



BUMIARMADA

BUMI ARMADA BERHAD
(370398-X)
(Incorporated in Malaysia)

Quarterly Report for the Financial Period
Ended 30 June 2012

BUMI ARMADA BERHAD
(370398-X)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

The Board of Directors of Bumi Armada Berhad (“Bumi Armada” or “the Company” or “the Group”) is pleased to announce the following unaudited condensed consolidated financial statements for the second quarter ended 30 June 2012 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Period Ended	
		30.06.2012 RM'000	30.06.2011 RM'000	30.06.2012 RM'000	30.06.2011 RM'000
Revenue		384,601	392,962	719,713	769,121
Cost of sales		(230,949)	(249,997)	(401,400)	(473,055)
Gross profit		153,652	142,965	318,313	296,066
Other operating income		8,203	8,309	24,263	12,929
Selling and distribution costs		(17,421)	(21,885)	(43,913)	(48,624)
Administrative expenses		(12,762)	(20,237)	(39,118)	(37,772)
Operating profit		131,672	109,152	259,545	222,599
Finance costs		(32,764)	(33,179)	(64,429)	(50,320)
Share of results of jointly controlled entities		12,568	(310)	24,338	(1,143)
Profit before taxation		111,476	75,663	219,454	171,136
Taxation	18	(18,866)	(14,625)	(36,807)	(28,024)
Profit for the financial period		92,610	61,038	182,647	143,112
Attributable to:					
- Owners of the Company		91,926	60,259	181,635	142,333
- Non-controlling interests		684	779	1,012	779
		92,610	61,038	182,647	143,112
Earnings per share (sen)	27				
- Basic		3.14	2.64	6.20	6.23
- Diluted		3.14	2.64	6.20	6.23

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Period Ended	
		30.06.2012 RM'000	30.06.2011 RM'000	30.06.2012 RM'000	30.06.2011 RM'000
Profit for the financial period		92,610	61,038	182,647	143,112
Other comprehensive income/(expense):					
- Fair value loss on cash flow hedges		(11,119)	-	(6,440)	-
- Foreign currency translation differences		95,020	10,200	4,035	(22,484)
Other comprehensive income/(expense) for the financial period, net of tax		83,901	10,200	(2,405)	(22,484)
Total comprehensive income for the financial period		176,511	71,238	180,242	120,628
Total comprehensive income attributable to:					
- Owners of the Company		176,132	70,459	179,199	119,849
- Non-controlling interests		379	779	1,043	779
		176,511	71,238	180,242	120,628

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	Unaudited As at 30.06.2012 RM'000	Audited As at 31.12.2011 RM'000	Date of Transition As at 01.01.2011 RM'000 (MFRS)
NON-CURRENT ASSETS				
Property, plant and equipment	11	4,594,557	4,201,167	3,714,989
Goodwill		1,411	1,411	1,411
Jointly controlled entities		178,587	151,258	9,799
Other investments		7,427	7,427	3,778
Accrued lease rentals		470,340	409,458	292,256
Derivative financial instruments	22	-	1,240	10,312
Deferred tax assets		4,251	3,811	4,190
		5,256,573	4,775,772	4,036,735
CURRENT ASSETS				
Inventories		5,933	1,550	1,123
Non-current assets held for sale		1,640	1,640	-
Amounts due from customers on contract		32,830	53,205	-
Trade receivables		259,657	320,637	189,643
Accrued lease rentals		411,434	415,898	218,017
Other receivables, deposits and prepayments		93,578	82,392	36,193
Tax recoverable		7,104	8,948	9,135
Amounts due from jointly controlled entities		63,304	27,682	25,123
Derivative financial instruments	22	-	1,102	1,814
Deposits, cash and bank balances		936,182	1,247,416	277,684
TOTAL CURRENT ASSETS		1,811,662	2,160,470	758,732
TOTAL ASSETS		7,068,235	6,936,242	4,795,467

