



BUMIARMADA

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2014

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

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 2014 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2013 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	
		30.6.2014 RM'000	30.6.2013 RM'000	30.6.2014 RM'000	30.6.2013 RM'000
Revenue	18	590,081	481,230	1,058,998	969,985
Cost of sales		(380,337)	(291,345)	(691,914)	(603,223)
Gross profit		209,744	189,885	367,084	366,762
Other operating income		7,508	4,057	16,564	19,787
Selling and distribution costs		(46,098)	(34,637)	(82,640)	(61,225)
Administrative expenses		(41,418)	(24,870)	(78,277)	(51,119)
Operating profit		129,736	134,435	222,731	274,205
Finance costs		(20,795)	(21,833)	(42,374)	(48,177)
Share of results of joint ventures		18,690	10,261	33,664	27,736
Profit before taxation		127,631	122,863	214,021	253,764
Taxation		(26,113)	(8,751)	(45,773)	(29,241)
Profit for the financial period		101,518	114,112	168,248	224,523
Attributable to:					
- Owners of the Company		98,379	111,965	163,157	221,635
- Non-controlling interests		3,139	2,147	5,091	2,888
		101,518	114,112	168,248	224,523
Earnings per share (sen)	27				
- Basic		3.35	3.82	5.56	7.57
- Diluted		3.35	3.82	5.56	7.56

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Period Ended	
		30.6.2014 RM'000	30.6.2013 RM'000	30.6.2014 RM'000	30.6.2013 RM'000
Profit for the financial period		101,518	114,112	168,248	224,523
Other comprehensive income:					
Items that maybe reclassified subsequently to profit or loss					
- Loss on fair value change on available-for-sale financial assets		(497)	(8,414)	(2,003)	(10,408)
- Fair value (loss)/gain on cash flow hedges		(237)	6,825	1,134	8,652
- Foreign currency translation differences		(69,085)	78,091	(87,024)	105,906
- Share of other comprehensive loss of joint ventures		(105)	-	(105)	-
Other comprehensive (expense)/income for the financial period, net of tax		(69,924)	76,502	(87,998)	104,150
Total comprehensive income for the financial period		31,594	190,614	80,250	328,673
Total comprehensive income attributable to:					
- Owners of the Company		29,104	187,524	76,040	324,811
- Non-controlling interests		2,490	3,090	4,210	3,862
		31,594	190,614	80,250	328,673

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 30.6.2014 RM'000	Audited As at 31.12.2013 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	6,680,783	5,871,084
Goodwill		1,411	1,411
Investments in joint ventures		318,524	271,787
Available-for-sale financial assets		45,435	48,642
Accrued lease rentals		448,504	433,104
Deferred tax assets		30,752	40,993
		7,525,409	6,667,021
CURRENT ASSETS			
Inventories		2,964	5,559
Amounts due from customers on contract		32,618	36,421
Trade receivables		654,929	447,632
Accrued lease rentals		610,766	652,292
Other receivables, deposits and prepayments		157,984	254,091
Tax recoverable		3,932	3,063
Amounts due from joint ventures		128,442	109,048
Deposits, cash and bank balances		803,558	634,538
		2,395,193	2,142,644
Non-current assets classified as held-for-sale		57,802	-
TOTAL ASSETS		9,978,404	8,809,665

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	As at 30.6.2014 RM'000	Audited As at 31.12.2013 RM'000
LESS: CURRENT LIABILITIES			
Amounts due to customers on contract		-	592
Trade payables		281,519	243,979
Other payables and accruals		422,851	306,123
Amounts due to joint ventures		8,373	15,379
Hire purchase creditors		153	184
Borrowings	20	1,327,887	1,185,655
Derivative financial instruments	21	9,946	12,672
Taxation		18,255	28,925
		2,068,984	1,793,509
NET CURRENT ASSETS			
		384,011	349,135
LESS: NON-CURRENT LIABILITIES			
Hire purchase creditors		66	128
Borrowings	20	3,382,476	2,591,347
Derivative financial instruments	21	2,986	5,823
Deferred tax liabilities		52,110	38,623
		3,437,638	2,635,921
NET ASSETS			
		4,471,782	4,380,235
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		586,529	586,318
Reserves		3,857,467	3,770,341
		4,443,996	4,356,659
NON-CONTROLLING INTERESTS			
		27,786	23,576
TOTAL EQUITY			
		4,471,782	4,380,235
NET ASSETS PER SHARE (RM)			
		1.52*	1.49

