the most significant working capital positions over the next few months.

Net debt (US$ millions)	30 June 2014	31 December 2013	30 June 2013
Cash and short-term deposits[1]	715	617	538
Interest-bearing loans and borrowings[1]	(1,982)	(1,344)	(908)
Net debt	(1,267)	(727)	(370)

[1] Includes amounts in assets held for sale (see note 15 to the financial statements).

BUSINESS REVIEW

As disclosed in note 23 to the financial statements, effective 13 August 2014, we sold 80% of the share capital of Petrofac FPSO Holding Limited, which via its subsidiaries owns interests in the FPSO Berantai, FPF3 (formerly Jasmine Venture) and FPF5 (formerly Ocean Legend) to PetroFirst Infrastructure Holdings Limited, wholly owned by the First Reserve Energy Infrastructure Fund. The total initial disposal consideration was approximately US$450 million, which comprises cash and the assumption of approximately US$130 million of existing project finance in relation to the Berantai FPSO, thereby significantly reducing the Group's net debt position.

Net finance costs for the period were US$17 million (2013: US$5 million net finance income). Finance costs increased to US$28 million (2013: US$6 million) due to higher average levels of interest-bearing loans and borrowings. Finance income was in line with the prior period at US$11 million (2013: US$11 million), which predominantly relates to the unwinding of discounting of long-term receivables on the Berantai risk service contract.

The tax charge for the six months ended 30 June 2014 of US$53 million (2013: US$58 million) represents an effective tax rate of 28% (six months ended 30 June 2013: 19%; year ended 31 December 2013: 18%). The Group's effective tax rate is dependent upon a numbers of factors including the timing of profit recognition between the first and second halves of the year on contracts as well as the mix of jurisdictions in which contract income is generated. For the six months ended 30 June 2014, the higher effective tax rate results from an increased proportion of total income being generated in higher tax jurisdictions and a greater proportion of the Group's profits coming from Integrated Energy Services, which has a higher effective tax rate. However, if the consequences of the timing issues noted above are accounted for, the Group's effective tax rate for year end 2014 is expected to be broadly in line with last year's effective tax rate.

Diluted earnings per share for the six months ended 30 June 2014 was 39.80 cents per share (2013: 70.72 cents per share) in line with the change in net profit.

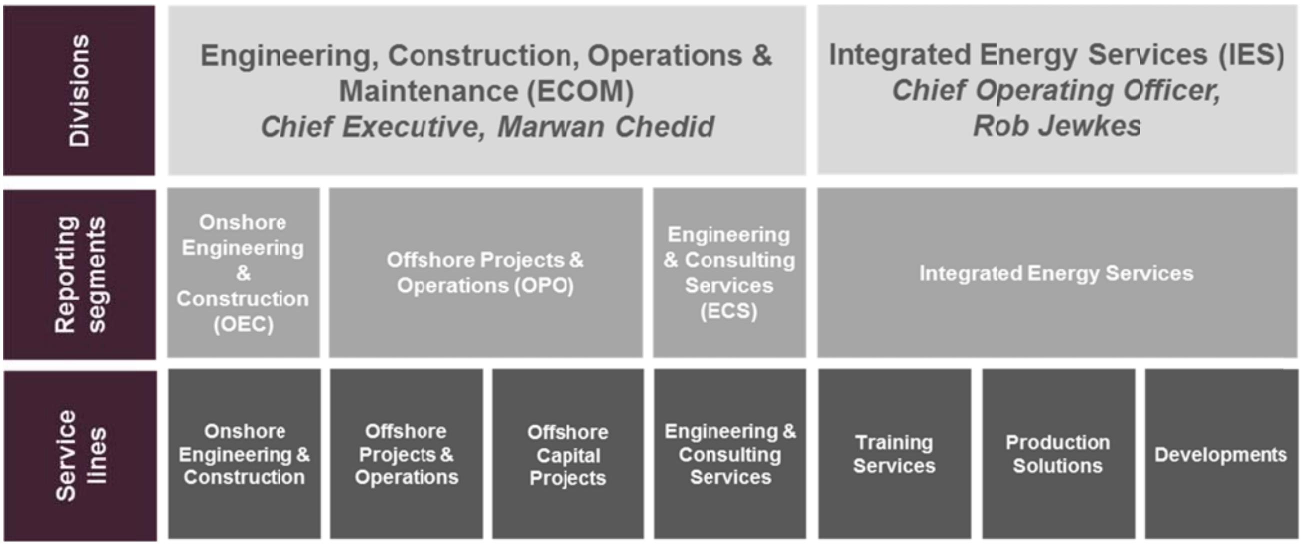
At 30 June 2014, the Group had around 18,800 employees (including long-term contractors), (31 December 2013: 18,300).

Dividend

The Board has declared an interim dividend of 22.00 cents per share (2013: 22.00 cents), in line with the 2013 interim dividend, which will be paid on 17 October 2014 to eligible shareholders on the register at 19 September 2014. Shareholders who have not elected to receive dividends in US dollars will receive a sterling equivalent, based on the exchange rate on the record date. Shareholders have the opportunity to elect by close of business on the record date to change their dividend currency election. Notwithstanding the year-on-year reduction in net profit expected in 2014, the Board intends to pay a full year dividend in line with the 2013 full year dividend.

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:

US$ million *For the six months ended 30 June*	*Revenue*		*Operating profit[1]*		*Net profit[2]*		*EBITDA*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013 restated[3]*	*2014*	*2013*
Onshore Engineering & Construction	**988**	1,610	**123**	190	**107**	164	**144**	224
Offshore Projects & Operations	**1,050**	670	**5**	20	**-**	13	**7**	29
Engineering & Consulting Services	**214**	180	**3**	6	**4**	6	**6**	9
Integrated Energy Services	**467**	419	**81**	57	**55**	46	**182**	116
Corporate, others, consolidation adjustments & eliminations	**(184)**	(85)	**(7)**	22	**(30)**	14	**1**	27
Group	**2,535**	2,794	**205**	295	**136**	243	**340**	405

Growth/margin analysis % *For the six months ended 30 June*	*Revenue growth*		*Operating margin*		*Net margin*		*EBITDA margin*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013 restated[3]*	*2014*	*2013*
Onshore Engineering & Construction	*(38.6)*	*(31.0)*	*12.4*	*11.8*	*10.8*	*10.2*	*14.6*	*13.9*
Offshore Projects & Operations	*56.7*	*1.4*	*0.5*	*3.0*	*-*	*1.9*	*0.7*	*4.3*
Engineering & Consulting Services	*18.9*	*74.8*	*1.4*	*3.3*	*1.9*	*3.3*	*2.8*	*5.0*
Integrated Energy Services	*11.5*	*31.8*	*17.3*	*13.6*	*11.8*	*11.0*	*39.0*	*27.7*
Group	*(9.3)*	*(12.3)*	*8.1*	*10.6*	*5.4*	*8.7*	*13.4*	*14.5*

[1] Profit from operations before tax and finance costs, including the Group's share of results of associates.
[2] Profit for the year attributable to Petrofac Limited shareholders.
[3] From 1 January 2014, internal management reporting was changed such that 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 (see note 3 to the financial statements for more detail).

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.

Operations in Iraq

Our operations in Iraq are south and east of Baghdad and represent less than 5% of the Group's expected revenues for 2014. While we continue to monitor events closely, there has been no significant impact on our current operations to date.

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).

We have made progress on our portfolio of projects during the first half of the year, including full remobilisation in early 2014 to the In Salah southern fields development site in Algeria following the temporary evacuation of our staff, at the request of our client, in January 2013 following the terrorist attack which took place at the In Amenas natural gas site in the same country. We also agreed capacity enhancements on the Upper Zakum field development in Abu Dhabi and are making good progress on the project.

New awards

Order intake for the first half of the year totalled US$4.5 billion (2013: US$4.3 billion), including the following major awards:

Clean Fuels Project, Kuwait

In February 2014, we announced that we are leading a joint venture with Samsung Engineering Co Ltd (Samsung) and CB&I Nederland BV (CB&I) to deliver Kuwait National Petroleum Company's (KNPC) Clean Fuels Project, Mina Abdulla (MAB1) refinery in Kuwait. The US$3.7 billion contract, of which Petrofac's share is US$1.7 billion, will be completed over a period of approximately four years. The lump-sum engineering, procurement and construction scope of work includes the provision of 19 new refining units at Mina Abdulla, revamping of five existing units at the Shouaiba refinery site and the accompanying inter-refinery transfer lines.