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	Unaudited As at 30.06.2012 RM'000	Audited As at 31.12.2011 RM'000	Date of Transition As at 01.01.2011 RM'000 (MFRS)
LESS: CURRENT LIABILITIES				
Amounts due to customers on contract		172,963	-	30,377
Trade payables		130,670	120,068	227,376
Other payables and accruals		140,583	183,627	222,445
Hire purchase creditors		245	382	402
Borrowings	21	502,278	457,620	1,397,746
Derivative financial instruments	22	13,089	10,749	6,035
Taxation		14,885	27,644	10,825
		974,713	800,090	1,895,206
NET CURRENT ASSETS/(LIABILITIES)		836,949	1,360,380	(1,136,474)
LESS: NON-CURRENT LIABILITIES				
Hire purchase creditors		365	422	819
Borrowings	21	2,315,577	2,559,826	2,019,890
Derivative financial instruments	22	20,529	15,774	2,664
Deferred tax liabilities		29,191	17,415	1,786
		2,365,662	2,593,437	2,025,159
NET ASSETS		3,727,860	3,542,715	875,102
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital		585,692	585,692	63,000
Reserves		3,126,428	2,942,326	811,535
		3,712,120	3,528,018	874,535
NON-CONTROLLING INTERESTS		15,740	14,697	567
TOTAL EQUITY		3,727,860	3,542,715	875,102
NET ASSETS PER SHARE (RM)*		1.27	1.21	0.30

* Based on 2,928,461,600 ordinary shares in issue at RM0.20 par value as at 30 June 2012.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Owners of the Company									Non-controlling interests RM'000	Total equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Other capital reserve RM'000	Share option reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000		
<u>2012</u>											
At 1 January 2012	2,928,462	585,692	1,753,586	(99,115)	6,561	5,535	(12,852)	1,288,611	3,528,018	14,697	3,542,715
Profit for the financial period	-	-	-	-	-	-	-	181,635	181,635	1,012	182,647
Other comprehensive income/(expense) for the financial period, net of tax	-	-	-	4,035	-	-	(6,471)	-	(2,436)	31	(2,405)
Total comprehensive income/(expense) for the financial period, net of tax	-	-	-	4,035	-	-	(6,471)	181,635	179,199	1,043	180,242
Employees share options granted	-	-	-	-	-	4,903	-	-	4,903	-	4,903
At 30 June 2012	2,928,462	585,692	1,753,586	(95,080)	6,561	10,438	(19,323)	1,470,246	3,712,120	15,740	3,727,860

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to Owners of the Company								Non-controlling interests RM'000	Total equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Other capital reserve RM'000	Capital contribution reserve RM'000	Retained earnings RM'000	Total RM'000		
<u>2011</u>										
At 1 January 2011	63,000	63,000	10,898	(171,254)	311	-	971,580	874,535	567	875,102
Profit for the financial period	-	-	-	-	-	-	142,333	142,333	779	143,112
Other comprehensive expense for the financial period, net of tax	-	-	-	(22,484)	-	-	-	(22,484)	-	(22,484)
Total comprehensive (expense)/income for the financial period, net of tax	-	-	-	(22,484)	-	-	142,333	119,849	779	120,628
Transaction with owners:										
- Capital contribution by shareholders	-	-	-	-	-	6,250	-	6,250	-	6,250
- Issue of ordinary shares from exercise of call option	7,500	7,500	142,500	-	-	-	-	150,000	-	150,000
- Right issue	5,640	5,640	194,360	-	-	-	-	200,000	-	200,000
- Bonus issue	380,700	380,700	(347,758)	-	-	-	(32,942)	-	-	-
- Share split	1,827,360	-	-	-	-	-	-	-	-	-
Issuance of subsidiary shares to non-controlling interests	-	-	-	-	-	-	-	-	5,220	5,220
Dilution of interest in a subsidiary	-	-	-	-	-	-	(9,699)	(9,699)	9,699	-
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(5,742)	(5,742)
At 30 June 2011	2,284,200	456,840	-	(193,738)	311	6,250	1,071,272	1,340,935	10,523	1,351,458

