



PETRA ENERGY BERHAD (718388-H)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 SEPTEMBER 2018**

PETRA ENERGY BERHAD (718388-H)
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income

	Note	<i>Current quarter</i>		<i>Cumulative period</i>	
		<i>3 months ended</i>		<i>9 months ended</i>	
		30 September 2018 Unaudited RM'000	30 September 2017 Unaudited RM'000	30 September 2018 Unaudited RM'000	30 September 2017 Unaudited RM'000
Revenue		119,735	170,991	275,592	341,792
Cost of sales		(132,836)	(187,739)	(303,533)	(366,057)
Gross loss		(13,101)	(16,748)	(27,941)	(24,265)
Other income		(26)	12,710	14,264	24,051
Administrative expenses		(5,081)	(7,560)	(23,257)	(28,181)
Impairment loss on trade and other receivables		-	(4,820)	-	(4,820)
Loss from operations		(18,208)	(16,418)	(36,934)	(33,215)
Finance income		76	1,987	1,700	3,161
Finance costs		(2,111)	(3,065)	(8,047)	(8,896)
Share of results of an associate		(4,331)	9,587	3,794	39,420
(Loss)/Profit before taxation	11	(24,574)	(7,909)	(39,487)	470
Income tax expense	12	(2,392)	-	(2,392)	-
(Loss)/Profit for the financial period		(26,966)	(7,909)	(41,879)	470
<u>Other comprehensive income:</u>					
Item that may be subsequently reclassified to profit or loss					
- Share of other comprehensive income of an associate		1,867	-	1,054	-
Other comprehensive income for the financial period, net of tax		1,867	-	1,054	-
Total comprehensive (loss)/income for the financial period		(25,099)	(7,909)	(40,825)	470
(Loss)/Earnings per share (sen)					
Basic/ diluted	13	(8.40)	(2.46)	(13.05)	0.15

These condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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Condensed Consolidated Statements of Financial Position

	Note	30 September 2018 Unaudited RM'000	31 December 2017 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		265,862	287,655
Investment in associate		57,741	150,058
		323,603	437,713
Current assets			
Inventories		17,453	8,609
Trade and other receivables		139,279	209,000
Amount due from customers on contracts		2,527	5,102
Tax recoverable		11,253	13,612
Cash and bank balances	14	91,567	145,260
Assets of disposal group classified as held for sale		7,761	15,339
		269,840	396,922
Total Assets		593,443	834,635
EQUITY AND LIABILITIES			
Share capital		299,809	299,809
Treasury shares		(840)	(840)
Merger reserve		(31,000)	(31,000)
Currency translation reserve		10,579	9,525
Retained earnings		33,683	75,562
Total equity		312,231	353,056
Non-current liabilities			
Loans and borrowings	15	400	1,600
Hire purchase liabilities		481	585
Amount due to an associate company		18,871	91,685
		19,752	93,870
Current liabilities			
Loans and borrowings	15	106,593	196,606
Hire purchase liabilities		172	172
Trade and other payables		154,695	190,917
Amount due to customers on contracts		-	14
		261,460	387,709
Total liabilities		281,212	481,579
Total equity and liabilities		593,443	834,635
Net assets per share of RM0.50 each		0.97	1.10

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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Condensed Consolidated Statements of Changes in Equity

	← Attributable to Equity Holders of the Company →						Total Equity RM'000
	← Non-distributable →				Distributable		
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Treasury Shares RM'000	Currency Translation Reserve RM'000	Retained Earnings RM'000	
As at 1 January 2018	299,809	-	(31,000)	(840)	9,525	75,562	353,056
Loss for the financial period	-	-	-	-	-	(41,879)	(41,879)
Other comprehensive income for the financial period	-	-	-	-	1,054	-	1,054
Total comprehensive loss for the financial period	-	-	-	-	1,054	(41,879)	(40,825)
As at 30 September 2018	299,809	-	(31,000)	(840)	10,579	33,683	312,231
As at 1 January 2017	160,875	138,934	(31,000)	(836)	21,604	128,014	417,591
Transition to no-par value regime on 31 January 2017	138,934	(138,934)	-	-	-	-	-
Loss for the financial year	-	-	-	-	-	(46,033)	(46,033)
Other comprehensive loss for the financial year	-	-	-	-	(12,079)	-	(12,079)
Total comprehensive loss for the year	-	-	-	-	(12,079)	(46,033)	(58,112)
<u>Transactions with owners:</u>							
Purchase of treasury shares	-	-	-	(4)	-	-	(4)
Interim and special dividend in respect of financial year ended 31 December 2016	-	-	-	-	-	(6,419)	(6,419)
As at 31 December 2017	299,809	-	(31,000)	(840)	9,525	75,562	353,056

These condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

PETRA ENERGY BERHAD (718388-H)
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Condensed Consolidated Statements of Cash Flows

	<i>9 months ended</i>	
	30 September 2018	30 September 2017
	Unaudited RM'000	Unaudited RM'000
(Loss)/Profit before tax	(39,487)	470
Adjustments for:		
Finance income	(1,700)	(3,161)
Finance costs	8,047	8,896
Depreciation of property, plant and equipment	23,166	26,779
Gain on disposal of property, plant and equipment	(12,429)	-
Impairment loss on trade and other receivables	-	4,820
Unrealised foreign exchange gain	(183)	(3,784)
Share of results of associate	(3,794)	(39,420)
Total adjustments	13,107	(5,870)
Operating cash flows before changes in working capital	(26,380)	(5,400)
Changes in working capital:		
Inventories	(8,844)	(2,450)
Trade and other receivables	69,720	(53,683)
Trade and other payables	(36,222)	41,140
Amount due from customers	2,561	2,805
Total changes in working capital	27,215	(12,188)
Cash flows generated from/(used in) operations	835	(17,588)
Net income tax paid	(33)	(1,699)
Net cash flows generated from/(used in) operating activities	802	(19,287)
Net cash flows generated from investing activities	44,904	137,889
Net cash flows used in financing activities	(102,072)	(49,460)
Net changes in cash and cash equivalents	(56,366)	69,142
Effects of exchange rate changes	(35)	-
Cash and cash equivalents at 1 January	135,682	79,625
Cash and cash equivalents at 30 September (Note 14)	79,281	148,767

These condensed consolidated statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. It should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2017.

The audited financial statements of the Group for the year ended 31 December 2017 were prepared in accordance with MFRS.

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2017.

At the date of authorisation of these interim financial statements, the following MFRSs and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

Description	Effective for financial periods beginning on or after	
MFRS 16	Leases	1 January 2019
Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
MFRS 128	Long-term interest in Associates and Joint Ventures	1 January 2019
MFRS 112	Annual improvements to MFRS standards 2015-2017 cycle	1 January 2019
MFRS 119	Amendments to MFRS119 “Plan Amendment, Curtailment Or Settlement”	1 January 2019

The Group will adopt the above pronouncements when they become effective in the respective financial periods. The impact of the new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group is currently being assessed by the management.

2. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the audited annual financial statements for the financial year ended 31 December 2017 was not qualified.

3. Seasonal or Cyclical Factors

Seasonal and cyclical factors do not have any material impact on the Group’s business operations except for severe weather conditions.

4. Unusual and Extraordinary Items

There is an ongoing dispute presently under discussion with a client that affected the share of result of an associate during the quarter ended 30 September 2018.

PETRA ENERGY BERHAD (718388-H)
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

5. Material Changes in Estimates

There were no changes in estimates that have had a material effect in the current financial period.

6. Changes in Composition of the Group

There were no changes in the composition of the Group for the financial period under review.

7. Valuation of Property, Plant and Equipment

The Group states its property, plant and equipment at cost less any accumulated depreciation and any accumulated impairment losses, and does not adopt a policy to revalue its property, plant and equipment.

8. Contingencies

There were no contingencies as at the end of the reporting period.

9. Commitments

Capital expenditure

Property, plant and equipment:

- Approved but not contracted for

30 September 2018 RM'000
21,950
21,950

PETRA ENERGY BERHAD (718388-H)
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

10. Segment Information

(i) Current Quarter Ended 30 September 2018 (3 months)

	Services		Marine Assets		Production and Development		Adjustments and eliminations		Group	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017	30 September 2018	30 September 2017	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Revenue (RM'000)										
External customers	68,423	134,484	51,312	36,507	-	-	-	-	119,735	170,991
Inter-segment	1,536	2,306	28,024	32,207	-	-	(29,560)	(34,513)	-	-
Total revenue	69,959	136,790	79,336	68,714	-	-	(29,560)	(34,513)	119,735	170,991
Results (RM'000)										
Segment results	(19,015)	(19,953)	2,062	956	458	5,095	(1,637)	(529)	(18,132)	(14,431)
Finance costs	(1,870)	(2,668)	(156)	(521)	(221)	(510)	136	634	(2,111)	(3,065)
Share of results of associate	-	-	-	-	(4,331)	9,587	-	-	(4,331)	9,587
Segment (loss)/profit before tax	(20,885)	(22,621)	1,906	435	(4,094)	14,172	(1,501)	105	(24,574)	(7,909)

