



BUMI ARMADA

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2016



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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

The Board of Directors of Bumi Armada Berhad (“Bumi Armada” or “the Company” or “the Group”) would like to announce the following unaudited condensed consolidated financial statements for the second quarter ended 30 June 2016 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2015 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	
		30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Revenue		402,869	459,077	833,637	1,031,228
Cost of sales		(358,920)	(361,515)	(744,148)	(745,829)
Gross profit		43,949	97,562	89,489	285,399
Other operating income		4,221	36,608	10,497	56,300
Selling and distribution costs		(5,031)	(11,142)	(9,097)	(19,468)
Administrative expenses		(34,046)	(13,227)	(23,709)	(67,940)
Operating profit before impairment		9,093	109,801	67,180	254,291
Impairment		(575,451)	(363,177)	(593,349)	(365,317)
Operating loss		(566,358)	(253,376)	(526,169)	(111,026)
Finance costs		(12,274)	(37,138)	(34,600)	(75,379)
Share of results of joint ventures		52,982	16,190	91,056	17,286
Loss before taxation		(525,650)	(274,324)	(469,713)	(169,119)
Taxation	18	9,450	(24,609)	(25,322)	(56,769)
Loss for the financial period		(516,200)	(298,933)	(495,035)	(225,888)
Attributable to:					
- Owners of the Company		(518,324)	(291,532)	(494,894)	(219,484)
- Non-controlling interests		2,124	(7,401)	(141)	(6,404)
		(516,200)	(298,933)	(495,035)	(225,888)
Earnings per share (sen)	27				
- Basic		(8.84)	(4.97)	(8.44)	(3.74)
- Diluted		(8.84)	(4.97)	(8.44)	(3.74)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Period Ended	
		30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Loss for the financial period		(516,200)	(298,933)	(495,035)	(225,888)
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss					
- Available-for-sale financial assets:					
- (Loss)/gain on fair value change		(31)	-	359	-
- Fair value (loss)/gain on cash flow hedges		(61,886)	15,386	(58,230)	(38,251)
- Foreign currency translation differences		207,410	93,260	(438,637)	372,852
- Share of other comprehensive (loss)/gain of joint ventures		(263)	417	(1,325)	(169)
Other comprehensive income/(expense) for the financial period, net of tax		145,230	109,063	(497,833)	334,432
Total comprehensive (expense)/income for the financial period		(370,970)	(189,870)	(992,868)	108,544
Total comprehensive (expense)/income attributable to:					
- Owners of the Company		(373,043)	(183,152)	(984,971)	111,162
- Non-controlling interests		2,073	(6,718)	(7,897)	(2,618)
		(370,970)	(189,870)	(992,868)	108,544

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	14,487,126	14,143,868
Investments in joint ventures		549,920	535,842
Available-for-sale financial assets		18,412	20,240
Accrued lease rentals		-	117,605
Deferred tax assets		23,571	35,799
Amounts due from joint ventures		59,643	62,656
		15,138,672	14,916,010
CURRENT ASSETS			
Inventories		5,247	6,051
Amounts due from customers on contract		183,457	154,984
Trade receivables		434,750	513,349
Accrued lease rentals		503,380	572,922
Other receivables, deposits and prepayments		190,705	165,324
Tax recoverable		4,304	10,894
Amounts due from joint ventures		196,893	201,687
Deposits, cash and bank balances		2,167,907	1,525,718
		3,686,643	3,150,929
Non-current assets classified as held-for-sale		10,871	5,700
TOTAL ASSETS		18,836,186	18,072,639

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
LESS: CURRENT LIABILITIES			
Trade payables and accruals		1,036,139	1,298,857
Other payables and accruals		435,468	179,327
Dividend payable		48,103	-
Amounts due to joint ventures		33,698	25,189
Hire purchase creditors		66	-
Borrowings	20	1,539,398	1,770,171
Derivative financial instruments	21	25,886	22,941
Taxation		53,135	72,831
		3,171,893	3,369,316
NET CURRENT ASSETS/(LIABILITIES)		525,621	(212,687)
LESS: NON-CURRENT LIABILITIES			
Advances from customers		479,164	456,820
Hire purchase creditors		353	-
Borrowings	20	8,341,692	6,259,383
Derivative financial instruments	21	581,117	654,769
Deferred tax liabilities		5,909	36,579
		9,408,235	7,407,551
NET ASSETS		6,256,058	7,295,772
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		1,173,253	1,173,253
Reserves		5,052,388	6,084,205
		6,225,641	7,257,458
NON-CONTROLLING INTERESTS		30,417	38,314
TOTAL EQUITY		6,256,058	7,295,772
NET ASSETS PER SHARE (RM)		1.07*	1.24

* Based on 5,866,269,344 ordinary shares in issue at RM0.20 par value as at 30 June 2016.