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period Ended 30.06.2012 RM'000	Period Ended 30.06.2011 RM'000
OPERATING ACTIVITIES		
Profit for the financial period	182,647	143,112
Adjustments for non-cash items:		
Share of results of jointly controlled entities	(24,338)	1,143
Depreciation of property, plant and equipment	184,269	147,692
Fair value through profit or loss on derivative financial instruments	2,963	(1,481)
Gain on disposal of property, plant and equipment	(16)	93
Allowance for doubtful debts	-	3,525
Allowance for doubtful debts written back	-	(20)
Unrealised foreign exchange gain	(2,041)	(1,141)
Share-based payment	4,903	-
Interest income	(6,164)	(157)
Interest expense	63,892	51,801
Dividend income	(2,864)	-
Taxation	36,807	28,024
	440,058	372,591
Changes in working capital:		
Inventories	(4,377)	(3,226)
Trade and other receivables	(16,440)	(179,051)
Trade and other payables	46,174	103,093
Cash from operations	465,415	293,407
Interest paid	(61,509)	(69,997)
Tax paid	(36,945)	(35,428)
Tax refund	968	-
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	367,929	187,982

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Period Ended 30.06.2012 RM'000	Period Ended 30.06.2011 RM'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(483,948)	(697,741)
Proceeds from disposal of property, plant and equipment	16	-
Interest received	6,125	157
Investments in jointly controlled entities	-	(1,764)
Investment in unquoted preference shares	-	(1,808)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(477,807)	(701,156)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	33,052	584,985
Decrease/(increase) in deposits pledged as security	3,465	(3,000)
Repayment of bank borrowings	(234,354)	(348,005)
Repayment of hire purchase creditors	(194)	(222)
Exercise of rights issue	-	200,000
Exercise of call option by a related company	-	150,000
Proceeds from issuance of subsidiary shares to non-controlling interests	-	5,220
Dividend paid to non-controlling interests	-	(5,742)
NET CASH FLOWS (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(198,031)	583,236
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(307,909)	70,062
CURRENCY TRANSLATION DIFFERENCES	140	(3,551)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	1,243,051	244,898
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	935,282	311,409
Cash and cash equivalents consist of:		
Deposits with licensed banks	608,377	68,567
Cash and bank balances	327,805	254,901
Designated deposits placed with licensed banks	(900)	(7,365)
Bank overdraft	-	(4,694)
	935,282	311,409

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The unaudited interim financial report is prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 on “Interim Financial Reporting”, paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

In accordance with MFRS 1 “First-time adoption of Malaysian Financial Reporting Standards”, an opening MFRS statement of financial position has been presented at the date of transition to MFRS on 1 January 2011. There are no differences between the opening MFRS statement of financial position and the statement of financial position presented under Financial Reporting Standards (“FRS”) as at 31 December 2010.

The unaudited interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

The significant accounting policies and methods adopted for the unaudited condensed consolidated financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2011 except for the followings:

(a) Adoption of MFRS 1

In the current financial year, the Group adopts the new IFRS-compliant framework, MFRS by applying MFRS 1. MFRS 1 provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters as disclosed below:

Exemption for fair value as deemed cost - property, plant and equipment

Previously, the Group revalued a leasehold building of a subsidiary and the surplus on revaluation was credited to the revaluation reserve. In accordance with the transitional provisions issued by the Malaysian Accounting Standards Board (MASB) on adoption of FRS 116: Property, Plant and Equipment, the valuation of leasehold building was not updated and it continues to be stated at its existing carrying amount less depreciation as its deemed cost.

Upon transition to MFRS, the Group elected to apply the optional exemption to use the previous revaluation as deemed costs. Accordingly, the revaluation surplus of RM 390,414 (30 June 2011: RM 390,414; 31 December 2011: RM 390,414) was transferred to retained earnings on date of transition to MFRS on 1 January 2011.