* Based on 2,932,642,700 ordinary shares in issue at RM0.20 par value as at 30 June 2014.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT 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 reserves RM'000	Share option reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000		
<u>2014</u>											
At 1 January 2014	2,931,591	586,318	1,764,614	51,713	(7,786)	30,633	(10,355)	1,941,522	4,356,659	23,576	4,380,235
Profit for the financial period	-	-	-	-	-	-	-	163,157	163,157	5,091	168,248
Other comprehensive (expense)/income for the financial period, net of tax	-	-	-	(86,103)	(2,003)	-	989	-	(87,117)	(881)	(87,998)
Total comprehensive (expense)/income for the financial period, net of tax	-	-	-	(86,103)	(2,003)	-	989	163,157	76,040	4,210	80,250
Transactions with owners:											
- Employee share options exercised	1,052	211	3,812	-	-	(714)	-	-	3,309	-	3,309
- Employee share options granted	-	-	-	-	-	7,988	-	-	7,988	-	7,988
- Employee share options forfeited/lapsed	-	-	-	-	-	(242)	-	242	-	-	-
At 30 June 2014	2,932,643	586,529	1,768,426	(34,390)	(9,789)	37,665	(9,366)	2,104,921	4,443,996	27,786	4,471,782

UNAUDITED CONDENSED CONSOLIDATED STATEMENT 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 reserves RM'000	Share option reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000		
<u>2013</u>											
At 1 January 2013	2,929,168	585,834	1,756,045	(195,829)	3,770	16,049	(17,230)	1,601,227	3,749,866	17,145	3,767,011
Profit for the financial period	-	-	-	-	-	-	-	221,635	221,635	2,888	224,523
Other comprehensive (expense)/income for the financial period, net of tax	-	-	-	105,062	(10,408)	-	8,522	-	103,176	974	104,150
Total comprehensive (expense)/income for the financial period, net of tax	-	-	-	105,062	(10,408)	-	8,522	221,635	324,811	3,862	328,673
Transactions with owners:											
- Employee share options exercised	958	192	3,334	-	-	(623)	-	-	2,903	-	2,903
- Employee share options granted	-	-	-	-	-	10,596	-	-	10,596	-	10,596
- Employee share options forfeited/lapsed	-	-	-	-	-	(62)	-	62	-	-	-
At 30 June 2013	2,930,126	586,026	1,759,379	(90,767)	(6,638)	25,960	(8,708)	1,822,924	4,088,176	21,007	4,109,183

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period Ended 30.6.2014 RM'000	Period Ended 30.6.2013 RM'000
OPERATING ACTIVITIES		
Profit for the financial period	168,248	224,523
Adjustments for non-cash items:		
Share of results of joint ventures	(33,664)	(27,736)
Depreciation of property, plant and equipment	229,370	196,321
Fair value through profit and loss on derivative financial instruments	(4,311)	(1,255)
Gain on disposal of property, plant and equipment	(25)	-
Gain on disposal of a subsidiary	-	(9,358)
Allowance for doubtful debts	-	6,253
Allowance for doubtful debts written back	-	(1,976)
Unrealised foreign exchange loss/(gain)	4,765	(15,966)
Share-based payment	7,988	10,596
Interest income	(2,743)	(2,329)
Interest expense	43,552	52,558
Dividend income	(2,321)	(2,221)
Taxation	45,773	29,241
Operating profit before changes in working capital	456,632	458,651
Changes in working capital:		
Inventories	2,507	5,622
Trade and other receivables	(235,583)	(212,613)
Trade and other payables	135,168	(30,805)
Cash from operations	358,724	220,855
Interest paid	(72,663)	(48,177)
Tax paid	(37,648)	(37,517)
Tax refund	1,969	5
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	250,382	135,166

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Period Ended 30.6.2014 RM'000	Period Ended 30.6.2013 RM'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,077,310)	(515,465)
Proceeds from disposal of a subsidiary	-	12,446
Proceeds from disposal of property, plant and equipment	25	-
Dividend income	-	2,221
Interest received	2,743	2,345
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,074,542)	(498,453)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	1,218,544	976,005
Repayment of bank borrowings	(219,227)	(471,370)
Repayment of hire purchase creditors	(94)	(70)
Proceeds from issuance of shares	3,309	2,903
NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	1,002,532	507,468
NET INCREASE IN CASH AND CASH EQUIVALENTS	178,372	144,181
CURRENCY TRANSLATION DIFFERENCES	(9,352)	14,274
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	633,638	499,600
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	802,658	658,055
Cash and cash equivalents consist of:		
Deposits with licensed banks	450,044	478,402
Cash and bank balances	353,514	180,553
Less: Designated deposits placed with licensed banks	(900)	(900)
	802,658	658,055

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

1. BASIS OF PREPARATION

The unaudited financial statements have been prepared in accordance with the reporting requirement as set out in Malaysian Financial Reporting Standards (“MFRS”) 134 on “Interim Financial Reporting”, Paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The unaudited financial statements should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial year ended 31 December 2013. The results of the joint ventures are based on unaudited management accounts.