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		
2016											
At 1 January 2016	5,866,269	1,173,253	3,137,730	1,383,557	6,562	44,817	(227,314)	1,738,853	7,257,458	38,314	7,295,772
Loss for the financial period	-	-	-	-	-	-	-	(494,894)	(494,894)	(141)	(495,035)
Other comprehensive (expense)/income for the financial period, net of tax	-	-	-	(432,336)	359	-	(58,100)	-	(490,077)	(7,756)	(497,833)
Total comprehensive (expense)/income for the financial period, net of tax	-	-	-	(432,336)	359	-	(58,100)	(494,894)	(984,971)	(7,897)	(992,868)
Transactions with owners:											
- Employee share options granted	-	-	-	-	-	1,257	-	-	1,257	-	1,257
- Employee share options forfeited	-	-	-	-	-	(1,303)	-	1,303	-	-	-
- Dividend payable	-	-	-	-	-	-	-	(48,103)	(48,103)	-	(48,103)
At 30 June 2016	5,866,269	1,173,253	3,137,730	951,221	6,921	44,771	(285,414)	1,197,159	6,225,641	30,417	6,256,058

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 reserves RM'000	Share option reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000		
<u>2015</u>											
At 1 January 2015	5,866,269	1,173,253	3,137,730	352,580	6,562	44,862	(94,939)	2,065,151	6,685,199	32,326	6,717,525
Loss for the financial period	-	-	-	-	-	-	-	(219,484)	(219,484)	(6,404)	(225,888)
Other comprehensive income/(expense) for the financial period, net of tax	-	-	-	368,911	-	-	(38,265)	-	330,646	3,786	334,432
Total comprehensive income/(expense) for the financial period, net of tax	-	-	-	368,911	-	-	(38,265)	(219,484)	111,162	(2,618)	108,544
Transactions with owners:											
- Employee share options granted	-	-	-	-	-	1,336	-	-	1,336	-	1,336
- Employee share options forfeited	-	-	-	-	-	(3,199)	-	3,199	-	-	-
At 30 June 2015	5,866,269	1,173,253	3,137,730	721,491	6,562	42,999	(133,204)	1,848,866	6,797,697	29,708	6,827,405

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period Ended 30.06.2016 RM'000	Period Ended 30.06.2015 RM'000
OPERATING ACTIVITIES		
Loss for the financial period	(495,035)	(225,888)
Adjustments for non-cash items:		
Share of results of joint ventures	(91,056)	(17,286)
Depreciation of property, plant and equipment	291,927	284,914
Fair value through profit and loss on derivative financial instruments	(9,162)	4,561
Gain on disposal of a subsidiary	-	(17,645)
Net allowance for doubtful debts written back	(3,700)	(15,306)
Unrealised foreign exchange gain	(1,188)	(18,693)
Share-based payment	1,257	1,336
Write off of property, plant and equipment	-	1,928
Impairment		
- property, plant and equipment and non-current assets held for sale	592,401	353,809
- available-for-sale financial assets	948	8,817
- investment in a joint venture	-	2,691
Interest income	(5,562)	(30,229)
Interest expense	33,363	74,727
Dividend income	-	(1,841)
Taxation	25,322	56,769
Operating profit before changes in working capital	339,515	462,664
Changes in working capital:		
Inventories	463	(2,221)
Trade and other receivables	286,523	274,221
Trade and other payables	363,223	(170,176)
Cash from operations	989,724	564,488
Interest paid	(173,372)	(113,809)
Tax paid	(40,420)	(67,764)
Tax refund	2,056	158
Dividend received from a joint venture	21,380	-
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	799,368	383,073