(i) Reconciliation of equity as at 1 January 2011

	Under the FRS Framework RM’000	Effect of the Transition to MFRS RM’000	Under the MFRS Framework RM’000
Revaluation reserve	390	(390)	-
Retained earnings	<u>971,190</u>	<u>390</u>	<u>971,580</u>

1. BASIS OF PREPARATION (CONTINUED)

(a) Adoption of MFRS 1 (continued)

(ii) Reconciliation of equity as at 30 June 2011

	Under the FRS Framework RM'000	Effect of the Transition to MFRS RM'000	Under the MFRS Framework RM'000
Revaluation reserve	390	(390)	-
Retained earnings	<u>1,070,882</u>	<u>390</u>	<u>1,071,272</u>

(iii) Reconciliation of equity as at 31 December 2011

	Under the FRS Framework RM'000	Effect of the Transition to MFRS RM'000	Under the MFRS Framework RM'000
Revaluation reserve	390	(390)	-
Retained earnings	<u>1,288,221</u>	<u>390</u>	<u>1,288,611</u>

Other than the above, the transition from FRS to MFRS has no significant impact on the Group's statement of financial position, financial performance, statement of comprehensive income and statement of cash flows.

(b) MFRS and amendments to MFRS which are applicable to the Group effective 1 January 2012 and have an impact on the accounting policies of the Group:

- MFRS 124 "Related party disclosures"
- Amendment to MFRS 1 "Severe hyperinflation and removal of fixed dates for first-time adopters"
- Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets"

The adoption of the above MFRS and amendments to MFRS that came into effect on 1 January 2012, as disclosed in the audited consolidated financial statements for the financial year ended 31 December 2011, did not have any significant impact on the unaudited condensed financial statements upon the initial application.

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective:

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities"
- MFRS 10 "Consolidated financial statements"
- MFRS 11 "Joint arrangements"
- MFRS 12 "Disclosures of interests in other entities"
- MFRS 13 "Fair value measurement"
- Amendment to MFRS 127 "Separate financial statements"
- Amendment to MFRS 128 "Investments in associates and joint ventures"
- Amendment to MFRS 101 "Presentation of items of other comprehensive income"

The Group has not early adopted the above standards, amendments to MFRS that have been issued by the MASB as these are effective for financial period on or after 1 January 2013.

2. MANAGEMENT COMMENTARY

(A) Review of performance for the current year to date results as compared with the previous year to date

Financial Indicators	YTD June 2012 RM'000	YTD June 2011 RM'000	Change RM'000
FPSO ⁽¹⁾	337,603	255,455	82,148
OSV ⁽¹⁾	235,812	213,940	21,872
T&I ⁽¹⁾	142,620	141,693	927
OFD ⁽¹⁾	3,678	158,033	(154,355)
Revenue	719,713	769,121	(49,408)
EBITDA ⁽²⁾	468,152	369,086	99,066
EBITDA margin	65%	48%	17%
Profit for the period	182,647	143,112	39,535
Total depreciation	184,269	147,692	36,577

Note:

⁽¹⁾ FPSO - Floating Production Storage Offloading system, OSV - Offshore Support Vessel, T&I - Transport and Installation and OFD - Oil Field Development. (previously known as Oil Field Services. There has been no change in the segment composition). These acronyms are also used hereinafter.

⁽²⁾ Defined as profit before finance costs, taxation, depreciation and amortisation

Despite a lower revenue of RM719.7 million, the EBITDA margin improved to 65% as a result of change in project mix (higher margins from its FPSO and OSV segments, lower margin related to its OFD project in previous year to date). The variance in the revenue is mainly due to the following:

- a) The FPSO segment secured two new FPSO contracts towards the end of the second quarter 2011 - Apache in Australia for the Balnaves field and ONGC in India for the D1 field. The ONGC contract was secured through a jointly controlled entity.
- b) The OSV segment revenue increased as a result of improved average fleet utilisation and new vessels acquired.
- c) The T&I segment revenue comprises the LukOil project secured end of April 2012, recognised on a percentage of completion basis, Momentum charter hire secured by the Armada Installer in addition to its guaranteed charter days in the current year to date from Petronas.
- d) The OFD segment revenue relates to variation orders from the completed Sepat FSO project as compared with the previous year to date revenue which comprised conversion and sale of an FSO to Petrofac on a percentage of completion basis.