The significant accounting policies and methods of computation applied in the unaudited condensed consolidated financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2013, other than those disclosed below:

(a) Amendments to MFRS which are applicable to the Group effective 1 January 2014:

- Amendment to MFRS 10 “Consolidated Financial Statements: Investment Entities”
- Amendment to MFRS 12 “Disclosure of Interest in Other Entities: Investment Entities”
- Amendment to MFRS 127 “Consolidated and Separate Financial Statements: Investment Entities”
- Amendment to MFRS 132 “Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities”
- Amendment to MFRS 136 “Impairment of Assets - Recoverable Amount Disclosure for Non-Financial Assets”
- Amendment to MFRS 139 “Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting”

The adoption of the above Amendments to MFRS that came into effect on 1 January 2014, did not have any significant impact on the unaudited condensed financial statements upon the initial application on 1 January 2014.

(b) Amendment and Annual Improvements to MFRS which are applicable to the Group effective 1 July 2014:

- Amendment to MFRS 119 “Defined Benefits Plans: Employee Contributions”
- Annual Improvements to MFRSs 2010 - 2012 cycle
- Annual Improvements to MFRSs 2011 - 2013 cycle

The above amendment and annual improvements to MFRS are not anticipated to have any significant impact on the financial statements of the Group upon their initial application.

(c) MFRS and Amendments to MFRS that are applicable to the Group which the effective date have yet to be determined by Malaysian Accounting Standards Board:

- MFRS 9 “Financial Instruments”
- Amendment to MFRS 7 “Financial Instruments: Disclosure - Mandatory Effective Date of MFRS 9 and Transition Disclosures”

The adoption of MFRS 9 may result in a change in accounting policy. The Group will quantify the effect of adopting this standard when the full standard is issued.

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 30.6.2014 RM'000	YTD 30.6.2013 RM'000	Change RM'000
FPSO ⁽¹⁾	427,082	386,040	41,042
OSV ⁽¹⁾	309,259	293,229	16,030
T&I ⁽¹⁾	322,657	290,716	31,941
OFS ⁽¹⁾	-	-	-
Revenue	1,058,998	969,985	89,013
EBITDA ⁽²⁾	485,765	498,262	(12,497)
EBITDA margin	46%	51%	(5%)
Profit for the financial period	168,248	224,523	(56,275)
Total depreciation	229,370	196,321	33,049

The Group posted revenue of RM1,059.0 million for the current year to date or 9% higher year on year, as a result of an increase in activity across all business units;

- (a) FPSO revenue of RM427.1 million was higher due to the additional contribution from the Kraken FPSO and Angola 1506 FPSO contracts, offset by lower tanker revenue from Armada Ali, which was laid up and prepared for conversion in the previous quarter;
- (b) OSV segment revenue was higher due mainly to additional vessels and improved uptime on larger vessels;
- (c) T&I segment revenue increased due mainly to the ramp up of pipe laying and post trenching activities on the LukOil project as work resumed in the Caspian Sea after progress was affected by winter conditions in the previous quarter;
- (d) OFS segment contribution is reflected in the share of joint ventures.

The Group posted EBITDA of RM485.8 million for the current year to date. Increased FPSO contribution driven by the new contract awards was offset by lower year-on-year contribution from T&I reflecting last quarter's impact of weather on the Lukoil project in Russia and lower utilisation for Armada Hawk before their activity pick up this quarter. OSV's contribution reflected lower utilisation of older vessels. OSV has commenced fleet renewal programme which it expects to complete by the year end. Certain Class B vessels have been identified and classified as held for sale in the current quarter. OFS activity continues to contribute positively to earnings this quarter.

Profit of RM168.2 million was in line with EBITDA after accounting for higher depreciation by RM33.0 million due mainly to additional depreciation charge from vessel additions across all business units, lower finance costs by RM5.8 million as a result of project debt repayment; and higher taxation costs of RM16.5 million reflecting the taxation applicable to the increase in activity in Russia, and lower deferred tax estimate in the previous year to date.