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Period Ended 30.06.2016 RM'000	Period Ended 30.06.2015 RM'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,328,282)	(1,746,911)
Investments in joint ventures	-	(40,504)
Interest received	6,225	35,244
Dividend received from investments	2,003	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(2,320,054)	(1,752,171)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	3,061,642	848,993
Repayment of bank borrowings	(835,152)	(748,336)
Proceeds from hire purchase creditors	441	-
Repayment of hire purchase creditors	(22)	(89)
Decrease in deposit pledged as security	-	600
NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	2,226,909	101,168
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	706,223	(1,267,930)
CURRENCY TRANSLATION DIFFERENCES	(64,034)	113,542
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	1,524,818	3,301,747
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	2,167,007	2,147,359
Cash and cash equivalents consist of:		
Deposits with licensed banks	1,756,316	1,678,538
Cash and bank balances	411,591	469,721
Less: Designated deposits placed with licensed banks	(900)	(900)
	2,167,007	2,147,359

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

1. BASIS OF PREPARATION

The unaudited condensed consolidated 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 condensed consolidated financial statements should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2015 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 2015. 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 2015, other than those disclosed below:

(a) Amendments and annual improvements to MFRS which are applicable to the Group effective on or after 1 January 2016:

- Annual Improvements to MFRSs 2012 - 2014 cycle
- Amendments to MFRS 10 “Consolidated Financial Statements” and MFRS 128 “Investment in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 127 “Separate Financial Statements” - Equity Method in Separate Financial Statements
- Amendments to MFRS 116 “Property, Plant and Equipment” and MFRS 138 “Intangibles Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 101 “Presentation of Financial Statements” – Disclosure Initiative

The adoption of the above amendments and annual improvements to MFRS did not have any significant impact on the financial statements of the Group.

(b) Amendments to MFRS which are applicable to the Group effective on or after 1 January 2017:

- Amendments to MFRS 107 “Statement of Cash Flows” – Disclosure Initiative
- Amendments to MFRS 112 “Income Taxes” – Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above amendments are not anticipated to have any significant impact on the financial statements of the Group upon initial application.

(c) New MFRS which are applicable to the Group effective on or after 1 January 2018:

- MFRS 9 “Financial Instruments”
- MFRS 15 “Revenue from Contracts with Customers”

The adoption of the above MFRS may result in a change in accounting policy. The Group will quantify the effect of adopting these standards when the full standard is effective.

(d) New MFRS which is applicable to the Group effective on or after 1 January 2019:

- MFRS 16 “Leases”

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

2. MANAGEMENT COMMENTARY

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

Financial Indicators	YTD 30.06.2016 RM'000	YTD 30.06.2015 RM'000 Restated	Change RM'000
Segment revenue			
FPSO & FGS ⁽¹⁾	372,227	562,210	(189,983)
OMS ⁽¹⁾	461,410	469,018	(7,608)
Total revenue	833,637	1,031,228	(197,591)
EBITDA ⁽²⁾	450,163	556,491	(106,328)
EBITDA margin	54%	54%	0%
Loss for the financial period	(495,035)	(225,888)	(269,147)
Depreciation	291,927	284,914	7,013
Impairment	593,349	365,317	228,032

The Group posted revenue of RM833.6 million for the financial period up to 30 June 2016 (“YTD 2016”), a decrease of 19% compared to the financial period up to 30 June 2015 (“YTD 2015”). The decrease was mainly attributed to reduced contribution from Armada Claire, Armada Perdana and Armada Perkasa, lower conversion activities for the Kraken FPSO project, and the decrease in overall utilisation of OSV vessels from 62% in YTD 2015 to 50% in YTD 2016.

The Group posted EBITDA of RM450.2 million for YTD 2016, a decrease of RM106.3 million compared to YTD 2015. The lower EBITDA was due to reduced contributions across all segments and a one-off gain on deemed disposal of a subsidiary in YTD 2015 of RM17.6 million. This was partly offset by increased earnings from joint ventures this year from the operations of Armada Sterling and Armada Sterling II and lower retrenchment costs of RM17.9 million.

With reference to Note 10, the segment results from FPSO & FGS segment decreased to RM55.4 million in YTD 2016 as compared to RM183.7 million in YTD 2015 due mainly to lower contribution from Armada Claire and Armada Perdana as well as lower conversion activities from the Kraken FPSO project. Segment results from OMS segment decreased to RM1.3 million in YTD 2016 as compared to RM11.6 million in YTD 2015 due mainly to lower OSV vessel utilisation and lower O&M ⁽³⁾ activity from Armada Installer in the Caspian Sea which was offset by higher contribution from the LukOil project.