The higher EBITDA led to the profit increase of RM39.5 million in spite of the following:

- a) higher depreciation of RM36.6 million mainly due to vessel additions in our FPSO, OSV and T&I segments;
- b) higher finance costs of RM14.1 million mainly due to interest charged to the profit or loss upon completion of Armada TGT in August 2011; and
- c) higher taxation expense of RM8.8 million mainly due to deferred tax estimated on our Apache FPSO project.

2. MANAGEMENT COMMENTARY (CONTINUED)

(B) Changes in profits for the current quarter as compared with the immediate preceding quarter

Financial Indicators	2nd Quarter 2012 RM'000	1st Quarter 2012 RM'000	Change RM'000
FPSO	171,694	165,910	5,784
OSV	121,583	114,229	7,354
T&I	91,324	51,295	40,029
OFD	-	3,678	(3,678)
Revenue	384,601	335,112	49,489
EBITDA	240,901	227,251	13,650
EBITDA margin	63%	68%	(5%)
Profit for the period	92,610	90,037	2,573
Total depreciation	96,661	87,608	9,053

The Group posted a quarter on quarter increase in revenue of RM49.5 million (14.8%), which was primarily driven by:

- a) Improvement in uptime and additional new tonnage (Armada Tuah 107, Armada Tuah 108 and Armada Tuah 301) offset by renewal of spot charters in our fleet, impacted the fleet utilisation as follows:

OSV vessel average utilisation rates for the quarter ended	2nd Quarter 2012 %	1st Quarter 2012 %	Change %
Group's vessels	82	86	(4)
Group's vessels including those held by jointly controlled entities	77	80	(3)

- b) T&I revenue in the current quarter improved as a result of contribution from its LukOil contract, recognised on a percentage of completion basis and Momentum charter hire secured by the Armada Installer in addition to its guaranteed charter days from Petronas.
- c) OFD revenue in the previous quarter included final variation orders for completion in the scope of work and handover of the FSO for the Sepat project.
- d) Strengthening of the US Dollar against the Ringgit Malaysia, which is our reporting currency.

Accordingly, the Group posted an EBITDA of RM240.9 million and profit of RM92.6 million reflecting the increase in the level of operations in the current quarter. As compared to the preceding quarter, the Group's higher EBITDA led to higher profit of RM2.6 million after taking into account higher depreciation costs of RM9.1 million mainly due to the additions to the OSV fleet.

3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2012

The long term outlook for the offshore oil and gas services sector remains positive with oil price expected to remain well above US\$70/barrel and capital expenditure in the industry forecasted to increase year-on-year by more than 10%. However, concerns regarding the uncertainty over European sovereign debt, geopolitical upheavals in the Middle East and sluggish world economy remain.

Notwithstanding the above, Bumi Armada anticipates robust activities across all its sectors of FPSO, OSV, T&I and OFD. Going forward, Bumi Armada expects to consolidate its presence in Asia, Africa and Latin America and increase its penetration and market share across its business sectors.

4. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS

There was no qualification to the preceding audited financial statements for the financial year ended 31 December 2011.

5. SEASONALITY OR CYCLICALITY OF OPERATIONS

The businesses of the Group were not materially affected by any seasonal or cyclical fluctuations during the financial period ended 30 June 2012.

6. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE

There were no items of an unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flow of the Group during the current quarter.

7. CHANGES IN ESTIMATES

There was no change in estimates of amounts reported in prior financial years that have a material effect in the interim financial report.

8. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter.

9. DIVIDENDS PAID

No dividends were paid during the current financial period ended 30 June 2012.