Khazzan central processing facility, Oman

In February 2014, we were awarded a contract by BP for the central processing facility (CPF) for the Khazzan gas project in the Sultanate of Oman. This has been awarded on a convertible lump-sum basis and will convert to a full lump-sum contract worth approximately US$1.2 billion at a pre-determined point during execution. The scope of work will include engineering, procurement and construction of the CPF at the Khazzan field. The CPF will include two process trains, each having a capacity of 525 million standard cubic feet of gas per day, an associated condensate processing system, power generation plant, water treatment system and all associated utilities and infrastructure. The project is expected be completed in 2017.

Reggane North Development Project, Algeria

In May 2014, we were awarded a 36 month lump-sum contract worth more than US$970 million for the gas gathering, treatment and export facilities package of the Reggane North Development Project located in the Reggane basin of the Algerian Sahara desert, 1,500 km south-west of Algiers. The project was awarded by Groupement Reggane, a partnership comprising Algerian state-owned company Sonatrach (40%), Spain's Repsol (29.25%), Germany's RWE Dea AG (19.5%) and Edison of Italy (11.25%).

We have also secured the following major awards since 30 June 2014:

Gathering centre 29, Kuwait

In July 2014, we received an award notification for Kuwait Oil Company's (KOC) gathering centre 29 (GC29) which is located approximately 70 km north of Kuwait City. Valued at around US$700 million, the project will be completed over a period of approximately three years. The lump-sum scope of work includes the engineering, procurement, construction, pre-commissioning and commissioning of GC29. GC29 is one of three gathering centres being constructed to support KOC's plans to increase and maintain oil production over the next five years. 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.

BUSINESS REVIEW

RAPID project, Malaysia

In August 2014, we were awarded a US$500 million engineering, procurement, construction and commissioning contract by PRPC Refinery and Cracker Sdn. Bhd., a subsidiary of PETRONAS, for a refinery package in the Refinery and Petrochemicals Integrated Development (RAPID) project in Pengerang, Johor, Malaysia. Our scope of work includes three sulphur recovery units, two amine regeneration units, two sour water stripping units, a liquid sulphur storage units and a sulphur solidification package unit.

Results

Revenue for the first half of the year was substantially lower than the prior year at US$988 million (2013: US$1,610 million), reflecting the phasing of project delivery. Several large projects were substantially completed in 2013 and activity levels on more recent awards are low while the projects are in their early stages. We expect a significant increase in activity, revenue and net profit in Onshore Engineering & Construction in the second half of the year.

Net profit for the first six months of the year was US$107 million (2013 restated: US$164 million), reflecting the phasing of activity. Net margin for the first six months of the year was higher at 10.8% (2013 restated: 10.2%).

Onshore Engineering & Construction headcount stood at 5,200 at 30 June 2014 (31 December 2013: 6,100), reflecting the phasing of activity on the EPC portfolio.

At 30 June 2014, Onshore Engineering & Construction backlog stood at the record level of US$11.3 billion (31 December 2013: US$7.8 billion), reflecting recent awards in Kuwait, Oman and Algeria.

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 oil and gas projects, and the provision of operations and maintenance support, onshore and offshore.

Overall activity levels in the first half of 2014 on operations support contracts were similar to the first half of 2013. There was a significant increase in the level of activity on capital projects, such as the Laggan-Tormore gas plant on Shetland in the UK, the upgrade and modification of the FPF1 floating production facility (which will subsequently be deployed on the Greater Stella Area – see Integrated Energy Services section) and the Satah Al Razboot package 3 (SARB3) engineering, procurement, construction and installation (EPCI) project in Abu Dhabi, which was awarded in April 2013.

New awards and extensions:
We secured a number of extensions during the first half of the year for services provided in the UK North Sea: a two-year contract extension for Total for technical services on the Alwyn and Dunbar platforms; and, a renewal of our Duty Holder contract on the Kittiwake platform to the end of 2014, following the transfer of the asset to new owners EnQuest.

We also secured the following major new contracts during the first half of the year:

EnQuest operations and maintenance contract, UK North Sea
In May 2014, we were awarded a ten-year operations and maintenance contract with EnQuest, which supersedes an initial five year contract awarded to Petrofac in 2013, which will see us continue to provide operations and maintenance services on the Thistle, Heather and Northern Producer assets, and the EnQuest Producer floating production, storage and offloading vessel (FPSO).

BorWin3 wind farm grid connection, German North Sea
In April 2014, we secured our largest offshore engineering, procurement, construction and installation (EPCI) project to date with the award of a major contract from TenneT (in consortium with Siemens), the German-Dutch transmission grid operator, for the BorWin3 offshore wind farm grid connection in the North Sea. Our scope includes the construction and offshore installation of the BorWin3 platform, which will house a Siemens high voltage direct current (HVDC) station that converts the alternating current produced by the wind turbines to direct current before transmitting it onshore to the German national grid. The HVDC station will be one of the biggest of its kind with a transmission capacity of 900 megawatts. The commencement of commercial operation of Borwin3 is scheduled for 2019.

We have also secured the following extension since 30 June 2014:

GDF SUEZ Integrated Services Contract, UK North Sea
In August 2014, we announced the renewal of our Integrated Services Contract with GDF Suez E&P UK. The three-year multi-million dollar frame contract covers operations, maintenance and engineering services support to GDF SUEZ E&P UK throughout its operations in the UKCS, including Cygnus, the largest gas field discovery in the Southern North Sea for 25 years. The contract will initially continue to support Cygnus operational readiness, followed by the provision of operations and maintenance services for the Cygnus asset offshore.

Results
Revenue for the first half of the year increased 57% to US$1,050 million (2013: US$670 million), reflecting increased activity levels on capital projects such as the Laggan-Tormore gas plant in Shetland, the FPF1 floating production facility modification and upgrade and the SARB3 project in Abu Dhabi. Around 70% of Offshore Projects & Operations' revenue was generated in the UK and those revenues are generally denominated in sterling. The average US dollar to sterling exchange rate for the first half of 2014 was higher than the prior period. Excluding the impact of the exchange rate movement, revenue growth would have been approximately 50%.

Financial reporting exchange rates **US$/sterling**	**Six months ended 30 June 2014**	**Year ended 31 December 2013**	**Six months ended 30 June 2013**
Average rate for period	1.66	1.57	1.53
Period-end rate	1.71	1.66	1.52

Net profit for the first half of the year was US$nil million (2013 restated: US$13 million), reflecting the fact that much of the activity on capital projects during the first half of the year was at low margins. In addition, there was a US$5 million foreign exchange loss on forward contracts on a long-term project which management consider provide effective hedges in economic terms but which do not meet the requirements to be accounted for as hedging instruments under IAS39.

Headcount increased to 5,800 at 30 June 2014 (31 December 2013: 5,100), reflecting the significant increase in activity.

Offshore Projects & Operations backlog increased to US$3.4 billion at 30 June 2014 (31 December 2013: US$3.1 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 conceptual and FEED studies during the first half of the year for external customers. Engineering & Consulting Services' larger awards during the first half of the year included:

Thamama front end engineering design (FEED), Abu Dhabi

In February 2014, we announced the award of a US$21 million FEED contract by Abu Dhabi Company for Onshore Oil Operations (ADCO). The project, in the Thamama production zone, forms part of ADCO's Bab Integrated Facilities Project, located 150 km south-west of Abu Dhabi city. Prior to award of the FEED, we also successfully completed conceptual studies for the same development. The scope of work specifically looks at enhancing aspects of the field for its future development and expansion.

Rabab Harweel Integrated Project (RHIP), Oman

In March 2014, we were awarded Engineering & Consulting Services' largest project to date: an engineering and procurement contract by Petroleum Development Oman (PDO) to provide services for the RHIP facility located in the Harweel Cluster of fields in the south of the Sultanate of Oman. The RHIP facility will include sour gas processing facilities and associated gathering and injection systems and export pipelines. Under the terms of the four and a half year RHIP contract, we will provide detailed engineering and construction and commissioning management support services on a reimbursable basis and procurement on an incentivised pass-through basis. The total contract value is expected to be more than US$1 billion with around one quarter of the revenues relating to professional services (engineering, construction and commissioning management).