The Group made a non-cash impairment charge of RM592.4 million during YTD 2016 for FPSO and OMS multipurpose construction vessels (refer to Note 2(C)) and a non-cash impairment for available-for-sale financial assets of RM0.9 million. After taking into account these impairment charges, the Group posted a loss of RM495.0 million. Excluding the impairment charge, the Group would have posted a profit of RM98.3 million for YTD 2016 (Note: For YTD 2016, the Group posted a loss attributable to the Owners of the Company of RM494.9 million after taking into account the impairment charge, and a profit attributable to the Owners of the Company of RM98.4 million before taking into account the impairment charge).

Notes:

- ⁽¹⁾ FPSO - Floating Production Storage Offloading system, FGS - Floating Gas Solutions and OMS - Offshore Marine Services (previously separately known as OSV - Offshore Support Vessel and T&I - Transport and Installation). These acronyms are also used hereinafter.
- ⁽²⁾ Defined as profit before finance costs, taxation, depreciation, amortisation and impairment.
- ⁽³⁾ O&M – Operation & Maintenance Services

2. MANAGEMENT COMMENTARY (CONTINUED)

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

Financial Indicators	2nd Quarter 2016 RM'000	1st Quarter 2016 RM'000	Change RM'000
Segment revenue			
FPSO & FGS	155,657	216,570	(60,913)
OMS	247,212	214,198	33,014
Total revenue	402,869	430,768	(27,899)
EBITDA	198,711	251,452	(52,741)
EBITDA margin	49%	58%	(9%)
(Loss)/profit for the financial period	(516,200)	21,165	(537,365)
Depreciation	136,636	155,291	(18,655)
Impairment	575,451	17,898	557,553

The Group posted revenue of RM402.9 million for the quarter ended 30 June 2016 (“Q2 2016”), a decrease of 6% compared to the quarter ended 31 March 2016 (“Q1 2016”). The decrease was attributed mainly to the following factors:

- (a) Lower FPSO & FGS revenue due mainly to lower contribution from Armada Claire and Armada Perkasa, and lower conversion activities from the Eni 1506 FPSO project; and
- (b) The increase in OMS revenue was due to higher contribution from the LukOil project in the Caspian Sea and higher OSV vessel utilisation. This was offset by a decrease in contribution from Armada Installer on O&M activities.

OSV vessel average utilisation rates for the quarter ended	2nd Quarter 2016 %	1st Quarter 2016 %	Change in %
Group's vessels	55	45	10
- Class A ⁽⁴⁾	53	42	11
- Class B ⁽⁵⁾	58	49	9
Group's vessels including those held by joint ventures	56	46	10

The Group posted an EBITDA of RM198.7 million for Q2 2016, a decrease of RM52.7 million compared to Q1 2016. The decrease in EBITDA was due mainly to lower contributions across all segments and lower share of results of joint ventures from the conversion activities of Karapan Armada Sterling III and retrenchment cost due to termination of Claire contract of RM4.0 million.

Segment results from FPSO & FGS segment decreased to RM20.1 million in Q2 2016 as compared to RM35.3 million in Q1 2016. This was due mainly to lower contribution from Armada Perkasa, lower conversion activities from the Eni 1506 FPSO project and the Armada LNG Mediterrana floating storage unit project. Segment results from OMS segment have also decreased to a loss of RM15.2 million as compared to a profit of RM16.5 million in Q1 2016 due mainly to lower contribution from Armada Installer O&M activities which was partly offset by higher contribution from the LukOil project in the Caspian Sea.

During Q2 2016, the Group made a non-cash impairment charge of RM574.6 million for FPSO and OMS multipurpose construction vessels (refer to Note 2(C)) and RM0.9 million for available-for-sale financial assets. After taking into account these impairment charges, the Group posted a loss of RM516.2 million. Excluding the impairment charge, the Group would have posted a profit of RM59.3 million for Q2 2016 (Note: For Q2 2016, the Group posted a loss attributable to the Owners of the Company of RM518.3 million after taking into account the impairment charge, and a profit attributable to the Owners of the Company of RM57.2 million before taking into account the impairment charge).