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10. SEGMENTAL INFORMATION

The Group is organised into 4 main business segments based on the type of operations carried out by its vessels and barges. The information of each of the Group's business segments for the quarters ended 30 June 2012 and 30 June 2011 are as follows:

Quarter ended 30.06.2012	FPSO RM'000	OSV RM'000	T&I RM'000	OFD RM'000	Group RM'000
Revenue	171,694	121,583	91,324	-	384,601
Results					
Segment results	61,222	31,344	29,466	1,437	123,469
Other operating income					8,203
Share of results of jointly controlled entities					12,568
Finance costs					(32,764)
Taxation					(18,866)
Profit for the financial period					92,610

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10. SEGMENTAL INFORMATION (CONTINUED)

Quarter ended 30.06.2011	FPSO RM'000	OSV RM'000	T&I RM'000	OFD RM'000	Group RM'000
Revenue	129,084	117,138	67,844	78,896	392,962
Results					
Segment results	33,820	20,213	41,409	5,401	100,843
Other operating income					8,309
Share of results of jointly controlled entities					(310)
Finance costs					(33,179)
Taxation					(14,625)
Profit for the financial period					61,038

11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment for the period under review. As at 30 June 2012, all property, plant and equipment were stated at cost less accumulated depreciation.

12. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There has not arisen in the interval between the end of this reporting period and the date of this report, any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group.

13. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group arising from business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations for the current quarter under review, except for the following:

- a. On 2 April 2012, Bumi Armada Offshore Holdings Limited (“BAOHL”), a wholly-owned subsidiary of the Company, formed a wholly-owned subsidiary by the name of Armada Blue LLC in the United States of America as a limited liability company in accordance with the laws of the State of Texas.
- b. On 23 April 2012, BAOHL incorporated a wholly-owned subsidiary by the name of Armada Offshore OSV Limited (“Armada OSV”) in the Republic of the Marshall Islands with an issued and paid-up capital of USD10,000 comprising of 10,000 shares of USD1.00 each. Arising therefrom, Armada OSV became an indirect wholly-owned subsidiary of the Company.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There has been no material change in contingent liabilities or contingent assets since the last annual financial statements.

15. CAPITAL COMMITMENTS

Capital expenditure for property, plant and equipment approved by the Directors and not provided for in the unaudited condensed consolidated financial statements as at 30 June 2012 are as follows:

	RM'000
- authorised and contracted	233,275
- authorised but not contracted	943,468
	<hr/>
	1,176,743
	<hr/> <hr/>

16. SIGNIFICANT RELATED PARTY DISCLOSURES

The significant related party transactions undertaken during the financial period are described below:

	Cumulative Quarters Period Ended 30.06.2012 RM'000
<u>Related party transactions</u>	
(a) Transactions with UTSB Management Sdn Bhd (UTSBM) ⁽¹⁾ : - reimbursable costs incurred in respect of an executive director - management fees	3,130 2,369
(b) Telecommunication expense to Maxis Berhad ⁽²⁾	1,822
(c) Rental expenses to Malaysian Landed Property Sdn Bhd (“MLP”) ⁽³⁾	2,639
(d) Transactions with jointly controlled entities: - ship management fees from Offshore Marine Ventures Sdn Bhd ⁽⁴⁾ - ship management fees to Century Bumi JV Limited - vessel hiring fee from Century Bumi JV Limited	98 5,520 2,834
(e) Key management personnel compensation: - salaries, bonus and allowances and other staff related costs - defined contribution plan	10,491 284
(f) Payment on behalf: - jointly controlled entities	13,043

Usaha Tegas Sdn Bhd (“UTSB”) is a party related to the Company by virtue of its substantial interest in Objektif Bersatu Sdn Bhd (“OBSB”), a major shareholder of the Company. UTSB is ultimately controlled by PanOcean Management Limited (“PanOcean”), via Excorp Holdings N.V. and Pacific States Investment Limited, the intermediate and immediate holding companies of UTSB respectively. PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam (“TAK”) and foundations including those for charitable purposes. Although PanOcean and TAK are deemed to have interest in the shares of the Company through UTSB’s deemed interest in OBSB, they do not however have any economic or beneficial interest in the shares as such interest is held subject to the terms of the discretionary trust.