Results

Revenue for the first half of the year increased 19% to US$214 million (2013: US$180 million), reflecting activity on a number of recent project awards and the In Salah Gas and In Amenas consultancy contract, awarded in January 2013, but on which activity only recently commenced. Net profit for the first half of the year was lower at US$4 million (2013: US$6 million), as there was a lower contribution from our joint venture with China Petroleum Engineering & Construction Corporation, which had higher activity levels in the first half of 2013, particularly on projects in Turkmenistan.

Headcount increased to 4,300 at 30 June 2014 (31 December 2013: 3,900), reflecting the increase in activity levels.

Engineering & Consulting Services backlog stood at US$1.5 billion at 30 June 2014 (31 December 2013: US$0.3 billion) following the award of the RHIP contract in February 2014.

Integrated Energy Services

Integrated Energy Services provides an integrated service for hydrocarbon resource holders under flexible 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 good progress on our production enhancement contracts in Mexico, including early appraisal success on Santuario. We took over field operations on the Pánuco contract area in late March 2013 and on the Arenque contract area in early July 2013. Initial activity on Pánuco has focused on drilling new wells, undertaking new seismic studies and production optimisation initiatives with a view to agreeing a Field Development Plan early next year. Early activities on Arenque have focused on asset integrity studies and drilling our first offshore well to help establish a Field Development Plan next year.

As noted in our recent Interim Management Statement and Trading Update, production from the Ticleni field in Romania is below our original expectations. We spent the latter part of 2013 shooting additional seismic studies to improve our understanding of the field, and we are now in the process of agreeing a revised Field Development Plan.

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 4.7 million barrels of oil equivalent (mboe) (2013: 3.2 mboe), reflecting: commencement of field operations on the Pánuco contract area in late March 2013 and on the Arenque contract area in early July 2013; increased production from Magallanes and Santuario; partially offset by lower production on Ticleni.

Risk Service Contracts
The Berantai risk service contract continues to perform in line with expectations and we continue to work towards a second phase. We have commenced early activities on OML119 in Nigeria but do not expect material investment until the Field Development Plan has been finalised and agreed.

Following the announcement of Bowleven's farm-out transaction on 24 June 2014, we have reached a mutually acceptable agreement with Bowleven to terminate our Strategic Alliance Agreement in respect of the Etinde Permit in Cameroon. Under the arrangement, Bowleven will pay US$9 million to Petrofac upon completion of the farm-out transaction as full and final settlement and the Strategic Alliance Agreement shall terminate.

Equity Upstream Investments
We are in the final stages of commissioning the FPSO for Cendor phase 2 on Block PM304 in Malaysia. The original Cendor mobile offshore production unit (MOPU) is currently being decommissioned with the new facilities due on stream in the third quarter of 2014. Following ongoing success with near field appraisal on the Block, new 3D seismic data has been received and interpretation is underway. Further appraisals wells on the East Cendor and Cendor Graben areas of the Block are planned during the second half of the year. Development of these areas will depend on agreement of a Field Development Plan which underpins the overall returns from our interest in PM304.

On the FPF1 modification works, we have made good progress implementing changes to expedite completion of the remaining modification works. Construction activities on the main deck of the vessel are advancing. All the main oil and gas processing plant packages have been positioned on the vessel and installation of the associated pipework has commenced. We plan to sailaway the FPF1 in spring 2015 with first production on the Greater Stella Area development in the UK North Sea expected in mid-2015.

In Tunisia, steady production continues on the Chergui gas concession despite a short period of interruption towards the end of the first half of the year.

In the first half of the year, our net entitlement from production from Block PM304 and the Chergui gas plant increased to 1.2 million barrels of oil equivalent (mboe) (2013: 0.7 mboe), reflecting a significant increase in production from Block PM304 following commencement of production from West Desaru in August 2013.

Petrofac Training
In March 2014, we signed an agreement with Oman Oil Company, to establish an industry-leading 'Centre of Excellence' to train Oman's energy and energy-related workforce to international standards. Also in March, we opened the INSTEP training facilities in Malaysia, through our joint venture with PETRONAS. The facilities include three high-specification training facilities that Petrofac is building to support PETRONAS workforce capability enhancement programme.

Seven Energy
Following Seven Energy's capital raising on 15 April 2014, our equity interest has been diluted to approximately 15%. Consequently, we are no longer accounting for Seven Energy as an associate and are therefore no longer recognising our share of the results of Seven Energy from this date.

Results
Integrated Energy Services' revenue increased by 11% to US$467 million (2013: US$419 million), as commencement of operations on West Desaru on Block PM304 in August 2013, increased activity on the Mexico production enhancement contracts (including commencement of field operations on the Pánuco contract area in late March 2013 and on the Arenque contract area in early July 2013) and increased activity levels for Petrofac Training, more than offset a reduction in revenues on the Berantai risk service contract which is now in its operational phase.

Net profit increased by 20% to US$55 million (2013 restated: US$46 million), reflecting the above, albeit partially offset by recognition of the Group's share of losses in Seven Energy of US$10 million for the period up to 15 April 2014 (based on unaudited management accounts to that date).

Headcount increased to 3,400 at 30 June 2014 (December 2013: 3,200), reflecting the increase in activity levels, particularly in relation to Petrofac Training.

Integrated Energy Services' backlog increased marginally to US$4.1 billion at 30 June 2014 (31 December 2013: US$3.9 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 2013 Annual report and accounts on pages 86 to 91.

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.	As we pursue our business strategy, we are achieving a more balanced geographic and business model mix. We are also working across the entire life cycle of our customers' assets – from early development right through to decommissioning. When considering the entry into new territories, or extending our activities in existing territories, our plans are reviewed by the Group Risk Committee. The Board Risk Committee regularly reviews the overall concentration 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 disciplined cash management.
Counterparty risks The risk of financial or commercial exposure if counterparties (such as key financial institutions, customers, 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 (such 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. 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.	We manage liquidity risk 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 are investing more of our surplus cash into strategic investments and other opportunities, particularly in IES. In 2013 we launched our inaugural bond issue as a means to invest in the business and secure additional liquidity. 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 to identify any funding requirements well in advance.
Investment risks The risk that poor investment decisions could negatively impact our business. This includes investments in the business itself and co-investment in our customers' assets (as is often the case with IES contracts).	As the Group moves into new geographies and competes for larger, more integrated projects, the Board is required to sanction more complex bids and investments. In doing so, it assesses the level of project management discipline and executive capability behind them, to satisfy itself that the right mix of risk 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. 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 Significant movements in exchange rates could impact our financial performance. Also, volatility in oil and gas prices could influence the level of investment in the industry and, hence, the demand for our services. The financial performance of IES is more susceptible to oil and gas price volatility (due to Equity Upstream Investments).	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. Offshore Projects & Operations' revenues and costs are principally denominated in sterling. However, we choose not to hedge these revenues as they are substantially matched by the sterling costs of our corporate office and other UK-based activities. As detailed in the Market Outlook section of the 2013 Annual report and accounts (pages 24 to 27), we expect demand for our services to remain robust and to be largely insulated from any short-term fluctuations in oil and gas prices. However, we do recognise the impact that a fall in oil prices could have on our future backlog and margins. Under our Sovereign and Financial Market Risk Policy we aim to hedge, on a rolling annual basis, the net profit exposure from 75% of our low-estimate of production. However, we do not begin hedging until a development has achieved steady-state production.
Operational and contractual risks	
Customer concentration risks The risk of over-exposure to any one customer – 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 disaggregated. We are also working towards a larger client portfolio for IES. 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 of the 2013 Annual report and accounts (pages 24 to 27), we expect the demand for our services to remain robust over the long term. Our business strategy assumes that a high level of competition will continue – but our progressive diversification continues to grow the size of our addressable market. Bid-to-win ratios and segmental competition is regularly analysed to monitor this risk.