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

10. Segment Information

(ii) Current Year-to-date Ended 30 September 2018 (9 months)

	Services		Marine Assets		Production and Development		Adjustments and eliminations		Group	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017	30 September 2018	30 September 2017	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Revenue (RM'000)										
External customers	176,654	244,219	98,938	97,573	-	-	-	-	275,592	341,792
Inter-segment	4,954	6,637	64,434	77,649	-	-	(69,388)	(84,286)	-	-
Total revenue	181,608	250,856	163,372	175,222	-	-	(69,388)	(84,286)	275,592	341,792
Results (RM'000)										
Segment results	(13,506)	(21,101)	(16,964)	(5,633)	(474)	1,239	(4,290)	(4,559)	(35,234)	(30,054)
Finance costs	(6,235)	(6,001)	(791)	(1,801)	(1,248)	(2,085)	227	991	(8,047)	(8,896)
Share of results of associate	-	-	-	-	3,794	39,420	-	-	3,794	39,420
Segment (loss)/profit before tax	(19,741)	(27,102)	(17,755)	(7,434)	2,072	38,574	(4,063)	(3,568)	(39,487)	470

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

10. Segment Information (cont'd)

Current quarter compared with the corresponding quarter of the preceding year (three-months)

For the current quarter under review, the Group recorded revenue of RM119.7 million, as compared to RM171.0 million reported in Q3 2017. The Group recorded loss before taxation of RM24.6 million in Q3 2018 as compared to loss before taxation of RM7.9 million in Q3 2017.

- Services Segment

The segment revenue for the current quarter decreased from RM136.8 million in Q3 2017 to RM70.0 million in Q3 2018. Lower revenue recorded in Q3 2018 resulted from lower activities in Hook up, Commissioning and Top-side Major Maintenance (“HuC/TMM”) contract with Petronas Carigali Sdn Bhd (“PCSB”). The segment recorded higher loss before taxation of RM20.9 million in Q3 2018 as compared to loss before taxation of RM17.8 million (after excluding impairment loss on trade and other receivables of RM4.8 million) in Q3 2017 in line with lower activities during the quarter.

- Marine Assets Segment

The segment recorded revenue of RM79.3 million in the current quarter as compared to RM68.7 million in Q3 2017. The segment recorded profit before taxation of RM1.9 million in Q3 2018 as compared to profit before taxation of RM0.4 million Q3 2017 due to improved vessel utilization.

- Production and Development Segment

The segment recorded loss before taxation of RM4.1 million in Q3 2018 arising from ongoing dispute with a client.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

10. Segment Information (cont'd)

Current period compared with the corresponding period of the preceding year (nine-months)

For the current period under review, the Group recorded revenue of RM275.6 million, as compared to RM341.8 million reported in corresponding period of the preceding year. The Group recorded loss before taxation of RM39.5 million as compared to profit before taxation of RM0.5 million in the preceding year's corresponding period.

- Services Segment

The segment revenue for the current period decreased from RM250.9 million to RM181.6 million. Lower revenue recorded in the period resulted from lower activities in HuC/TMM contract with PCSB. The segment recorded loss before taxation of RM32.1 million (after excluding gain on disposal of property, plant and equipment of RM12.4 million) as compared to loss before taxation of RM27.1 million in the corresponding period of the preceding year mainly due to lower activities performed during the period.

- Marine Assets Segment

The segment recorded revenue of RM163.4 million in the current period as compared to RM175.2 million in the corresponding period of the preceding year. The segment incurred higher loss before taxation of RM17.8 million as compared to RM14.7 million (after excluding insurance claim received of RM7.3million) in the corresponding period of the preceding year mainly due to lower vessel utilization.

