

PETRA ENERGY BERHAD (Company No. 718388-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2009

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Current Quarter Ended 30-Jun-09 RM'000	Corresponding Quarter Ended 30-Jun-08 RM'000	Current Year-to-date Ended 30-Jun-09 RM'000	Corresponding Year-to-date Ended 30-Jun-08 RM'000
Continuing Operations				
Revenue	120,593	118,224	227,557	239,071
Cost of Sales	(98,455)	(89,694)	(185,021)	(186,043)
Gross Profit	22,138	28,530	42,536	53,028
Other income	1,391	692	2,215	1,466
Operating expenses	(10,033)	(9,122)	(19,925)	(17,495)
Finance costs	(3,441)	(1,784)	(4,701)	(3,640)
Profit before taxation	10,055	18,316	20,125	33,359
Income tax expense	(3,537)	(4,716)	(6,141)	(8,786)
Profit for the period	6,518	13,600	13,984	24,573
Attributable to:				
Equity holders of the parent	6,353	13,600	13,801	24,573
Minority interest	165	-	183	-
	6,518	13,600	13,984	24,573
Earnings per share of RM0.50 each (sen)				
a) Basic	3.26	6.97	7.08	12.60
b) Fully diluted	N/A	N/A	N/A	N/A

(The condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to this report)

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CONDENSED CONSOLIDATED BALANCE SHEETS

	30-Jun-09	31-Dec-08
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	126,400	131,732
Prepaid lease payments	7,210	7,275
Intangible assets	1,432	-
Deferred tax assets	17	17
	<u>135,059</u>	<u>139,024</u>
Current assets		
Inventories	52,582	44,875
Trade and other receivables	272,478	229,886
Amount due from customers for contract works	21,761	6,471
Tax recoverable	-	517
Fixed deposits with licensed banks	43,699	94,493
Cash and bank balances	15,697	14,805
	<u>406,217</u>	<u>391,047</u>
Total Assets	<u>541,276</u>	<u>530,071</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	97,500	97,500
Reserves	205,873	195,972
	<u>303,373</u>	<u>293,472</u>
Minority interest	762	17
Total equity	<u>304,135</u>	<u>293,489</u>
Non-current liabilities		
Long term borrowings	178	280
Retirement benefit obligations	261	254
Amount due to holding company	42,666	51,649
Deferred taxation	27,054	27,695
	<u>70,159</u>	<u>79,878</u>
Current liabilities		
Trade and other payables	78,565	85,651
Amount owing to holding company	16,124	10,234
Amount due to customers for contract works	9,754	9,625
Amount owing to related companies	47,459	47,618
Borrowings	13,777	3,023
Provision for taxation	1,303	553
	<u>166,982</u>	<u>156,704</u>
Total liabilities	<u>237,141</u>	<u>236,582</u>
TOTAL EQUITY AND LIABILITIES	<u>541,276</u>	<u>530,071</u>
Net assets per share of RM0.50 each (RM)	1.56	1.50

(The condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to this report)