Note:

⁽¹⁾ FPSO - Floating Production Storage Offloading system, OSV - Offshore Support Vessel, T&I - Transport and Installation and OFS - Oilfield Services. These acronyms are also used hereinafter.

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

⁽³⁾ Defined as Engineering, Procurement, Installation and Commissioning.

2. MANAGEMENT COMMENTARY (CONTINUED)

(B) Performance of the current quarter as compared with the immediate preceding quarter

Financial Indicators	2nd Quarter 2014 RM'000	1st Quarter 2014 RM'000	Change RM'000
FPSO	231,415	195,667	35,748
OSV	153,037	156,222	(3,185)
T&I	205,629	117,028	88,601
OFS	-	-	-
Revenue	590,081	468,917	121,164
EBITDA	262,627	223,138	39,489
EBITDA margin	45%	48%	(3%)
Profit for the financial period	101,518	66,730	34,788
Total depreciation	114,201	115,169	(968)

The Group posted revenue of RM590.1 million for the current quarter, an increase of RM121.2 million (26%) sequentially, as a result of an increase in activity from FPSO and T&I segments as detailed below:

- (a) FPSO revenue in the current quarter reflected contribution from ENI 1506 FPSO project progress and higher Kraken FPSO project progress compared to the previous quarter;
- (b) OSV revenue in the current quarter was marginally lower despite higher overall vessel utilisation due to contract completion on certain Class A vessels. The fleet utilisation rates are as shown below:

OSV vessel average utilisation rates for the quarter ended	2nd Quarter 2014 %	1st Quarter 2014 %	Change in %
Group's vessels	72	70	2
- Class A ⁽⁵⁾	80	79	1
- Class B ⁽⁶⁾	64	61	3
Group's vessels including those held by joint ventures	72	70	2

OSV has commenced the fleet renewal programme and is expected to be completed by the financial year end. Certain Class B vessels have been identified and classified as held for sale in the current quarter.

- (c) T&I revenue growth in the current quarter reflected the ramp up of pipe laying and post trenching activities on the LukOil project as work resumed in the Caspian Sea after progress was affected by winter conditions last quarter, as well as additional O&M⁽⁴⁾ activity for Armada Installer and new charters secured for Armada Hawk;
- (d) The OFS segment contribution is reflected in the share of joint ventures.

The Group posted EBITDA of RM262.6 million and profit of RM101.5 million for the current quarter driven by strong FPSO and T&I contribution on the back of higher level of activities. The OFS segment continues to contribute positively in the current quarter.

The Group's profit increased by RM34.8 million, 52% higher sequentially after accounting for higher taxation costs of RM6.5 million reflecting mainly the increase in activity in Russia and associated taxation.

Note:

⁽⁴⁾ Defined as operations and maintenance.

⁽⁵⁾ Class A represents vessels which are less than 12 years or more than 8000 brake horse power and accommodation work barges which are more than 200 pax capacity.

⁽⁶⁾ Class B represents vessels which are more than 12 years or less than 8000 brake horse power and accommodation work barges which are less than 200 pax capacity.

3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2014

Whilst the long term outlook for the offshore oil and gas services industry remains positive, there are emerging signs of a slowdown in E&P company capital expenditures and a softening in oil prices due to the downward pressures exerted by shale oil and gas. International oil companies are more affected than national oil companies and independents, with industry wide year on year expenditures growth expected to slow down to 6% and oil prices to trade range bound between USD 95-110/barrel in the short term. Global economic recovery remains delicately balanced and uneven across the globe with geopolitical tensions adding a dose of volatility.

Notwithstanding the above, we remain confident on the underlying fundamentals of the activities across our business units over the long term. The Group seeks to expand its footprint in the regions in which it operates and diversify its operations whilst it pursues its strategy for long term growth.

4. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS

There was no qualification to the audited financial statements for the preceding financial year ended 31 December 2013.

5. SEASONALITY OR CYCLICALITY OF OPERATIONS

As we increase our services offering in offshore O&G, selective parts of our businesses will be subject to short term seasonal conditions with regards to certain operating geographies.

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 were no changes in estimates of amounts reported in prior financial years that have a material effect on the unaudited condensed financial statements of the Group.

8. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuances or repayments of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter except for the issuance of 349,000 and 165,000 ordinary shares of RM0.20 each arising from the exercise of options pursuant to the Company's Employee Share Option Scheme ("ESOS") at the exercise prices of RM3.03 and RM3.75 per share respectively.

9. DIVIDENDS PAID

No dividend was paid in the current financial period ended 30 June 2014.