Notes:

- ⁽⁴⁾ Class A represents vessels which are less than 12 years old or more than 8000 brake horse power and accommodation work barges which are more than 200 pax in capacity.
- ⁽⁵⁾ Class B represents vessels which are more than 12 years old or less than 8000 brake horse power and accommodation work barges which are less than 200 pax in capacity.

2. MANAGEMENT COMMENTARY (CONTINUED)

(C) Critical accounting estimates and judgements

The Group performed an assessment during the quarter on the recoverable amount of certain vessels to determine whether the carrying value of these vessels are recoverable. The review was carried out in accordance with MFRS 136 “Impairment of Assets”. In such evaluation, the estimated recoverable amount is determined based on the higher of an asset’s value-in-use (“VIU”) or fair value less costs to sell (“FV”). The recoverable amount was compared to the carrying value of each asset with identified impairment triggers. If the recoverable amount is lower, the carrying value of the asset is reduced to its estimated recoverable amount and the difference is regarded as an impairment loss. The Group considered each vessel within a segment as a cash-generating unit (“CGU”), however, they are grouped together for disclosure purposes.

VIU is the present value of the future cash flows expected to be derived from the CGU. The FV represents an estimate of the amount received in the event the vessel is sold on a willing buyer and willing seller basis (considered as Level 3 in the fair value hierarchy as defined in Note 22).

The recoverable amount of each vessel is based on estimates and judgement with respect to key assumptions such as utilisation rates, daily charter rates and the discount rate, amongst others. Several of the Group’s contracts are long-term in nature and there can be no certainty that the continuity of these contracts will not be materially affected by conditions such as a deterioration in the oil and gas market or a specific client’s financial condition. Should the actual conditions be different to those in our assumptions, there may be an adverse effect on the recoverable amount of our non-financial assets or non-current assets held for sale.

The Group has reviewed the carrying value of some vessels during the financial period YTD 2016 and has made an impairment charge of RM592.4 million for FPSO and OMS multipurpose construction vessels. The recoverable amount for these vessels of which an impairment charge was made during the financial period YTD 2016 was RM487.5 million, comprising RM473.0 million in the FPSO segment and RM14.5 million in the OMS segment.

3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2016

The offshore oil and gas sector remains challenging with the continuing uncertainty on the short to medium-term outlook for global energy supply and demand. Oil companies continue to focus on reducing capital expenditure, and continue to postpone new offshore exploration and development activity as well as defer decision making and awards of new projects. The delay in new activity in the offshore segment will continue to have a negative impact on the demand for the assets and services of the Group. In the meantime, the Group will continue to pursue new opportunities that would meet the internal criteria for balanced risk and returns, while it remains focused on improving efficiency and productivity in our current structure.

4. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS

There was no qualification to the audited financial statements for the preceding financial year ended 31 December 2015.

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 2016.

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 consolidated 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.

9. DIVIDENDS PAID

There were no dividends paid in the current financial period ended 30 June 2016.

10. SEGMENTAL INFORMATION

The Group is organised into 2 core business segments based on the type of activities 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 2016 and 30 June 2015 are as follows:

Individual Quarter Ended 30.06.2016	FPSO & FGS RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	155,657	247,212	-	-	402,869
Inter-segment revenue	-	-	47,207	(47,207)	-
Results					
Segment results	20,087	(15,215)	947	(947)	4,872
Impairment	(570,085)	(4,418)	(948)	-	(575,451)
Share of results of joint ventures	52,693	289	-	-	52,982
Other operating income					4,221
Finance costs					(12,274)
Taxation					9,450
Loss for the financial period					(516,200)

Individual Quarter Ended 30.06.2015	FPSO & FGS RM'000	OMS RM'000 Restated	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	271,130	187,947	-	-	459,077
Inter-segment revenue	-	-	41,969	(41,969)	-
Results					
Segment results	99,533	(29,031)	6,110	(3,419)	73,193
Impairment	-	(353,809)	(9,368)	-	(363,177)
Share of results of joint ventures	17,394	(1,204)	-	-	16,190
Other operating income					36,608
Finance costs					(37,138)
Taxation					(24,609)
Loss for the financial period					(298,933)