Risk	Mitigation and management
Operational and contractual risks continued	
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.
Contractual performance risks The fact that we work on 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 strong track record of successful project execution (from bid submission through to project completion), which demonstrates our rigorous approach to risk identification and mitigation. Meanwhile, the status on all key projects is regularly reviewed by senior management and reported to the Board. Our design integrity assurance processes involve the robust challenge of all specifications (including peer-review assessment), as well as ongoing integrity risk reviews. Also, our subcontractor risk management strategy involves the retention of competent subcontractors with a track record of delivery. We always seek to avoid liabilities that are unquantifiable or for which we could not reasonably be held responsible. 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 an insurance programme to provide mitigation against significant losses. This programme is consistent with general industry practice, and it also incorporates a captive insurance vehicle. All insurance policies that we purchase are subject to certain limits, deductibles and specific terms and conditions. In addition, 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 accessed; and capacity constraints.
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, linked to effective succession planning and recruitment. We remain confident that our policies to attract, train, promote and reward our people will be sufficient for the Group – and will enable us to meet our strategic goals.

<table>
<tr><th>Risk</th><th>Mitigation and management</th></tr>
<tr><td colspan="2">Ethical, social and regulatory risks</td></tr>
<tr><td>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.</td><td>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 on-going activity 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 to ensure that we put appropriate controls in place.</td></tr>
<tr><td>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.</td><td>Our business is conducted in a growing 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 and risk assessment. In recent years, we have increased the level of due diligence for new contracts in higher-risk countries. Where appropriate, this includes the commissioning of independent investigations.

We continue to re-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.</td></tr>
</table>

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 2013 on pages 1 to 51. In addition, note 29 to the Group's Annual report and accounts 2013 includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has access to considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Outlook

In ECOM, we have already had our most successful year for new awards, with order intake in the year to date of US$8.4 billion. Our backlog stands at record levels and gives us very good revenue visibility for the second half of the year and beyond. Activity levels, revenue and net income are expected to increase substantially in the second half of the year as we move into the execution phase on a number of major projects. Our pipeline of bidding opportunities remains attractive and, given our strong competitive position in our core markets, we are confident of securing a number of further awards and contract extensions during the second half of the year. Our disciplined approach to business development, with bid margins, on a country-by-country basis, in line with the last few years, and our relentless focus on project execution give us confidence that we will maintain sector-leading net margins in Onshore Engineering & Construction.

In IES, we are making good progress on addressing project performance issues and the delivery of key operational milestones. Looking further ahead, we continue to see good demand for the provision of integrated services and we are prioritising those opportunities which make the best use of our existing core areas of strength, offer clear synergies with ECOM, and deliver attractive returns on capital employed.

Work in progress increased during the first half of the year, with the largest increase in relation to the Laggan-Tormore project in Shetland, UK, following a step-up in activity levels in recent months to address the impact of exceptionally poor winter weather. The management of working capital and the resolution of commercial settlements remains a high priority. We have made positive progress during the second half of the year to date, with reductions expected in respect of a number of the most significant working capital positions over the next few months.

We remain on track to deliver net profit in the range US$580 million to US$600 million for the full year 2014, in line with previous guidance.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2014

	Notes	***Six months ended 30 June 2014 Unaudited US$m***	*Six months ended 30 June 2013 Unaudited US$m*	*Year ended 31 December 2013 Audited US$m*
Revenue	4	**2,535**	2,794	6,329
Cost of sales		**(2,117)**	(2,292)	(5,165)
Gross profit		**418**	502	1,164
Selling, general and administration expenses		**(203)**	(217)	(387)
Other income	5	**24**	8	11
Other expenses	6	**(25)**	(8)	(17)
Profit from operations before tax and finance (costs)/income		**214**	285	771
Finance costs	7	**(28)**	(6)	(28)
Finance income		**11**	11	24
Share of (losses)/profits of associates/joint ventures	13	**(9)**	10	22
Profit before tax		**188**	300	789
Income tax expense	8	**(53)**	(58)	(142)
Profit for the period		**135**	242	647
Attributable to:				
Petrofac Limited shareholders		**136**	243	650
Non-controlling interests		**(1)**	(1)	(3)
		135	242	647
Earnings per share (US cents)	9			
- Basic		**40.07**	71.24	190.85
- Diluted		**39.80**	70.72	189.10

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2014

	Notes	***Six months ended 30 June 2014 Unaudited US$m***	*Six months ended 30 June 2013 Unaudited US$m*	*Year ended 31 December 2013 Audited US$m*
Profit for the period		**135**	242	647
Other Comprehensive Income				
Foreign currency translation gains /(losses)	19	**12**	(27)	(4)
Net (gain)/loss on cash flow hedges recycled in the period	19	**(3)**	1	(1)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	19	**8**	(3)	29
Other comprehensive income to be reclassified to consolidated income statement in subsequent periods		**17**	(29)	24
Total comprehensive income for the period		**152**	213	671
Attributable to:				
Petrofac Limited shareholders		**153**	214	674
Non-controlling interests		**(1)**	(1)	(3)
		152	213	671

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014

	Notes	***30 June 2014 Unaudited US$m***	*30 June 2013 Unaudited US$m*	*31 December 2013 Audited US$m*
ASSETS				
Non-current assets				
Property, plant and equipment	11	**1,275**	907	1,191
Goodwill		**159**	147	155
Intangible assets	12	**379**	358	330
Investments in associates / joint ventures	13	**41**	199	215
Available-for-sale investment	14	**174**	-	-
Other financial assets	16	**472**	530	527
Income tax receivable		**9**	-	9
Deferred tax assets		**24**	48	37
		2,533	2,189	2,464
Current assets				
Inventories		**21**	38	16
Work in progress		**1,560**	742	1,473
Trade and other receivables		**2,464**	1,975	2,360
Due from related parties	22	**4**	29	5
Other financial assets	16	**426**	171	320
Income tax receivable		**14**	6	2
Cash and short-term deposits	17	**658**	538	617
		5,147	3,499	4,793
Assets held for sale	15	**99**	-	-
		5,246	3,499	4,793
TOTAL ASSETS		**7,779**	5,688	7,257
EQUITY AND LIABILITIES				
Equity				
Share capital		**7**	7	7
Share premium		**4**	4	4
Capital redemption reserve		**11**	11	11
Treasury shares	18	**(102)**	(114)	(110)
Other reserves	19	**86**	9	63
Retained earnings		**1,999**	1,683	2,014
Equity attributable to Petrofac Limited shareholders		**2,005**	1,600	1,989
Non-controlling interests		**2**	5	3
TOTAL EQUITY		**2,007**	1,605	1,992
Non-current liabilities				
Interest-bearing loans and borrowings	20	**1,831**	835	1,291
Provisions		**226**	106	213
Other financial liabilities	16	**10**	6	2
Deferred tax liabilities		**130**	102	140
		2,197	1,049	1,646
Current liabilities				
Trade and other payables		**2,291**	1,927	2,296
Due to related parties	22	**2**	1	3
Interest-bearing loans and borrowings	20	**27**	73	53
Other financial liabilities	16	**28**	19	37
Income tax payable		**157**	138	140
Billings in excess of cost and estimated earnings		**282**	365	254
Accrued contract expenses		**638**	511	836
		3,425	3,034	3,619
Liabilities directly associated with assets held for sale	15	**150**	-	-
		3,575	3,034	3,619
TOTAL LIABILITIES		**5,772**	4,083	5,265
TOTAL EQUITY AND LIABILITIES		**7,779**	5,688	7,257