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 individual and cumulative quarters ended 30 June 2014 and 30 June 2013 are as follows:

Individual Quarter Ended 30.6.2014	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Others RM'000	Corporate and elimination RM'000	Group RM'000
Revenue	231,415	153,037	205,629	-	-	-	590,081
Inter-segment revenue	-	-	-	-	35,325	(35,325)	-
Results							
Segment results	77,083	19,005	26,140	-	814	(814)	122,228
Other operating income							7,508
Share of results of joint ventures							18,690
Finance costs							(20,795)
Taxation							(26,113)
Profit for the financial period							101,518

Individual Quarter Ended 30.6.2013	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Others RM'000	Corporate and elimination RM'000	Group RM'000
Revenue	193,758	150,850	136,622	-	-	-	481,230
Inter-segment revenue	-	-	-	-	22,004	(22,004)	-
Results							
Segment results	55,147	33,578	41,653	-	1,374	(1,374)	130,378
Other operating income							4,057
Share of results of joint ventures							10,261
Finance costs							(21,833)
Taxation							(8,751)
Profit for the financial period							114,112

10. SEGMENTAL INFORMATION (CONTINUED)

Cumulative Quarters Period Ended 30.6.2014	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Others RM'000	Corporate and elimination RM'000	Group RM'000
Revenue	427,082	309,259	322,657	-	-	-	1,058,998
Inter-segment revenue	-	-	-	-	78,854	(78,854)	-
Results							
Segment results	134,100	39,036	33,031	-	1,518	(1,518)	206,167
Other operating income							16,564
Share of results of joint ventures							33,664
Finance costs							(42,374)
Taxation							(45,773)
Profit for the financial period							168,248

Cumulative Quarters Period Ended 30.6.2013	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Others RM'000	Corporate and elimination RM'000	Group RM'000
Revenue	386,040	293,229	290,716	-	-	-	969,985
Inter-segment revenue	-	-	-	-	53,526	(53,526)	-
Results							
Segment results	113,438	74,036	66,944	-	5,970	(5,970)	254,418
Other operating income							19,787
Share of results of joint ventures							27,736
Finance costs							(48,177)
Taxation							(29,241)
Profit for the financial period							224,523

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 2014, all property, plant and equipment were stated at cost less accumulated depreciation and accumulated impairment losses.

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

Save as disclosed below, no material event has arisen in the interval between the end of this reporting period and the date of this report:

- (i) On 19 August 2014, we announced that Bumi Armada Offshore Holdings Limited (“BAOHL”), wholly-owned subsidiary of the Company together with its joint venture company, PT Armada Gema Nusantara (collectively, the “Consortium”) have been appointed as the FPSO Lease Contractor for the Madura BD Field, Offshore Indonesia via a Letter of Intent issued by Husky-CNOOC Madura Limited (“HCML”).

Pursuant to the Letter of Intent (the “LOI”), the Consortium will supply a Floating Production, Storage and Offloading Vessel to HCML at a contract value of USD1.18 billion (equivalent to approximately RM3.76 billion) for a fixed period of ten (10) years with options of five (5) annual extensions worth an aggregate value of USD147 million (equivalent to approximately RM469 million), if the options are fully exercised by HCML, subject to terms and conditions of the FPSO Lease Contract (the “Contract”) to be finalised and signed within forty-five (45) days from the effective date of the LOI of 8 August 2014 subject to such extension to be mutually agreed between HCML and the Consortium. The Consortium is authorised to commence initial engineering work immediately on issuance of the LOI.

- (ii) On 31 March 2014, the Company announced the LOI issued by eni Angola S.p.A. (“eni Angola”), for the award of a contract for the chartering, operation and maintenance of an FPSO tanker facility complete with Mooring System to the consortium of BAOHL and Angoil Bumi JV Lda (“ABJL”) at the Block 15/06 East Hub field, located in deep water offshore Angola (the “Contract”). The LOI was effective on 28 March 2014.

In furtherance of the LOI, the Contract was signed on 20 August 2014. The effective date of the Contract is 28 March 2014 corresponding to the commencement of the work.

The Contract is for a firm charter of 12 years with options of 8 yearly extensions. The estimated aggregate value of the Contract for the firm charter period is approximately USD3.0 billion (equivalent to approximately RM9.6 billion), with a further aggregate contract value of USD0.9 billion (equivalent to approximately RM3.0 billion) if eni Angola exercises all the extension options in full.