Note:

- ⁽¹⁾ Subsidiary of UTSB
⁽²⁾ Subsidiary of a jointly controlled entity, in which UTSB has a significant equity interest
⁽³⁾ Subsidiary of PanOcean, the ultimate holding company of UTSB
⁽⁴⁾ Jointly controlled entity, where certain Directors have an equity interest

17. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as the Group did not publish any profit forecast or issue any profit guarantee.

18. TAXATION

Taxation comprises the following:

	Individual Quarter Ended		Cumulative Quarters Period Ended	
	30.06.2012 RM'000	30.06.2011 RM'000	30.06.2012 RM'000	30.06.2011 RM'000
Income tax:				
- Current tax	12,804	11,008	24,865	22,553
- Prior year	(15)	3,633	943	2,809
Deferred tax	6,077	(16)	10,999	2,662
Total	18,866	14,625	36,807	28,024

The Group's effective tax rate for the current quarter and financial period ended 30 June 2012 was 17%, lower than the statutory tax rate of 25% as the income arising from Malaysian sea-going ships of the Group are tax exempt under Section 54A of the Income Tax Act, 1967 whilst foreign sourced income are taxed based on their individual tax jurisdiction and the rates vary between 17% to 30%.

19. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced but not completed as at the date of this report.

20. UTILISATION OF PROCEEDS

The status of utilisation of listing proceeds raised from the Public Issue as at the date of this report are as follows:

Purpose	Proposed utilisation RM'000	Actual to date RM'000	Utilisation upon listing	Remaining balance RM'000
Repayment of bank borrowings	775,000	775,000	within 6 months	-
Capital expenditure	592,000	481,085	within 24 months	110,915
Working capital	562,000	482,912	within 24 months	79,088
Estimated listing expenses	100,000	91,015	within 3 months	8,985
Total	2,029,000	1,830,012		198,988

The actual utilisation amount for the listing expenses was lower than budgeted. Hence, the unutilised balance will be used for general working capital requirements of our Group as disclosed in the Company's Prospectus dated 30 June 2011.

21. BORROWINGS

The borrowings as at 30 June 2012 are as follows:

	As at 30.06.2012 RM'000
SHORT TERM DEBT	
Secured:	
Term loans	387,278
Unsecured:	
Term loans	115,000
Total short term debt	502,278
LONG TERM DEBT	
Secured:	
Term loans	1,420,577
Unsecured:	
Term loans	895,000
Total long term debt	2,315,577
Total borrowings	2,817,855
CURRENCY PROFILE	
United States Dollar	1,647,064
Ringgit Malaysia	1,170,791
	2,817,855

22. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Disclosure of derivatives

Details of derivative financial instruments outstanding as at 30 June 2012 are set out below:

Types of Derivative	Contract/ Notional Amount RM'000	Fair Value Liabilities RM'000
Interest rate swaps ("IRS")		
- Less than 1 year	285,747	(13,828)
- 1 to 3 years	597,518	(17,608)
- More than 3 years	766,136	(2,004)
	<u>1,649,401</u>	<u>(33,440)</u>
Cross currency interest rate swaps ("CC")		
- Less than 1 year	33,022	739
- 1 to 3 years	55,391	(126)
- More than 3 years	83,087	(791)
	<u>171,500</u>	<u>(178)</u>

There have been no changes since the end of the previous financial year ended 31 December 2011 in respect of the following:

- (i) the market risk and credit risk associated with the derivatives as these are used for hedging purposes;
- (ii) the cash requirements of the derivatives; and
- (iii) the policies in place for mitigating or controlling the risks associated with the derivatives.

(b) Disclosure of gains/(losses) arising from fair value

The Group determines the fair values of the derivative financial instruments relating to the IRS and CC using valuation techniques which utilise data from recognised financial information sources. Assumptions are based on market conditions existing at each reporting date. The fair values are calculated at the present value of the estimated future cash flow using an appropriate market based yield curve.

As at 30 June 2012, the Group recognised net derivative financial liabilities of RM33.6 million, an increase of RM9.4 million from previous financial year ended 31 December 2011, on remeasuring the fair values of the derivative financial instruments. The increase of RM6.4 million was included in the cash flow hedging reserve attributable to the Group and the non-controlling interests and RM3.0 million as fair value changes from derivatives financial instruments through the profit or loss.