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2014

	Notes	***Six months ended 30 June 2014 Unaudited US$m***	*Six months ended 30 June 2013 Unaudited US$m (Restated)*	*Year ended 31 December 2013 Audited US$m*
OPERATING ACTIVITIES				
Profit before tax		**188**	300	789
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation, amortisation, impairment and write off		**135**	110	238
Share-based payments	18	**11**	7	15
Difference between other long-term employment benefits paid and amounts recognised in the income statement		**6**	4	7
Net finance expense/(income)		**17**	(5)	4
Gain arising from sale of a vessel under a finance lease		**-**	(22)	(22)
Loss on fair value changes in Seven Energy warrants		**2**	-	1
Share of losses/(profits) of associates / joint ventures	13	**9**	(10)	(22)
Other non-cash items, net		**17**	4	16
		385	388	1,026
Working capital adjustments:				
Trade and other receivables		**(114)**	185	(252)
Work in progress		**(87)**	(86)	(817)
Due from related parties		**1**	(18)	5
Inventories		**(5)**	(11)	11
Other current financial assets		**100**	42	75
Trade and other payables		**47**	(325)	116
Billings in excess of cost and estimated earnings		**28**	19	(92)
Accrued contract expenses		**(198)**	(233)	92
Due to related parties		**(1)**	(33)	(31)
		156	(72)	133
Long-term receivable from customers		**(49)**	(76)	(134)
Other non-current items, net		**13**	6	6
Cash generated from/(used in) operations		**120**	(142)	5
Interest paid		**(21)**	(5)	(14)
Income taxes paid, net		**(45)**	(37)	(77)
Net cash flows from/(used in) operating activities		**54**	(184)	(86)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	11	**(212)**	(201)	(487)
Acquisition of subsidiaries, net of cash acquired		**-**	62	23
Purchase of intangible oil & gas assets		**(81)**	(44)	(43)
Purchase of other intangible assets		**-**	(16)	(10)
Loan extended to an associate/investment in an associate		**(10)**	-	(4)
Dividend received from a joint venture		**1**	2	10
Loan in respect of the development of the Greater Stella Area		**(109)**	(25)	(85)
Proceeds from disposal of property, plant and equipment		**-**	-	2
Interest received		**-**	1	1
Net cash flows used in investing activities		**(411)**	(221)	(593)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2014 (continued)

	Notes	***Six months ended 30 June 2014 Unaudited US$m***	*Six months ended 30 June 2013 Unaudited US$m (Restated)*	*Year ended 31 December 2013 Audited US$m*
FINANCING ACTIVITIES				
Interest-bearing loans and borrowings obtained, net of debt acquisition cost		**731**	568	1,919
Repayment of interest-bearing loans and borrowings		**(99)**	(9)	(910)
Treasury shares purchased	18	**(23)**	(45)	(47)
Equity dividends paid		**(150)**	(148)	(224)
Net cash flows from financing activities		**459**	366	738
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**102**	(39)	59
Net foreign exchange difference		**1**	(1)	1
Cash and cash equivalents at 1 January		**585**	525	525
CASH AND CASH EQUIVALENTS AT PERIOD END	17	**688**	485	585

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2014

	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	-	-	-	-	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)	-	-	-
Income tax on share-based payments reserve	-	-	-	-	-	-	-	-	-
Dividends (note 10)	-	-	-	-	-	(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 2014 (continued)

	Attributable to Petrofac Limited Shareholders								
For the six months ended 30 June 2013	*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 2013	7	4	11	(100)	38	1,589	1,549	1	1,550
Profit for the period	-	-	-	-	-	243	243	(1)	242
Other comprehensive income	-	-	-	-	(29)	-	(29)	-	(29)
Total comprehensive income	-	-	-	-	(29)	243	214	(1)	213
Treasury shares purchased (note 18)	-	-	-	(45)	-	-	(45)	-	(45)
Share-based payments charge (note 18)	-	-	-	-	7	-	7	-	7
Transfer to reserve for share-based payments (note 18)	-	-	-	-	22	-	22	-	22
Shares vested during the period (note 19)	-	-	-	31	(29)	(2)	-	-	-
Income tax on share-based payments reserve	-	-	-	-	-	-	-	-	-
Non-controlling interest arising on a business combination	-	-	-	-	-	-	-	5	5
Dividends (note 10)	-	-	-	-	-	(147)	(147)	-	(147)
Balance at 30 June 2013 (unaudited)	7	4	11	(114)	9	1,683	1,600	5	1,605

* 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 2014 (continued)

	Attributable to Petrofac Limited Shareholders								
For the year ended 31 December 2013	*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 2013	7	4	11	(100)	38	1,589	1,549	1	1,550
Profit for the year	-	-	-	-	-	650	650	(3)	647
Other comprehensive income	-	-	-	-	24	-	24	-	24
Total comprehensive income	-	-	-	-	24	650	674	(3)	671
Treasury shares purchased (note 18)	-	-	-	(47)	-	-	(47)	-	(47)
Share-based payments charge (note 18)	-	-	-	-	15	-	15	-	15
Transfer to reserve for share-based payments (note 18)	-	-	-	-	22	-	22	-	22
Shares vested during the year (note 19)	-	-	-	37	(34)	(3)	-	-	-
Income tax on share-based payments reserve	-	-	-	-	(2)	-	(2)	-	(2)
Non-controlling interest arising on a business combination	-	-	-	-	-	-	-	5	5
Dividends (note 10)	-	-	-	-	-	(222)	(222)	-	(222)
Balance at 31 December 2013 (audited)	7	4	11	(110)	63	2,014	1,989	3	1,992

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

The attached notes 1 to 23 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2014

1 CORPORATE INFORMATION

Petrofac Limited is a limited liability company registered and domiciled in Jersey under the Companies (Jersey) Law 1991 and is the holding company for the international group of Petrofac subsidiaries (together "the Group"). The Group's principal activity is the provision of services to the oil & gas production and processing industry. The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 22 August 2014.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and applicable requirements of Jersey law. They do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013.

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.

Certain 30 June 2013 prior period comparatives have been restated to ensure consistency of classification with the most recent annual report.

New standards, interpretations and amendments adopted by the Group

The accounting policies and methods of computation adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

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 2014.

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

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group's interim condensed consolidated financial statements as the Company is not an investment entity.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

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 and carbon capture
- 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. From 1 January 2014, internal management reporting was changed such that 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. The presentation of profitability for each segment in the 30 June 2014 financial statements reflects this treatment. The 30 June 2013 and 31 December 2013 comparative periods have also been restated. In addition, as in prior periods 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 following tables represent revenue and profit information relating to the Group's four reporting segments for the six months ended 30 June 2014:

	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 profits 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*	*Total US$m*
Six months ended 30 June 2013 as restated (unaudited)							
Revenue							
External sales	1,610	653	93	415	-	[1]23	2,794
Inter-segment sales	-	17	87	4	-	(108)	-
Total revenue	1,610	670	180	419	-	(85)	2,794
Segment results	189	20	4	50	-	[2]27	290
Unallocated corporate costs	-	-	-	-	(5)	-	(5)
Profit / (loss) before tax and finance income / (costs)	189	20	4	50	(5)	27	285
Share of profits of associates/joint ventures	1	-	2	7	-	-	10
Finance costs	-	-	-	-	(6)	-	(6)
Finance income	-	-	-	10	1	-	11
Profit / (loss) before income tax	190	20	6	67	(10)	27	300
Income tax expense	(26)	(7)	(1)	(21)	(3)	-	(58)
Non-controlling interests	-	-	1	-	-	-	1
Profit / (loss) for the period attributable to Petrofac Limited shareholders	164	13	6	46	(13)	27	243
Other segment information							
Depreciation, amortisation and write-offs	34	9	3	59	6	(1)	110
Other long-term employment benefits	8	1	-	-	-	-	9
Share-based payments	4	1	1	1	-	-	7

[1] Positive elimination of external sales shown above of US$23m 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] Includes US$22m gain arising from the granting of a finance lease for the FPF5 vessel to the PM304 joint venture in which the Group has a 30% interest.

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*	*Total US$m*
Year ended 31 December 2013 as restated (audited)							
Revenue							
External sales	3,524	1,639	196	922	-	[1]48	6,329
Inter-segment sales	10	32	166	12	-	(220)	-
Total revenue	3,534	1,671	362	934	-	(172)	6,329
Segment results	483	99	31	146	2	[2]19	780
Unallocated corporate costs	-	-	-	-	(9)	-	(9)
Profit / (loss) before tax and finance income / (costs)	483	99	31	146	(7)	19	771
Share of losses of associates / joint ventures	-	-	2	20	-	-	22
Finance costs	-	-	-	(3)	(25)	-	(28)
Finance income	-	-	-	23	1	-	24
Profit / (loss) before income tax	483	99	33	186	(31)	19	789
Income tax (expense) / benefit	(50)	(28)	(4)	(60)	1	(1)	(142)
Non-controlling interests	-	-	3	-	-	-	3
Profit / (loss) for the year attributable to Petrofac Limited shareholders	433	71	32	126	(30)	18	650
Other segment information							
Depreciation, amortisation and write-offs	56	19	5	149	11	(2)	238
Other long-term employment benefits	19	1	-	-	-	-	20
Share-based payments	9	2	1	2	1	-	15

[1] Positive elimination of external sales shown above of US$48m 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] Includes US$22m gain arising from the granting of a finance lease for the FPF5 floating production facility to the PM304 joint venture in which the Group has a 30% interest.