13. CHANGES IN THE COMPOSITION OF THE GROUP

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

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 2014 are as follows:

	RM'000
- authorised and contracted	601,477
- authorised but not contracted	7,815,302
	<hr/> 8,416,779 <hr/>

16. SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Cumulative Quarters Period Ended 30.6.2014 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	5,504
- management fees	2,767
(b) Telecommunication expenses to Maxis Berhad ⁽²⁾	1,402
(c) Rental to Malaysian Landed Property Sdn Bhd ("MLP") ⁽³⁾	3,377
(d) Transactions with joint ventures:	
- ship management fees to Century Bumi Limited	7,342
(e) Key management personnel compensation:	
- non-executive directors fees	1,658
- salaries, bonus and allowances and other staff related costs	17,040
- defined contribution plan	2,592
- share-based payment	5,568
(f) Payment on behalf:	
- joint ventures	79,664

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 substantial shareholder of the Company. The ultimate holding company of UTSB is PanOcean Management Limited ("PanOcean"). 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 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, a substantial shareholder of the Company.

⁽²⁾ Subsidiary of a joint venture, in which UTSB has a significant equity interest.

⁽³⁾ Subsidiary of a company in which TAK has 100% equity interest.

17. PROFIT FORECAST OR PROFIT GUARANTEE

This is 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	
	30.6.2014 RM'000	30.6.2013 RM'000	30.6.2014 RM'000	30.6.2013 RM'000
Income tax:				
- Current tax	12,624	11,464	27,270	22,922
- Prior year	2,270	4,190	(5,648)	4,190
Deferred tax	11,219	(6,903)	24,151	2,129
Total	26,113	8,751	45,773	29,241

The Group's effective tax rates for the individual quarter and cumulative quarters period ended 30 June 2014 were 20% and 21% respectively, lower than the statutory tax rate of 25% mainly due to change in certain non-taxable income, whilst other foreign source income are taxed based on their individual tax jurisdiction rates ranging between 0% to 30% and the income arising from Malaysian sea-going ships of the Group are tax exempt under Section 54A of the Income Tax Act, 1967.

19. STATUS OF CORPORATE PROPOSALS ANNOUNCED

Save as disclosed below, there were no corporate proposals announced but not completed as at the date of this report:

- (i) On 13 August 2013, we announced that our wholly-owned subsidiary, Bumi Armada Capital Offshore Ltd ("BACOL") had on 6 August 2013, entered into documentation for the establishment of a Multi Currency Euro Medium Term Note Programme with a programme size of USD1.5 billion (or its equivalent in other currencies) ("EMTN Programme").

An application has been made to the Singapore Exchange Securities Trading Limited ("SGX-ST") for permission to deal in, and for quotation of, any medium term notes ("Notes") that may be issued pursuant to the EMTN Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. An application will be submitted to Bursa Securities for listing of the Notes under the Exempt Regime. The Notes to be issued under the EMTN Programme may be listed on Bursa Securities but will not be quoted for trading. No Notes have been issued yet under the EMTN Programme.

- (ii) On 26 March 2014, we announced that our wholly-owned subsidiary, Bumi Armada Capital Malaysia Sdn Bhd ("BACM"), received authorisation from the Securities Commission Malaysia ("SC") for the establishment of an unrated Sukuk issuance programme of up to RM1.5 billion in nominal value under the Shariah principle of Murabahah (via a Tawarruq arrangement) ("Sukuk Programme") and the issuance of Sukuk Murabahah thereunder.

Subsequently, on 12 June 2014, we announced that BACM and our Company had, on even date, entered into documentation for the establishment of the Sukuk Programme.

No Sukuk have been issued yet under the Sukuk Programme.