10. SEGMENTAL INFORMATION (CONTINUED)

The Group is organised into 2 core business segments based on the type of activities 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 2016 and 30 June 2015 are as follows:

Cumulative Quarters Period Ended 30.06.2016	FPSO & FGS RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	372,227	461,410	-	-	833,637
Inter-segment revenue	-	-	126,047	(126,047)	-
Results					
Segment results	55,431	1,252	14,272	(14,272)	56,683
Impairment	(570,085)	(22,316)	(948)	-	(593,349)
Share of results of joint ventures	90,582	474	-	-	91,056
Other operating income					10,497
Finance costs					(34,600)
Taxation					(25,322)
Loss for the financial period					(495,035)

Cumulative Quarters Period Ended 30.06.2015	FPSO & FGS RM'000	OMS RM'000 Restated	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	562,210	469,018	-	-	1,031,228
Inter-segment revenue	-	-	83,868	(83,868)	-
Results					
Segment results	183,717	11,583	7,795	(5,104)	197,991
Impairment	-	(353,809)	(11,508)	-	(365,317)
Share of results of joint ventures	17,204	82	-	-	17,286
Other operating income					56,300
Finance costs					(75,379)
Taxation					(56,769)
Loss for the financial period					(225,888)

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 2016, 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

No material event has arisen in the interval between the end of this reporting period and the date of this report.

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

The Group's contingent liabilities comprising bank guarantees extended to third parties amounted to RM1,045.7 million as at 30 June 2016 as compared to RM1,134.7 million as at 31 December 2015. There are no material contingent assets to be disclosed.

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 2016 are as follows:

	RM'000
- authorised and contracted	1,541,413
- authorised but not contracted	1,400,708
	<hr/>
	2,942,121
	<hr/> <hr/>

16. SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Cumulative Quarters Period Ended 30.06.2016 RM'000
(a) Transactions with UTSB Management Sdn Bhd ⁽¹⁾ : - management fees	6,796
(b) Telecommunication expenses to - Maxis Berhad ⁽²⁾ - Maxis Broadband Sdn Bhd ⁽²⁾	481 54
(c) Rental to Malaysian Landed Property Sdn Bhd ⁽³⁾	4,035
(d) Management and engineering assistance services charged to a joint venture	52,097
(e) Key management personnel compensation: - non-executive directors' fees - salaries, bonus and allowances and other staff related costs - defined contribution plan - share-based payment	3,939 1,844 790 809
(f) Payment on behalf: - joint ventures	4,089

Usaha Tegas Sdn Bhd ("UTSB") is a party related to the Company by virtue of its substantial equity 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.

Notes:

⁽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	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Income tax:				
- Current year	3,071	36,600	37,714	60,056
- Prior year	-	1,143	-	1,143
Deferred tax	(12,521)	(13,134)	(12,392)	(4,430)
Total	(9,450)	24,609	25,322	56,769

The Group's effective tax rates for the individual and cumulative quarters ended 30 June 2016 were 1.8% and negative 5.4% respectively. The difference in the effective tax rate and the Malaysian statutory tax rate is due to income of foreign subsidiaries which are subject to different statutory tax rates, expenses not deductible for tax purposes, exempt income which are not taxable and withholding taxes deducted at source.

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:

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.

20. BORROWINGS

The borrowings of the Group as at 30 June 2016 are as set out below:

	As at 30.06.2016 RM'000
SHORT TERM DEBT	
Secured:	
Term loans	323,624
Unsecured:	
Sukuk Murabahah	30,655
Revolving credit	1,009,179
Term loans	175,940
Total short term debt	1,539,398
LONG TERM DEBT	
Secured:	
Term loans	4,638,286
Unsecured:	
Sukuk Murabahah	1,499,006
Term loans	2,204,400
Total long term debt	8,341,692
Total borrowings	9,881,090
CURRENCY PROFILE	
United States Dollar	7,920,605
Ringgit Malaysia	1,960,485
	9,881,090

21. DERIVATIVE FINANCIAL INSTRUMENTS

Disclosure of derivatives

Details of derivative financial instruments outstanding as at 30 June 2016 are as set out below:

Types of Derivative	Contract/ Notional amount RM'000	Fair value liabilities RM'000
Derivatives used for hedging:		
Interest rate swaps		
- Less than 1 year	358,491	(13,813)
- 1 to 3 years	680,592	(15,971)
- More than 3 years	1,081,362	(2,580)
	<u>2,120,445</u>	<u>(32,364)</u>
Cross currency interest rate swaps		
- Less than 1 year	27,696	(12,073)
- 1 to 3 years	27,696	(26,186)
- More than 3 years	1,500,000	(536,380)
	<u>1,555,392</u>	<u>(574,639)</u>

There have been no changes since the end of the previous financial year ended 31 December 2015 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;
- the policies in place for mitigating or controlling the risks associated with the derivatives; and
- the related accounting policies.