4 REVENUES

	Six months ended 30 June 2014 Unaudited US$m	*Six months ended 30 June 2013 Unaudited US$m*	*Year ended 31 December 2013 Audited US$m*
Rendering of services	**2,413**	2,728	6,181
Sale of crude oil & gas	**122**	66	148
	2,535	2,794	6,329

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$98m (six months ended 30 June 2013: US$258m; year ended 31 December 2013: US$389m).

5 OTHER INCOME

Other income for the current period includes US$22m of foreign exchange gains (six months ended 30 June 2013: US$6m).

6 OTHER EXPENSES

Other expenses for the current period include US$24m of foreign exchange losses (six months ended 30 June 2013: US$8m).

7 FINANCE COSTS

The US$22m increase in finance costs compared with the equivalent prior period is principally due to a significant increase in the level of Group borrowings from US$835m at 30 June 2013 to US$1,831m at 30 June 2014 required to fund the Groups' ongoing business activities.

8 INCOME TAX

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

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

	Six months ended 30 June 2014 Unaudited US$m	*Six months ended 30 June 2013 Unaudited US$m*	*Year ended 31 December 2013 Audited US$m*
Current income tax			
Current income tax charge	**53**	109	170
Adjustments in respect of current income tax of previous periods	**(4)**	-	(29)
Deferred tax			
Relating to origination and reversal of temporary differences	**6**	(50)	2
Recognition of tax losses relating to prior periods	**(2)**	(1)	(1)
	53	58	142

The Group's effective tax rate for the six months is 27.9% (six months ended 30 June 2013: 19.1%; year ended 31 December 2013: 18.0%).

The Group's effective tax rate is dependent upon a numbers of factors including the timing of profit recognition between the first and second halves of the year on contracts held as well as 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 higher effective tax rate results from an increased proportion of total income being generated in higher tax jurisdictions. However, if the consequences of the timing issues noted above are accounted for, the Group's effective tax rate for year end 2014 is expected to be broadly in line with last year's effective tax rate.

9 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

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

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

	Six months ended 30 June 2014 Unaudited US$m	*Six months ended 30 June 2013 Unaudited US$m*	*Year ended 31 December 2013 Audited US$m*
Profit attributable to ordinary shareholders for basic and diluted earnings per share	**136**	243	650
	30 June 2014 Unaudited Number'm	*30 June 2013 Unaudited Number'm*	*31 December 2013 Audited Number'm*
Weighted average number of ordinary shares for basic earnings per share	**341**	341	341
Effect of dilutive potential ordinary shares granted under share-based payment schemes	**2**	3	3
Adjusted weighted average number of ordinary shares for diluted earnings per share	**343**	344	344

10 DIVIDENDS PAID AND PROPOSED

	Six months ended 30 June 2014 Unaudited US$m	*Six months ended 30 June 2013 Unaudited US$m*	*Year ended 31 December 2013 Audited US$m*
Declared and paid during the period			
Equity dividends on ordinary shares:			
Final dividend for 2012: 43.00 cents per share	**-**	147	147
Interim dividend 2013: 22.00 cents per share	**-**	-	75
Final dividend for 2013: 43.80 cents per share	**149**	-	-
	149	147	222

The Company proposes an interim dividend of 22.00 cents per share which was approved by the Board on 22 August 2014 for payment on 17 October 2014.

11 PROPERTY, PLANT AND EQUIPMENT

The increase in property, plant and equipment during the period mainly comprises the expenditure of US$145m in respect of oil and gas assets on the Magallanes/Santuario/Arenque/Panuco Mexico Production Enhancement Contracts and capital expenditure of US$50m incurred relating to construction of the new Petrofac JSD6000 installation vessel. This increase is partly offset by depreciation charged during the period of US$132m.

12 INTANGIBLE ASSETS

The increase in intangible assets during the period comprises largely of US$77m of capitalised expenditure on the Group's assets in Malaysia. This increase is partly offset by a transfer to oil and gas assets of US$30m in respect of PM304 in Malaysia.

13 INVESTMENTS IN ASSOCIATES / JOINT VENTURES

	Associates US$m	*Joint ventures US$m*	*Total US$m*
As at 1 January 2014	210	5	215
Investment in Petrofac FPF1 Limited	10	-	10
Share of (losses)/profits in associates/joint ventures	(10)	1	(9)
Transferred to available-for-sale investment (note 14)	(174)	-	(174)
Dividends received	-	(1)	(1)
Balance at 30 June 2014 (unaudited)	36	5	41
As at 1 January 2013	189	21	210
Share of profits in associates / joint ventures	5	5	10
Transferred to investment in subsidiary	-	(11)	(11)
Dividends received	-	(10)	(10)
Balance at 30 June 2013 (unaudited)	194	5	199
As at 1 January 2013	189	21	210
Investment in Petrofac FPF1 Limited	4	-	4
Share of profits in associates / joint ventures	17	5	22
Transferred to investment in subsidiary	-	(11)	(11)
Dividends received	-	(10)	(10)
Balance at 31 December 2013 (audited)	210	5	215

14 AVAILABLE-FOR-SALE INVESTMENT

On 15 April 2014, Seven Energy secured additional equity capital that resulted in dilution of the Company's interest in Seven Energy from 23.5% to 15.4%. Following the dilution of ownership interest, the Group does not exercise significant influence over the activities of Seven Energy and as a result has transferred the investment from investment in associate to available-for-sale investment (note 13).

15 ASSETS HELD FOR SALE

	30 June 2014 Unaudited US$m	*30 June 2013 Unaudited US$m*	*31 December 2013 Audited US$m*
Assets held for sale			
Transfer from:			
Property, plant and equipment	**30**	-	-
Trade and other receivables	**12**	-	-
Cash and short-term deposits	**57**	-	-
	99	-	-
Liabilities directly associated with assets held for sale			
Transfer from:			
Interest-bearing loans and borrowings	**124**	-	-
Trade and other payables	**26**	-	-
	150	-	-

During the period the Group decided to dispose of 80% of its interest in the FPSO Berantai, FPF3 (formerly Jasmine Venture) and FPF5 (formerly Ocean Legend) vessels to PetroFirst Infrastructure Holdings Limited, wholly owned by the First Reserve Energy Infrastructure Fund, by divesting 80% of its investment in Petrofac FPSO Holding Limited (the holding company for Berantai Floating Production Limited, Petrofac FPF003 Pte Limited and Petrofac FPF005 Limited) and as a result the assets and liabilities of these companies are being shown as held for sale.

16 FINANCIAL INSTRUMENTS

	30 June 2014 Unaudited US$m	*30 June 2013 Unaudited US$m*	*31 December 2013 Audited US$m*
OTHER FINANCIAL ASSETS			
Non-Current			
Long-term receivables from customers	**347**	402	394
Receivable from a joint venture partner	**115**	128	127
Fair value of derivative instruments	**9**	-	5
Restricted cash	**1**	-	1
	472	530	527
Current			
Short-term component of receivable from a customer	**399**	150	282
Seven Energy warrants	**9**	12	11
Fair value of derivative instruments	**14**	2	23
Restricted cash	**4**	7	4
	426	171	320
OTHER FINANCIAL LIABILITIES			
Non-Current			
Contingent consideration payable	**1**	1	1
Interest rate swaps	**-**	-	1
Finance lease creditors	**-**	4	-
Fair value of derivative instruments	**9**	1	-
	10	6	2
Current			
Contingent consideration payable	**1**	7	1
Fair value of derivative instruments	**15**	6	14
Finance lease creditors	**4**	5	15
Interest rate swaps	**-**	-	1
Interest payable	**8**	1	6
	28	19	37

The long-term receivables from customers relate to the discounted value of amounts due under the Berantai RSC, which are being recovered over a five year period from 2014 in line with the contractual terms of the project.