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	30-Jun-09	31-Dec-08
	RM'000	RM'000
Cash flow from operating activities		
Profit before taxation	20,125	58,185
Adjustments for:		
Amortisation	64	129
Bad Debts	-	26
Depreciation	7,635	15,011
Doubtful Debts	331	1,453
(Gain)/Loss on disposal of property, plant and equipment	3	(131)
Interest expense	4,701	6,993
Interest income	(1,018)	(2,070)
Inventories written off	3	73
Retirement benefits	7	94
Operating profit before working capital changes	<u>31,851</u>	<u>79,763</u>
Increase in inventories	(7,710)	(3,658)
(Increase)/ decrease in receivables	(56,449)	12,023
Decrease in payables	(14,265)	(8,586)
Net cash generated from/ (used in) operation	<u>(46,573)</u>	<u>79,542</u>
Tax paid	(5,688)	(12,823)
Net cash generated from/ (used in) operating activities	<u>(52,261)</u>	<u>66,719</u>
Cash flow from investing activities		
Proceeds from issuance of shares to minority shareholder	-	49
Acquisition of subsidiary, net of cash acquired	(2,636)	-
Purchase of property, plant and equipment	(1,766)	(3,473)
Proceeds from disposal of property, plant and equipment	7	170
Interest income received	1,018	2,070
Withdrawal of fixed deposit	-	237
Net cash used in investing activities	<u>(3,377)</u>	<u>(947)</u>
Cash flow from financing activities		
Proceeds from borrowings	-	-
Repayment of borrowings	(1,900)	-
Repayment of hire purchase loan	(132)	(328)
Interest paid	(4,701)	(6,993)
Drawdown of revolving credit	13,360	-
Dividend paid	-	(5,772)
Repayment of revolving credit	-	(12,530)
Net cash generated from/ (used in) financing activities	<u>6,627</u>	<u>(25,623)</u>
Net change in cash and cash equivalents	(49,011)	40,149
Cash & cash equivalents at beginning of period	<u>108,401</u>	<u>68,252</u>
Cash & cash equivalents at end of period	<u>59,390</u>	<u>108,401</u>
Cash and cash equivalents		
Cash in hand and at banks	15,697	14,805
Bank overdraft	-	(891)
Fixed deposits with licensed banks	<u>43,699</u>	<u>94,493</u>
	59,396	108,407
Less: Fixed deposits pledged as security	(6)	(6)
	<u>59,390</u>	<u>108,401</u>

(The condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to this report)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Retained Profits RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
Financial year ended 31 December 2009							
As at 31 December 2008	97,500	62,062	(31,000)	164,910	293,472	17	293,489
Acquisition of subsidiary	-	-	-	-	-	562	562
Net profit for the period	-	-	-	13,801	13,801	183	13,984
Dividend for the year ended 31 December 2008	-	-	-	(3,900)	(3,900)	-	(3,900)
Balance as at 30 June 2009	97,500	62,062	(31,000)	174,811	303,373	762	304,135
Financial year ended 31 December 2008							
As at 31 December 2007	97,500	62,062	(31,000)	128,010	256,572	-	256,572
Net profit for the period	-	-	-	24,573	24,573	-	24,573
Balance as at 30 June 2008	97,500	62,062	(31,000)	152,583	281,145	-	281,145

(The condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to this report)

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
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PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

1. Basis of Preparation

The interim financial statements have been prepared in accordance with Financial Reporting Standards (“FRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2008. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2008.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2008. The following new/revised FRSs and IC Interpretations are yet to be effective:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement
IC Int. 9	Reassessment of Embedded Derivatives
IC Int. 10	Interim Financial Reporting and Impairment

All the new FRSs and IC Interpretations above are effective from 1 January 2010, with the exception of FRS 8, which is effective from 1 July 2009.

The adoption of the abovementioned FRSs and IC Interpretations does not have significant impact on the financial statements of the Group.

3. Qualification of Financial Statements

The preceding annual financial statements of the Group were not subject to any qualification.

4. Seasonal or Cyclical Factors

Seasonal and cyclical factors do not have any material impact on the Group’s business operations.

5. Unusual and Extraordinary Items

There are no unusual and extraordinary items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial period to-date.

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6. Material Changes in Estimates

There are no material changes in the estimates of amounts reported in the current quarter and financial period to-date.

7. Issuance and Repayment of Debts and Equity Securities

There have been no cancellation, repurchase, resale and repayment of debts and equity securities in the current quarter and financial period to date.

8. Dividends Paid

There were no dividends paid during the current quarter and financial period to-date.

9. Segmental Information

The Group is principally involved in the oil and gas industry where its activities were carried out within the boundaries of Malaysia. Therefore, no segmental reporting was prepared.

10. Valuation of Property, Plant and Equipment

There is no valuation of property, plant and equipment during the current quarter and financial period to-date.