- Production and Development Segment

The segment recorded lower profit before taxation of RM2.1 million in the current period mainly due to ongoing dispute with a client.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

11. Loss before taxation

Included in the loss before taxation are the following items:

	<i>Current quarter</i>		<i>Cumulative period</i>	
	<i>3 months ended</i>		<i>9 months ended</i>	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest income	(76)	(1,987)	(1,700)	(3,161)
Interest expense	2,111	3,065	8,047	8,896
Gain on foreign exchange - realised	(215)	(837)	(498)	(831)
Loss/(Gain) on foreign exchange - unrealised	171	(334)	(183)	(3,784)
Impairment loss on trade and other receivables	-	4,820	-	4,820
Insurance claim received	-	-	-	(7,300)
Gain on disposal of property, plant and equipment	-	-	(12,429)	-
Depreciation of property, plant and equipment	7,544	10,093	23,166	26,779

Save as disclosed above, the other items required under Appendix 9B, Part A (16) of the Bursa Listing Requirements are not applicable.

12. Income tax expense

	<i>Current quarter</i>		<i>Cumulative period</i>	
	<i>3 months ended</i>		<i>9 months ended</i>	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Under provision in respect of previous years	(2,392)	-	(2,392)	-

13. (Loss)/Earnings per share (sen)

The calculation of basic (loss)/earnings per share as at 30 September 2018 and 30 September 2017 was based on the (loss)/earnings for the financial year and a weighted average numbers of ordinary shares outstanding, calculated as follows:

	30 September	30 September
	2018	2017
	RM'000	RM'000
(Loss)/Profit for the financial year	(41,879)	470
Weighted average numbers of shares ('000)	320,942	320,942
Basic/diluted EPS (sen)	(13.05)	0.15

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted (loss)/earnings per share are the same as basic (loss)/earnings per share.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

14. Cash and bank balances

	30 September 2018 RM'000	31 December 2017 RM'000
Short term deposits with licensed banks	19,730	58,217
Cash at banks and on hand	71,837	87,043
	91,567	145,260

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	30 September 2018 RM'000	31 December 2017 RM'000
Cash and bank balances	91,567	145,260
Less: Cash restricted in use		
- Debt Service Reserve Account	(3,995)	(963)
- Fixed deposits pledged for borrowing	(8,291)	(8,615)
Net cash and cash equivalents	79,281	135,682

15. Loans and borrowings

	30 September 2018 RM'000	31 December 2017 RM'000
Short term borrowings		
Secured	106,593	160,361
Unsecured	-	36,245
	106,593	196,606
Long term borrowings		
Secured	400	1,600
	106,993	198,206

The Group is exposed to transactional currency risk that is denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States Dollar ("USD"). As at 30 September 2018, the Group's exposure to foreign currency risk is arising from term loans amounting to RM1,399,000 which are denominated in USD.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

16. Related Party Transactions

The following table provides information on the transactions which have been entered into with related parties during the three-month period ended 30 September 2018 and 30 September 2017:

	30 September 2018 RM'000	30 September 2017 RM'000
Rental of buildings paid to parties related to a Corporate Shareholder	465	465

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.

17. Material Events After the Reporting Period

There was no material event subsequent to the end of the interim period reported which has not been reflected in the financial statements.

**PART B: EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENTS: CHAPTER 9, APPENDIX 9B**

18. Performance review

Explanatory comment on the performance of each of the Group's business segments is provided in Note 10.

19. Comment on material change in profit before taxation for the quarter reported as compared with immediate preceding quarter

The Group revenue of RM119.7 million was 35.4% higher than the immediate preceding quarter, resulted from higher activities executed for HuC/TMM contract.

The Group recorded loss before taxation of RM24.6 million as compared to loss before taxation of RM15.9 million in Q2 2018 due to losses incurred in the share result of an associate.

20. Commentary on prospects

The market sentiments remain cautious over the prospect for oil and gas industry. The Group will continue to manage costs, increase efficiency during this industry climate and to explore opportunities within the energy sector.

21. Profit Forecast

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

22. Corporate Proposals

There were no corporate proposals announced but not completed as at the reporting date.

23. Derivative Financial Instruments

The Group did not enter into any derivatives during the year ended 30 June 2018 nor for the previous year ended 31 December 2017.

24. Gains and Losses Arising from Fair Value Changes of Financial Liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 September 2018.

**PART B: EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENTS: CHAPTER 9, APPENDIX 9B**

25. Changes in Material Litigations

As at 30 September 2018, there was no material litigation against the Group.

26. Authorisation For Issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 November 2018.