The short-term component of receivable from customers relate to the amounts due under the Berantai RSC within the next twelve months (US$89m) and to amounts receivable in respect of the development of the Greater Stella Area (US$310m).

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.

Receivable from a joint venture partner represents amount receivable from a joint venture partner relating to the lease of a floating platform to a customer.

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

30 June 2014 (unaudited)	*Date of valuation*	*Level 2 US$m*	*Level 3 US$m*
Financial assets			
Seven Energy warrants	30 June 2014	–	9
Receivable under the Berantai RSC	30 June 2014	–	436
Amounts receivable in respect of the development of the Greater Stella Area	30 June 2014	310	–
Seven Energy available-for-sale investment	30 June 2014	–	174
Euro forward currency contracts – designated as cash flow hedge	30 June 2014	20	–
Sterling forward currency contracts – designated as cash flow hedge	30 June 2014	3	–
Assets for which fair values are disclosed:			
Cash and short-term deposits	30 June 2014	658	–
Restricted cash	30 June 2014	5	–
Financial liabilities			
Euro forward currency contracts – designated as cash flow hedge	30 June 2014	13	–
Sterling forward currency contracts – undesignated	30 June 2014	9	–
Oil derivative	30 June 2014	2	–
Liabilities for which fair values are disclosed:			
Interest-bearing loans and borrowings			
Senior notes	30 June 2014	750	–
Revolving credit facility	30 June 2014	1,096	–
Bank overdrafts	30 June 2014	27	–
Contingent consideration	30 June 2014	2	–

31 December 2013 (audited)	*Date of valuation*	*Level 2 US$m*	*Level 3 US$m*
Financial assets			
Seven Energy warrants	31 December 2013	–	11
Receivable under the Berantai RSC	31 December 2013	–	476
Amounts receivable in respect of the development of the Greater Stella Area	31 December 2013	200	–
Euro forward currency contracts – designated as cash flow hedge	31 December 2013	24	–
Sterling forward currency contracts – designated as cash flow hedge	31 December 2013	4	–
Assets for which fair values are disclosed:			
Cash and short-term deposits	31 December 2013	617	–
Restricted cash	31 December 2013	5	–
Financial liabilities			
Euro forward currency contracts – designated as cash flow hedge	31 December 2013	2	–
Sterling forward currency contracts – undesignated	31 December 2013	11	–
Interest rate swaps	31 December 2013	2	–
Oil derivative	31 December 2013	1	–
Liabilities for which fair values are disclosed:			
Interest-bearing loans and borrowings			
Senior notes	31 December 2013	750	–
Revolving credit facility	31 December 2013	444	–
Project financing	31 December 2013	138	–
Bank overdrafts	31 December 2013	32	–
Contingent consideration	31 December 2013	2	–

16 FINANCIAL INSTRUMENTS (continued)

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

	Carrying amount		*Fair value*	
	30 June 2014 Unaudited US$m	*31 December 2013 Audited US$m*	***30 June 2014 Unaudited US$m***	*31 December 2013 Audited US$m*
Financial assets				
Cash and short-term deposits	**658**	617	**658**	617
Restricted cash	**5**	5	**5**	5
Seven Energy warrants	**9**	11	**9**	11
Seven Energy available-for-sale investment	**174**	-	**174**	-
Receivable under Berantai RSC	**436**	476	**436**	476
Amounts receivable in respect of the development of the Greater Stella Area	**310**	200	**310**	200
Euro forward currency contracts – designated as cash flow hedge	**20**	24	**20**	24
Sterling forward currency contracts – designated as cash flow hedge	**3**	4	**3**	4
Financial liabilities				
Interest-bearing loans and borrowings				
Senior notes	**742**	742	**750**	750
Revolving credit facility	**1,089**	435	**1,096**	444
Project financing	**-**	135	**-**	138
Bank overdrafts	**27**	32	**27**	32
Contingent consideration	**2**	2	**2**	2
Interest rate swaps	**-**	2	**-**	2
Oil derivative	**2**	1	**2**	1
Euro forward currency contracts – designated as cash flow hedge	**13**	2	**13**	2
Sterling forward currency contracts – undesignated	**9**	11	**9**	11

Fair values of financial assets and liabilities
Market values have been used to determine the fair values of available-for-sale investment, forward currency contracts and oil derivatives. The fair value of warrants over equity instruments in Seven Energy has been calculated using a Black Scholes option valuation model. The fair values of long-term interest-bearing loans and borrowings are equivalent to their amortised costs determined as the present value of discounted future cash flows using the effective interest rate. The Company 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.

16 FINANCIAL INSTRUMENTS (continued)

Valuation techniques

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. Market values have been used to determine the fair values of available-for-sale investment, forward currency contracts, interest rate swaps and oil derivatives.
- The fair values of long-term interest-bearing loans and borrowings 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 warrants over equity instruments in Seven Energy has been calculated using a Black Scholes model. The valuation requires management to make certain assumptions about unobservable inputs to the model, of which the significant unobservable inputs are disclosed in the table below:

	30 June 2014 Unaudited	*31 December 2013 Audited*
Volatility of underlying interest	**54.6%**	56.8%
Risk free interest rate	**0.4%**	0.4%
Per share value of underlying interest on valuation date	**US$303**	US$300

Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value. An increase in the value of underlying interest would lead to an increase in the fair value of the warrants. The fair value of the warrants is not significantly sensitive to a reasonable change in the volatility of underlying interest or the risk-free interest rate, however it is to a reasonable change in the value of underlying interest, as is described in the following table:

	30 June 2014 Unaudited US$m	*31 December 2013 Audited US$m*
US$25 per share increase in the value of underlying interest	**2**	2
US$25 per share decrease in the value of underlying interest	**(2)**	(2)

- The fair value of the receivable under Berantai RSC has been calculated using a discounted cash flow model. The valuation requires management to make certain assumptions about unobservable inputs to the model, of which the significant unobservable inputs are disclosed in the table below:

	30 June 2014 Unaudited	*31 December 2013 Audited*
Internal rate of return	**15.2%**	15.0%
Discount rate	**6.0%**	6.0%
Oil price (per barrel)	**US$100**	US$100
Gas price (per gigajoule)	**US$7.37**	US$7.37

16 FINANCIAL INSTRUMENTS (continued)

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 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 increase / (decrease) on the receivable as a result of changes to these inputs:

	30 June 2014 Unaudited US$m	*31 December 2013 Audited US$m*
100 basis points decrease in the internal rate of return	**(13)**	(16)
100 basis points increase in the discount rate	**6**	10
100 basis points decrease in the discount rate	**(6)**	(10)

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

	30 June 2014 Unaudited US$m	*31 December 2013 Audited US$m*
As at 1 January 2014	**476**	389
Billings during the year	**21**	118
Fair value gain included in revenue	**2**	16
Unwinding of discount	**11**	23
Receipts during the year	**(74)**	(70)
As at 30 June 2014	**436**	476

- The fair value of the Seven Energy available-for-sale investment has been calculated using a discounted cash flow model. The valuation requires management to make certain assumptions about unobservable inputs to the model, of which the significant unobservable inputs are disclosed in the table below:

	30 June 2014 Unaudited	*31 December 2013 Audited*
Long term oil price	**US$100**	-
Discount rate	**9.1%**	-

The fair value of the Seven Energy available-for-sale investment is significantly sensitive to a reasonable change in the discount rate, as described in the following table:

	30 June 2014 Unaudited US$m	*31 December 2013 Audited US$m*
100 basis points increase in the discount rate	**13**	-
100 basis points decrease in the discount rate	**(13)**	-

17 CASH AND CASH EQUIVALENTS

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

	30 June 2014 Unaudited US$m	*30 June 2013 Unaudited US$m*	*31 December 2013 Audited US$m*
Cash at bank and in hand	**519**	438	506
Short-term deposits	**139**	100	111
Cash and short-term deposits	**658**	538	617
Bank overdrafts	**(27)**	(53)	(32)
	631	485	585
Cash included in assets held for sale (note 15)	**57**	-	-
	688	485	585