11. Material Events Subsequent to the Balance Sheet Date

There were no material events subsequent to the end of the interim period reported which have not been reflected in the financial statements.

12. Changes in Composition of the Group

There were no changes in the composition of the Group for the current quarter ended 30 June 2009 including business combination, acquisition or disposal of subsidiary and long-term investment, restructuring and discontinuing operation, except for the Company's acquisition on 30 April 2009 of the 70% of the issued and paid-up capital of Jurutera Perunding Akal Sdn Bhd represented by 70,000 ordinary shares of RM1.00 each at a total consideration of RM2.74 million.

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13. Changes in Contingent Liabilities and Contingent Assets

As at 30 June 2009, the Company has given corporate guarantees amounting to approximately RM276.5 million to licensed financial institutions for facilities granted to subsidiary companies. Arising from this, the Company is contingently liable for the amount utilized by its subsidiary companies of approximately RM9.1 million as at the said date.

14. Significant Related Party Transactions

a. Inter-company transactions

	Current Quarter ended 30-Jun-09 RM'000	Corresponding Quarter ended 30-Jun-08 RM'000
Rental paid to holding company	45	45
Loan interest paid to holding company	1,087	1,425
Management fee to holding company	405	405
Charter hire fee paid to related companies	<u>17,023</u>	<u>9,327</u>

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

b. Compensation of key management personnel

The remuneration of Directors and other members of key management are as follows:

	Current Quarter ended 30-Jun-09 RM'000	Corresponding Quarter ended 30-Jun-08 RM'000
	<u>494</u>	<u>501</u>

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

15. Review of Performance

For the current quarter, the Group recorded turnover of RM120.6 million, an increase of 2.0% compared with RM118.2 million reported in the preceding year corresponding period. The profit before taxation decreased by 44.8% from RM18.3 million in the preceding year corresponding period to RM10.1 million for the current quarter.

In spite of the increase in turnover, the profit before tax decreased mainly due to lower margin contribution from the top side major maintenance sector as a result of the delay in the delivery of vessels to service the planned projects. During the current quarter, the Group also incurred professional fees and transaction costs for banking facilities for the proposed acquisition of 3 new vessels.

16. Comparison with Immediate Preceding Quarter

The Group's turnover in the current quarter increased by 12.7% to RM120.6 million from RM107.0 million reported in the preceding quarter. However, profit before taxation remain unchanged in both quarters at RM10.1 million mainly due to professional fees and transaction costs amounting to approximately RM3.2 million incurred for banking facilities for the proposed acquisition of the 3 new vessels. In the absence of these one-off charges, the profit before tax ation would have been RM13.3 million for the current quarter, an increase of 31.7% as compared with RM10.1 million reported in the preceding quarter.

17. Prospects

The prospects for the integrated brown field services look promising in the years ahead. Considering the increasing number of mature oil fields and aged platforms that require rejuvenation to extend their productive lives, there are ample growth opportunities for brown field services.

Barring any unforeseen circumstances, the Board of Directors is confident that the prospects of the Group remain positive and bright. While the Directors are optimistic on the future prospects, they are also aware of the adverse impact of the current global economic crisis. The Directors in preserving shareholders' value, will exercise extra prudence and caution in facing the challenging economic environment.

18. Profit Forecast

No profit forecast or profit guarantee has been issued by the Group.

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19. Taxation

	Current Quarter Ended 30-Jun-09 RM'000	Corresponding Quarter Ended 30-Jun-08 RM'000	Current Year-to-date Ended 30-Jun-09 RM'000	Corresponding Year-to-date Ended 30-Jun-08 RM'000
Current tax charge	4,150	3,422	6,823	6,302
Deferred taxation	(613)	1,294	(682)	2,484
Total	3,537	4,716	6,141	8,786

The effective tax rate of the Group for the current quarter and financial period to-date is higher than the statutory tax rate principally due to certain expenses that were not deductible for tax purposes.