19. STATUS OF CORPORATE PROPOSALS ANNOUNCED (CONTINUED)

- (iii) On 23 May 2014, we announced of our intention to undertake the following proposals:
- a) a bonus issue of up to 1,479,238,150 new ordinary shares of RM0.20 each in Bumi Armada Berhad (“Bumi Armada”) (“Shares”) (“Bonus Shares”) on the basis of one (1) Bonus Share for every two (2) existing Shares held by the entitled shareholders of Bumi Armada on an entitlement date to be determined and announced later (“Entitlement Date”) (“Proposed Bonus Issue”);
 - b) a renounceable rights issue of up to 1,479,238,150 new Shares (“Rights Shares”) on the basis of one (1) Rights Share for every two (2) existing Shares held by the entitled shareholders of Bumi Armada on the Entitlement Date (“Proposed Rights Issue”);
 - c) an increase in our authorised share capital from RM800,000,000 comprising 4,000,000,000 Shares to RM2,000,000,000 comprising 10,000,000,000 Shares (“Proposed IASC”); and
 - d) an amendment to our Memorandum of Association as a consequence of the Proposed IASC. (“Proposed Amendment”) (collectively referred to as “Proposals”).
- (iv) On 2 June 2014, we announced that our Company and the joint underwriters, namely, AmInvestment Bank Berhad, CIMB Investment Bank Berhad, Credit Suisse Securities (Malaysia) Sdn Bhd, Maybank Investment Bank Berhad, RHB Investment Bank Berhad and UBS Securities Malaysia Sdn Bhd., had, on 1 June 2014, entered into a conditional underwriting agreement in relation to the Proposed Rights Issue. It was also announced that CIMB Investment Bank Berhad, Credit Suisse (Singapore) Limited and Maybank Investment Bank Berhad have been appointed as the Joint Global Coordinators for the Proposed Rights Issue.
- (v) On 12 June 2014, we announced that Bursa Securities had, vide its letter dated 12 June 2014, approved the listing of and quotation for the following:
- a) up to 1,479,238,150 Bonus Shares to be issued pursuant to the Proposed Bonus Issue; and
 - b) up to 1,479,238,150 Rights Shares to be issued pursuant to the Proposed Rights Issue,
- subject to the conditions as set out in the said announcement. It was also announced that Bursa Securities had stated that the Bonus Shares must be listed and quoted simultaneously with the Rights Shares.
- (vi) On 20 June 2014, we announced the Notice of Extraordinary General Meeting (“EGM”) to be held on 8 July 2014, to seek the approval of our shareholders for the Proposals. The Circular together with the Notice of EGM was issued to our shareholders on 23 June 2014.
- (vii) On 8 July 2014, we announced that the ordinary resolutions pertaining to the Proposals tabled at the EGM held on even date had been passed. The Proposed IASC and Proposed Amendment took effect upon the passing of the ordinary resolutions for the said Proposals.

As at 20 August 2014, the Proposed Bonus Issue and Proposed Rights Issue have yet to be completed.

20. BORROWINGS

The borrowings of the Group as at 30 June 2014 are as follows:

	As at 30.6.2014 RM'000
SHORT TERM DEBT	
Secured:	
Term loans	320,201
Unsecured:	
Revolving credit	482,631
Term loans	525,055
Total short term debt	1,327,887
LONG TERM DEBT	
Secured:	
Term loans	1,274,148
Unsecured:	
Bridging loan	223,825
Term loans	1,884,503
Total long term debt	3,382,476
Total borrowings	4,710,363
CURRENCY PROFILE	
United States Dollar	3,694,095
Ringgit Malaysia	1,016,268
	4,710,363

21. DERIVATIVE FINANCIAL INSTRUMENTS

Disclosure of derivatives

Details of derivative financial instruments outstanding as at 30 June 2014 are set out below:

Types of Derivative	Contract/ Notional Amount RM'000	Fair Value (Liabilities)/ Assets RM'000
Derivatives used for hedging:		
Interest rate swaps		
- Less than 1 year	228,832	(10,288)
- 1 to 3 years	732,989	(1,997)
- More than 3 years	470,788	1,573
	<u>1,432,609</u>	<u>(10,712)</u>
Cross currency interest rate swaps		
- Less than 1 year	6,391	342
- 1 to 3 years	55,391	(1,189)
- More than 3 years	49,000	(1,373)
	<u>110,782</u>	<u>(2,220)</u>

There have been no changes since the end of the previous financial year ended 31 December 2013 in respect of the following:

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

As at 30 June 2014, the Group recognised net derivative financial liabilities of RM12.9 million, a reduction of RM5.6 million from the previous financial year ended 31 December 2013, on remeasuring the fair values of the derivative financial instruments. The reduction of RM1.0 million was included in the cash flow hedging reserve attributable to the Group and the non-controlling interest while RM4.3 million was recorded as fair value gain from derivative financial instruments through the profit or loss.

The Group's cash flow hedging reserve of RM9.4 million as at 30 June 2014 represents the effective portion of the deferred fair value losses relating to the derivative financial instruments which qualified for hedge accounting. The gains and losses recognised in the cash flow hedging reserve will be released to the profit and loss within finance cost over the period of the underlying borrowings.

22. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value and amortised cost, the different levels have been identified as follows:

Level 1 - Quoted prices (unadjusted in active markets for identical assets or liabilities)

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as price) or indirectly (that is, derived from prices)

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

(a) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group approximated their fair values as at 30 June 2014 except as set out below, measured using Level 3 valuation technique:

	Carrying amount RM'000	Fair value RM'000
Fixed rate term loans	<u>54,076</u>	<u>55,913</u>

(b) Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value as at 30 June 2014, by valuation method.