The Group's cash flow hedging reserve of RM19.3 million as at 30 June 2012 represents the effective portion of the deferred fair value losses relating to the derivative financial instruments which qualified for hedging accounting. This amount will be reclassified to profit or loss as finance costs over the period of the underlying borrowings.

BUMI ARMADA BERHAD
(370398-X)
(Incorporated in Malaysia)

23. REALISED AND UNREALISED RETAINED EARNINGS

The following analysis of realised and unrealised retained earnings at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

The breakdown of realised and unrealised retained profits of the Group is as follows:

	As at 30.06.2012 RM'000
Total retained profits of the Company and its subsidiaries	
- realised	1,471,518
- unrealised	(56,517)
	1,415,001
Total share of retained profits from jointly controlled entities	
- realised	60,549
- unrealised	(5,304)
	55,245
Less: consolidation adjustments	-
Total retained profits of the Group	1,470,246

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Individual Quarter Ended 30.06.2012 RM'000	Individual Quarter Ended 30.06.2011 RM'000	Cumulative Quarters Period Ended 30.06.2012 RM'000	Cumulative Quarters Period Ended 30.06.2011 RM'000
Profit before taxation is arrived at after charging/(crediting):				
(a) Other operating income				
- Interest income	(2,628)	(80)	(6,164)	(157)
- (Gain)/loss on disposal of property, plant and equipment	(6)	95	(16)	93
- (Gain)/loss on disposal of quoted or unquoted investments or properties	-	-	-	-
- Insurance income	(322)	(5,253)	(8,347)	(5,469)
- Dividend income	-	-	(2,864)	-
- Others	(5,247)	(3,071)	(6,872)	(7,396)
(b) Interest expense	31,559	27,078	63,892	51,801
(c) Depreciation and amortisation	96,661	75,548	184,269	147,692
(d) Allowance for and write off of doubtful debts	-	12	-	3,525
(e) Allowance for and write off of inventories	-	-	-	-
(f) Impairment of assets	-	-	-	-
(g) Net foreign exchange (gain)/loss	(17,770)	(1,803)	(4,111)	1,023
(h) Loss/(gain) on derivatives	9,361	6,101	2,963	(1,481)

25. MATERIAL LITIGATION

There is no material litigation pending as at the date of this report.

26. DIVIDENDS

No dividends were declared in the current financial period ended 30 June 2012.

27. EARNINGS PER SHARE

The basic earnings per share (“EPS”) is calculated by dividing the Group’s profit attributable to Owners of the Company by the average number of ordinary shares in issue during the financial period.

The diluted earnings per share is calculated by dividing the profit for the financial period attributable to the Owners of the Company (adjusted for interest income, net of tax, earned on the proceeds arising from the conversion of the call option and employees share option scheme (“ESOS”) options) by the weighted average number of ordinary shares as adjusted for the basic earnings per share and includes all potential dilutive shares on both the call option and ESOS options granted by the reporting date, as if the options had been exercised on the first day of the financial year or the date of the grant, if later.

	Individual Quarter Ended		Cumulative Quarters Period Ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
Profit attributable to Owners of the Company (RM'000)	91,926	60,259	181,635	142,333
Weighted average number of ordinary shares in issue for basic EPS ('000)	2,928,462	2,284,200	2,928,462	2,284,200
Adjusted for potential ordinary shares on conversion of options under ESOS ('000)	2,126	-	2,182	-
Adjusted weighted average number of ordinary shares for diluted EPS ('000)	2,930,588	2,284,200	2,930,644	2,284,200
Basic earnings per share (sen)	3.14	2.64	6.20	6.23
Diluted earnings per share (sen)	3.14	2.64	6.20	6.23

BY ORDER OF THE BOARD

NOOR HAMIZA BINTI ABD HAMID
(MAICSA 7051227)
Company Secretary

CHEW ANN NEE
(MAICSA 7030413)
Joint Company Secretary

Kuala Lumpur
16 August 2012