18 TREASURY SHARES AND SHARE-BASED PAYMENTS

During the period, the Company acquired 1,000,000 (30 June 2013: 2,300,000; 31 December 2013: 2,300,000) of its own shares at a cost of US$23m (30 June 2013: US$45m; 31 December 2013: US$47m) 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 1,571,172 shares (including 102,514 accrued dividend shares) with a cost of US$31m 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 2014 relating to employee share-based incentives of US$11m (six months ended 30 June 2013: US$7m; year ended 31 December 2013: US$15m) which has been transferred to the reserve for share-based payments. This charge covers shares granted in relation to the existing Deferred Bonus, Performance and Restricted Share Plans and the Value Creation Plan. In addition US$24m of the remaining bonus liability accrued for the year ended 31 December 2013 (2012 bonus of US$22m) 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 2014	28	(29)	64	63
Foreign currency translation	-	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
Balance at 1 January 2013	-	(25)	63	38
Foreign currency translation	-	(27)	-	(27)
Net losses on maturity of cash flow hedges recycled in the period	1	-	-	1
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	(3)	-	-	(3)
Share-based payments charge (note 18)	-	-	7	7
Transfer during the year (note 18)	-	-	22	22
Shares vested during the year	-	-	(29)	(29)
Balance at 30 June 2013 (unaudited)	(2)	(52)	63	9
Balance at 1 January 2013	-	(25)	63	38
Foreign currency translation	-	(4)	-	(4)
Net gains on maturity of cash flow hedges recycled in the year	(1)	-	-	(1)
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	29	-	-	29
Share-based payments charge (note 18)	-	-	15	15
Transfer during the year (note 18)	-	-	22	22
Shares vested during the year	-	-	(34)	(34)
Deferred tax on share based payments reserve	-	-	(2)	(2)
Balance at 31 December 2013 (audited)	28	(29)	64	63

20 INTEREST-BEARING LOANS AND BORROWINGS

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

		30 June 2014 Actual interest rate %	30 June 2013 Actual interest rate %	31 December 2013 Actual interest rate %	Effective interest rate %	Maturity	***30 June 2014 Unaudited US$m***	*30 June 2013 Unaudited US$m*	*31 December 2013 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	**27**	53	32
Other loans:									
Current portion of project financing	(iv)	US LIBOR + 2.70%	-	-	US LIBOR + 2.70%		-	20	21
							27	73	53
Non-current									
Senior notes	(ii)	3.40%	-	3.40%	3.68%	4 years	**750**	-	750
Revolving credit facility	(iii)	US LIBOR + 1.50%	-	US LIBOR + 1.50%	US LIBOR + 1.50%	4 years	**1,096**	720	444
Project Financing	(iv)	US LIBOR + 2.70%	-	-	US LIBOR + 2.70%	n/a	-	128	117
							1,846	848	1,311
Less:									
Debt acquisition costs net of accumulated amortisation and effective interest rate adjustments							**(12)**	(13)	(17)
Discount on senior notes issuance							**(3)**	-	(3)
							1,831	835	1,291

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

On 10 October 2013, Petrofac issued an aggregate principal amount of US$750m 5 year Senior Notes (Notes) at an issue price of 99.627%. 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 of each year, commencing from April 2014. The Notes are senior unsecured obligations of the Company and 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 rank equally in right of payment with all existing and future senior unsecured and unsubordinated obligations of each Guarantor.

(iii) Revolving Credit Facility

On 11 September 2012, Petrofac entered into a US$1,200m 5 year committed revolving credit facility with a syndicate of 13 international banks, which is available for general corporate purposes. The facility, which matures on 11 September 2017, is unsecured and is subject to two financial covenants relating to leverage and interest cover. During the period a net amount of US$652m (30 June 2013: US$417m; 31 December 2013: US$141m) was drawn under this facility. Interest is payable on the current drawn balance of the facility at LIBOR + 1.50% and in addition utilisation fees are payable depending on the level of utilisation.

(iv) Project Financing

In May 2013, Berantai Floating Production Limited entered into a US$300m (Group's 51% share US$153m) senior secured term loan facility with a syndicate of 4 banks to refinance the cost of obtaining and developing the Berantai FPSO. The loan, which was advanced in full in May 2013, is being amortised on a quarterly basis and has a final maturity date of October 2019. The facility contains a Debt Service Coverage Ratio financial covenant of not less than 1.15:1. Interest on the loan is calculated at LIBOR plus a margin of 2.70%. Underlying LIBOR has been hedged at 1.675% for the duration of the loan. In addition the borrower paid arrangement, co-ordinating, facility agent and security arrangement fees, the sum of which have been capitalised and are being amortised over the term of the loan. At 30 June 2014 this loan has been transferred to liabilities directly associated with assets held for sale (note 15).

21 CAPITAL COMMITMENTS

At 30 June 2014 the Group had capital commitments of US$916m (30 June 2013: US$570m; 31 December 2013: US$942m).

Included in the US$916m of commitments are:

	30 June 2014 Unaudited US$m	*30 June 2013 Unaudited US$m*	*31 December 2013 Audited US$m*
Building of the Petrofac JSD6000 installation vessel	**464**	-	489
Production Enhancement Contracts in Mexico	**239**	63	390
Further appraisal and development of wells as part of Block PM304 in Malaysia	**20**	425	20
Costs in respect of Ithaca Greater Stella Field development in the UK North Sea	**193**	78	41

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 2014 (unaudited)**	**-**	**-**	**4**	**2**
	Six months ended 30 June 2013 (unaudited)	6	-	29	1
	Year ended 31 December 2013 (audited)	1	7	5	3
Associates	**Six months ended 30 June 2014 (unaudited)**	**-**	**-**	**-**	**-**
	Six months ended 30 June 2013 (unaudited)	-	-	-	-
	Year ended 31 December 2013 (audited)	-	-	-	-

All sales to and purchases from joint ventures are made at normal market prices and the pricing policies and terms of these transactions are approved by the Group's management.

All related party balances outstanding at 30 June 2014 will be settled in cash.

Purchases in respect of key management personnel interests of US$nil (six months ended 30 June 2013: US$259,000; year ended 31 December 2013: US$264,000) reflect the previous costs of chartering the services of an aeroplane used for the transport of senior management and Directors of the Group on company business, which is owned by an offshore trust of which the Group Chief Executive of the Company is a beneficiary. The charter rates charged for Group usage of the aeroplane are significantly less than comparable market rates.

Also included in purchases in respect of key management personnel interests is US$22,000 (six months ended 30 June 2013: US$45,000; year ended 31 December 2013: US$138,000) relating to client entertainment provided by a business owned by a member of the Group's key management.

22 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

	Six months ended 30 June 2014 Unaudited US$m	*Six months ended 30 June 2013 Unaudited US$m*	*Year ended 31 December 2013 Audited US$m*
Short-term employee benefits	**4**	5	17
Share-based payments	**2**	(1)	-
Fees paid to non-executive Directors	**1**	1	1
	7	5	18

23 EVENTS AFTER THE REPORTING DATE

Effective 13 August 2014 the Company has agreed to sell 80% of the share capital of Petrofac FPSO Holding Limited, which via its subsidiaries owns interests in the FPSO Berantai, FPF3 (formerly Jasmine Venture) and FPF5 (formerly Ocean Legend) to PetroFirst Infrastructure Holdings Limited, wholly owned by the First Reserve Energy Infrastructure Fund. The total initial disposal consideration is approximately US$450m, which comprises cash and the assumption of US$130m of existing project finance in relation to the Berantai FPSO.

As a result of this transaction the assets and liabilities relating to this disposal have been treated as assets/liabilities held for sale in the interim condensed consolidated financial statements (note 15).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that, to the best of their knowledge, the condensed set of financial statements on pages 17 to 42 has been prepared in accordance with IAS 34 'Interim Financial Reporting', and that the interim management report on pages 1 to 16 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 2013*.

By the order of the Board

Ayman Asfari	Tim Weller
Chief Executive Officer	Chief Financial Officer
22 August 2014	22 August 2014

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 2014 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 2014 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
22 August 2014

SHAREHOLDER INFORMATION
At 30 June 2014

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

Ogier Corporate Services (Jersey) Limited
Ogier House
The 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

19 September 2014	Interim dividend record date
17 October 2014	Interim dividend payment
31 December 2014	2014 financial year end
25 February 2015	2014 full year results announcement

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

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