20. Unquoted Investment and Properties

There were no purchase or disposal of unquoted investment and properties for the current quarter and financial period to-date.

21. Quoted Securities

There were no purchases or disposals of quoted securities for the current quarter and financial year to date and the Group did not hold any quoted securities as at the end of financial period to-date.

22. Corporate Proposals

There were no corporate proposals announced but not completed as of 18 August 2009, except on 29 June 2009, an announcement was made on the following:

- a. A proposed acquisition by Petra Innotech Sdn Bhd (“PISB”), a wholly-owned subsidiary of the Company, of one new offshore support vessel (“Petra Orbit”) and one new accommodation/work barge (“Petra Endeavour”) from Perdana Venus Limited (“PVL”), a wholly-owned subsidiary of Petra Perdana Berhad (“PPB”), for an aggregate purchase consideration of RM155 million to be satisfied by cash; and
- b. A proposed novation of shipbuilding contract dated 3 September 2007 between Shin Yang Shipyard Sdn Bhd and PVL for the building and delivery of one new offshore support vessel (“Petra Galaxy”) by PVL to PISB for a consideration of RM58.4 million to be satisfied by cash.

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23. Borrowings and Amount Owing to Holding Company

a. Total Group's borrowings as at 30 June 2009 were as follows:

	As at 30-Jun-09 RM'000
Secured borrowings	
Short term	13,777
Long term	178
Total	<u>13,955</u>

The above borrowings are denominated in Ringgit Malaysia.

b. The amount owing to holding company is unsecured and bears an interest rate of 7.5% p.a.

24. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off-balance sheet risk as at 18 August 2009.

25. Changes in Material Litigation

The Group is not engaged in any material litigation as at 18 August 2009 except for the following:

- a. Petra Fabricators Sdn Bhd ("PFSB"), a wholly-owned subsidiary of PEB, received a Writ of Summons and a Statement of Claims dated 24 September 2003 for a total sum of RM1,071,899 from Kencana Bestwide Sdn Bhd (formerly known as Best Wide Matrix Sdn Bhd) ("KBW") for goods and services rendered.

PFSB filed a Defence and Counter-Claim dated 1 December 2003 for a sum of approximately RM2 million being the rectification cost incurred against KBW. KBW's claim and PFSB's counter-claim have been further set for hearing on 14 September and 5 October 2009.

Based on legal advice, the Directors are of the opinion that the prospect of success in the defence and counter-claim is high.

- b. Petra Resources Sdn Bhd ("PRSB"), a wholly-owned subsidiary of PEB has on 4 July 2006, served a Notice of Arbitration on ExxonMobil Exploration and Production Malaysia Inc. for payment of a balance sum of RM8,973,366.00, together with damages, interest and costs, on disputed unit of measurement of work completed. The matter is currently being heard and the next hearing dates are scheduled on 17 to 21 August 2009.

Based on legal advice, the Directors are of the opinion that PRSB has good grounds in demanding the payment for the outstanding amount.

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26. Dividends

There is no dividend proposed in respect of the current quarter ended 30 June 2009.

27. Earnings Per Share

Weighted Average	Current Quarter Ended 30-Jun-09 RM'000	Corresponding Quarter Ended 30-Jun-08 RM'000	Current Year-to-date Ended 30-Jun-09 RM'000	Corresponding Year-to-date Ended 30-Jun-08 RM'000
Net profit attributable to shareholders	6,353	13,600	13,801	24,573
Number of ordinary shares in issue at the beginning of the period	195,000,000	195,000,000	195,000,000	195,000,000
Effect of the issuance pursuant to				
Public issue	-	-	-	-
Bonus issue	-	-	-	-
Weighted average number of ordinary shares in issue	195,000,000	195,000,000	195,000,000	195,000,000
Basic earnings per ordinary share of RM0.50 each (sen)	3.26	6.97	7.08	12.60

28. Authorisation For Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 25 August 2009.