As at 30 June 2016, the Group recognised derivative financial liabilities of RM607.0 million (2015: RM677.7 million) on re-measuring the fair values of the derivative financial instruments. Of the decrease of RM70.7 million from the previous financial year ended 31 December 2015, an amount of RM61.4 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interests, of which RM119.5 million was recycled to the profit or loss while the total gain on derivatives charged to profit or loss was RM9.2 million as disclosed in the Note 24 (j).

The Group's cash flow hedging reserve of RM285.4 million as at 30 June 2016 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 or 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 2016 except as set out below, measured using Level 3 valuation technique:

	Carrying amount RM'000	Fair value RM'000
Sukuk Murabahah	<u>1,529,661</u>	<u>1,487,217</u>

(b) Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value as at 30 June 2016, by valuation method.

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Financial asset:			
Available-for-sale financial asset	<u>18,412</u>	<u>-</u>	<u>18,412</u>
Financial liabilities:			
Derivatives used for hedging			
- Interest rate swaps	-	(32,364)	(32,364)
- Cross currency interest rate swaps	-	(574,639)	(574,639)

The fair value of financial instruments traded in an active market is based on quoted market price at the statement of financial position 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. These valuation techniques are used to determine the fair value of 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 rates from observable yield curves.

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

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 the Main Market Listing Requirements of Bursa Securities, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by Bursa Securities.

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

	As at
	30.06.2016
	RM'000
Total retained earnings of the Company and its subsidiaries	
- realised	958,851
- unrealised	12,825
	<u>971,676</u>
Total share of retained earnings from joint ventures	
- realised	258,012
- unrealised	(32,529)
	<u>225,483</u>
Total retained earnings of the Group	<u><u>1,197,159</u></u>

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Individual Quarter Ended 30.06.2016 RM'000	Individual Quarter Ended 30.06.2015 RM'000	Cumulative Quarters Period Ended 30.06.2016 RM'000	Cumulative Quarters Period Ended 30.06.2015 RM'000
Loss before taxation is arrived at after charging/(crediting):				
(a) Other operating income				
- Interest income	(2,208)	(13,886)	(5,562)	(30,229)
- Gain on disposal of a subsidiary	-	(17,645)	-	(17,645)
- Insurance claims	-	(584)	(100)	(1,710)
- Dividend income	-	(1,841)	-	(1,841)
- Others	(2,013)	(2,652)	(4,835)	(4,875)
(b) Interest expense	12,000	37,679	33,363	74,727
(c) Depreciation and amortisation	136,636	143,528	291,927	284,914
(d) Allowance for doubtful debts /(allowance for doubtful debts written back)	137	-	(3,700)	(15,306)
(e) Impairment for property, plant and equipment and non-current assets held for sale	574,503	353,809	592,401	353,809
(f) Impairment for available-for-sale financial assets	948	6,677	948	8,817
(g) Impairment for investment in a joint venture	-	2,691	-	2,691
(h) Write off of property, plant and equipment	-	1,928	-	1,928
(i) Net foreign exchange loss/(gain):				
- realised	14,037	1,805	14,172	(1,288)
- unrealised	(7,268)	75,675	(1,188)	(18,693)
(j) Fair value through profit and loss on derivative financial instruments	(2,599)	(92,986)	(9,162)	4,561
(k) Retrenchment expenses	3,997	1,318	3,997	21,891

Other than as presented in the statements of income and as disclosed above, there was no allowance for and write-off of inventories, gain or loss on disposal of quoted or unquoted investments or properties and other exceptional items for the current quarter ended 30 June 2016.