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Financial asset:			
Available-for-sale financial asset	<u>43,408</u>	<u>-</u>	<u>43,408</u>
Financial liabilities:			
Derivatives used for hedging			
- Cross currency interest rate swaps	-	(2,220)	(2,220)
- Interest rate swaps	-	(10,712)	(10,712)
	<u>-</u>	<u>(10,712)</u>	<u>(10,712)</u>

22. FAIR VALUE HIERARCHY (CONTINUED)

(b) Financial instruments carried at fair value (continued)

The fair value of financial instrument traded in active market is based on quoted market price at the balance sheet date. This instrument is included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as estimated discounted cash flows are used to determine fair value for the derivative financial instruments. The fair value of cross currency interest rate swaps and interest rate swaps are calculated as the present value of the estimated future cash flows based on forward interest rates and exchange rate from observable yield curves.

No transfers between any levels of the fair value estimation took place during the current period and the comparative periods. There were also no changes in the purpose of any financial instruments that subsequently caused a change in classification of those instruments.

It was not practical to estimate the fair value of the Group's investment in unquoted preference shares included in the remaining available-for-sale financial assets due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured. Therefore, the investment is recorded at cost.

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 the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia 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 30.6.2014 RM'000
Total retained profits of the Company and its subsidiaries	
- realised	2,009,634
- unrealised	(26,123)
	1,983,511
Total share of retained profits from joint ventures	
- realised	144,520
- unrealised	(23,110)
	121,410
Total retained profits of the Group	2,104,921

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Individual Quarter Ended 30.6.2014 RM'000	Individual Quarter Ended 30.6.2013 RM'000	Cumulative Quarters Period Ended 30.6.2014 RM'000	Cumulative Quarters Period Ended 30.6.2013 RM'000
Profit before taxation is arrived at after charging/(crediting):				
(a) Other operating income				
- Interest income	(1,459)	(856)	(2,743)	(2,329)
- Gain on disposal of property, plant and equipment	-	-	(25)	-
- Gain on disposal of subsidiary	-	-	-	(9,358)
- Insurance claims	(2,058)	41	(8,240)	(1,116)
- Dividend income	(2,321)	(2,221)	(2,321)	(2,221)
- Allowance for doubtful debts written back	-	-	-	(1,976)
- Others	(1,670)	(1,021)	(3,235)	(2,787)
(b) Interest expense	21,261	24,665	43,552	52,558
(c) Depreciation and amortisation	114,201	99,740	229,370	196,321
(d) Allowance for and write off of doubtful debts	-	3,159	-	6,253
(e) Net foreign exchange loss/(gain)	2,037	(13,260)	3,112	(16,235)
(f) Gain on derivatives	(2,270)	(1,197)	(4,311)	(1,255)

Other than as presented in the statements of income and as disclosed above, there were no allowance for and write off of inventories, gain or loss on disposal of quoted and unquoted investments or properties, impairment of assets and other exceptional items for the current quarter and cumulative quarters ended 30 June 2014.

25. MATERIAL LITIGATION

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

26. DIVIDENDS

No dividend is declared or recommended for the current financial period ended 30 June 2014.

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 ESOS options) by the weighted average number of ordinary shares as adjusted for the basic earnings per share and includes all potential dilutive shares arising from the ESOS options granted by the reporting date, as if the options had been exercised on the first day of the financial period or the date of the grant, if later.

	Individual Quarter Ended		Cumulative Quarters Period Ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Profit attributable to Owners of the Company (RM'000)	98,379	111,965	163,157	221,635
Weighted average number of ordinary shares in issue for basic EPS ('000)	2,932,513	2,929,925	2,932,238	2,929,688
Adjusted for potential ordinary shares on conversion of options under ESOS ('000)	70	268	125	208
Adjusted weighted average number of ordinary shares for diluted EPS ('000)	2,932,583	2,930,193	2,932,363	2,929,896
Basic earnings per share (sen)	3.35	3.82	5.56	7.57
Diluted earnings per share (sen)	3.35	3.82	5.56	7.56

BY ORDER OF THE BOARD

NOOR HAMIZA BINTI ABD HAMID
(MAICSA 7051227)
Company Secretary

CHEW ANN NEE
(MAICSA 7030413)
Joint Company Secretary

Kuala Lumpur
20 August 2014