25. MATERIAL LITIGATION

Save for the following, as at 30 June 2016, neither our Company nor any of our subsidiaries was involved in any material litigation, claims or arbitration, and our Company and our subsidiaries are not aware of any material litigation, claims or arbitration pending or threatened against our Company and our subsidiaries:

In the Supreme Court of Western Australia CIV 1408 of 2016 between Armada Balnaves Pte Ltd (ARBN 158 694 949) and Woodside Energy Julimar Pty Ltd (ACN 130 391 365)

The matter arose out of a dispute between Armada Balnaves Pte Ltd (“ABPL”) and Woodside Energy Julimar Pty Ltd (“WEJ”) in relation to a contract dated 30 September 2011 for the Armada Claire FPSO (“Contract”). On 4 March 2016, WEJ purported to terminate the Contract by issuing a purported notice of termination to ABPL. ABPL considered that this purported notice of termination by WEJ was tantamount to a cancellation for convenience, or a repudiation of the Contract, either of which entitles ABPL to claim damages.

On 14 March 2016, ABPL filed a Writ of Summons in the Supreme Court of Western Australia against WEJ for inter alia (i) a declaration that WEJ was in repudiatory breach of the Contract and (ii) damages for WEJ’s breach of the Contract.

Subsequently on 20 April 2016, ABPL filed and served a Statement of Claim in the Supreme Court of Western Australia against WEJ claiming for damages in general for such repudiation, and the amount of such damages has been quantified by ABPL to include the sum of USD275,813,698.63 (being the amount of the termination payment to which ABPL is entitled had the Contract been terminated without breach) plus any additional damages for loss of bargain caused to ABPL as a consequence of WEJ’s repudiation of the Contract. An additional sum of USD7,700,000.00 was sought for work done and materials supplied pursuant to the Contract. WEJ had, on 2 June 2016, filed its defence to ABPL’s Statement of Claim.

26. DIVIDENDS

No dividend was declared or recommended for the current financial period ended 30 June 2016.

27. EARNINGS PER SHARE

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

The diluted EPS is calculated by dividing the Group’s profit/(loss) for the financial period attributable to Owners of the Company (adjusted for interest income, net of tax, earned on the proceeds arising from the conversion of the Employee Share Option Scheme (“ESOS”) options) by the weighted average number of ordinary shares as adjusted for the basic EPS 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 year or the date of the grant, if later.

	Individual Quarter Ended		Cumulative Quarters Period Ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Loss attributable to Owners of the Company (RM’000)	(518,324)	(291,532)	(494,894)	(219,484)
Weighted average/adjusted weighted average number of ordinary shares in issue for basic EPS (’000)	5,866,269	5,866,269	5,866,269	5,866,269
Basic EPS (sen)	(8.84)	(4.97)	(8.44)	(3.74)
Diluted EPS (sen)	(8.84)	(4.97)	(8.44)	(3.74)

28. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with current quarter's presentation, which more appropriately reflects the nature of relevant transactions.

	As previously reported 30.06.2015 RM'000	Effect of reclassification RM'000	As restated 30.06.2015 RM'000
<u>Segmental Information</u>			
<u>Individual Quarter Ended 30.06.2015</u>			
<u>Revenue</u>			
OMS	-	187,947	187,947
OSV	125,894	(125,894)	-
T&I	62,053	(62,053)	-
<u>Segment results</u>			
OMS	-	(29,031)	(29,031)
OSV	(22,634)	22,634	-
T&I	(6,397)	6,397	-
<u>Impairment</u>			
OMS	-	(353,809)	(353,809)
OSV	(249,092)	249,092	-
T&I	(104,717)	104,717	-
<u>Cumulative Quarters Period Ended 30.06.2015</u>			
<u>Revenue</u>			
OMS	-	469,018	469,018
OSV	290,414	(290,414)	-
T&I	178,604	(178,604)	-
<u>Segment results</u>			
OMS	-	11,583	11,583
OSV	(22,337)	22,337	-
T&I	33,920	(33,920)	-
<u>Impairment</u>			
OMS	-	(353,809)	(353,809)
OSV	(249,092)	249,092	-
T&I	(104,717)	104,717	-

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

BY ORDER OF THE BOARD

NOREEN MELINI BINTI MUZAMLI (LS 0008290)
NOOR HAMIZA BINTI ABD HAMID (MAICSA 7051227)
Joint Company Secretaries

Kuala Lumpur
26 August 2016