



BUMIARMADA

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

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 third quarter ended 30 September 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	
		30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Revenue		377,506	559,464	1,211,143	1,590,692
Cost of sales		(408,644)	(461,719)	(1,152,792)	(1,207,548)
Gross (loss)/profit		(31,138)	97,745	58,351	383,144
Other operating income		13,866	19,394	24,363	75,694
Selling and distribution costs		(8,426)	(1,965)	(17,523)	(21,433)
Administrative expenses		(42,141)	(1,329)	(65,850)	(69,269)
Operating (loss)/profit before impairment		(67,839)	113,845	(659)	368,136
Impairment		(4,218)	(12,221)	(597,567)	(377,538)
Operating (loss)/profit		(72,057)	101,624	(598,226)	(9,402)
Finance costs		(31,791)	(25,788)	(66,391)	(101,167)
Share of results of joint ventures		20,826	25,902	111,882	43,188
(Loss)/profit before taxation		(83,022)	101,738	(552,735)	(67,381)
Taxation	18	(20,511)	(30,763)	(45,833)	(87,532)
(Loss)/profit for the financial period		(103,533)	70,975	(598,568)	(154,913)
Attributable to:					
- Owners of the Company		(96,712)	69,998	(591,606)	(149,486)
- Non-controlling interests		(6,821)	977	(6,962)	(5,427)
		(103,533)	70,975	(598,568)	(154,913)
Earnings per share (sen)	27				
- Basic		(1.65)	1.19	(10.08)	(2.55)
- Diluted		(1.65)	1.19	(10.08)	(2.55)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Period Ended	
		30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
(Loss)/profit for the financial period		(103,533)	70,975	(598,568)	(154,913)
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit or loss					
- Available-for-sale financial assets:					
- (Loss)/gain on fair value change		(198)	-	161	-
- Fair value gain/(loss) on cash flow hedges		8,675	(158,912)	(49,555)	(197,163)
- Foreign currency translation differences		164,134	845,428	(274,503)	1,218,280
- Share of other comprehensive gain/(loss) of joint ventures		641	(1,064)	(684)	(1,233)
Other comprehensive income/(expense) for the financial period, net of tax		173,252	685,452	(324,581)	1,019,884
Total comprehensive income/(expense) for the financial period		69,719	756,427	(923,149)	864,971
Total comprehensive income/(expense) attributable to:					
- Owners of the Company		70,481	747,058	(914,490)	858,220
- Non-controlling interests		(762)	9,369	(8,659)	6,751
		69,719	756,427	(923,149)	864,971

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 30.09.2016 RM'000	As at 31.12.2015 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	15,628,770	14,143,868
Investments in joint ventures		586,494	535,842
Available-for-sale financial assets		14,458	20,240
Accrued lease rentals		-	117,605
Deferred tax assets		23,805	35,799
Amounts due from joint ventures		62,198	62,656
		16,315,725	14,916,010
CURRENT ASSETS			
Inventories		4,098	6,051
Amounts due from customers on contract		151,332	154,984
Trade receivables		366,903	513,349
Accrued lease rentals		493,939	572,922
Other receivables, deposits and prepayments		189,717	165,324
Tax recoverable		4,372	10,894
Amounts due from joint ventures		249,387	201,687
Deposits, cash and bank balances		2,399,124	1,525,718
		3,858,872	3,150,929
Non-current assets classified as held-for-sale		8,516	5,700
TOTAL ASSETS		20,183,113	18,072,639

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	As at 30.09.2016 RM'000	As at 31.12.2015 RM'000
LESS: CURRENT LIABILITIES			
Trade payables and accruals		1,035,866	1,298,857
Other payables and accruals		508,061	179,327
Amounts due to joint ventures		34,393	25,189
Hire purchase creditors		44	-
Borrowings	20	1,698,732	1,770,171
Derivative financial instruments	21	26,113	22,941
Taxation		63,025	72,831
		3,366,234	3,369,316
NET CURRENT ASSETS/(LIABILITIES)		501,154	(212,687)
LESS: NON-CURRENT LIABILITIES			
Advances from customers		444,618	456,820
Hire purchase creditors		353	-
Borrowings	20	9,416,030	6,259,383
Derivative financial instruments	21	623,143	654,769
Deferred tax liabilities		6,478	36,579
		10,490,622	7,407,551
NET ASSETS		6,326,257	7,295,772
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		1,173,253	1,173,253
Reserves		5,123,349	6,084,205
		6,296,602	7,257,458
NON-CONTROLLING INTERESTS		29,655	38,314
TOTAL EQUITY		6,326,257	7,295,772
NET ASSETS PER SHARE (RM)		1.08*	1.24

* Based on 5,866,269,344 ordinary shares in issue at RM0.20 par value as at 30 September 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		
<u>2016</u>											
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	-	-	-	-	-	-	-	(591,606)	(591,606)	(6,962)	(598,568)
Other comprehensive (expense)/income for the financial period, net of tax	-	-	-	(273,475)	161	-	(49,570)	-	(322,884)	(1,697)	(324,581)
Total comprehensive (expense)/income for the financial period, net of tax	-	-	-	(273,475)	161	-	(49,570)	(591,606)	(914,490)	(8,659)	(923,149)
Transactions with owners:											
- Employee share options granted	-	-	-	-	-	1,737	-	-	1,737	-	1,737
- Employee share options forfeited	-	-	-	-	-	(24,393)	-	24,393	-	-	-
- Dividend paid	-	-	-	-	-	-	-	(48,103)	(48,103)	-	(48,103)
At 30 September 2016	5,866,269	1,173,253	3,137,730	1,110,082	6,723	22,161	(276,884)	1,123,537	6,296,602	29,655	6,326,257

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	-	-	-	-	-	-	-	(149,486)	(149,486)	(5,427)	(154,913)
Other comprehensive income/(expense) for the financial period, net of tax	-	-	-	1,204,890	-	-	(197,184)	-	1,007,706	12,178	1,019,884
Total comprehensive income/(expense) for the financial period, net of tax	-	-	-	1,204,890	-	-	(197,184)	(149,486)	858,220	6,751	864,971
Transactions with owners:											
- Employee share options granted	-	-	-	-	-	3,184	-	-	3,184	-	3,184
- Employee share options forfeited	-	-	-	-	-	(3,888)	-	3,888	-	-	-
- Dividend paid	-	-	-	-	-	-	-	(95,620)	(95,620)	-	(95,620)
At 30 September 2015	5,866,269	1,173,253	3,137,730	1,557,470	6,562	44,158	(292,123)	1,823,933	7,450,983	39,077	7,490,060

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period Ended 30.09.2016 RM'000	Period Ended 30.09.2015 RM'000
OPERATING ACTIVITIES		
Loss for the financial period	(598,568)	(154,913)
Adjustments for non-cash items:		
Share of results of joint ventures	(111,882)	(43,188)
Depreciation of property, plant and equipment	429,954	443,796
Fair value through profit and loss on derivative financial instruments	(8,269)	15,489
Gain on disposal of property, plant and equipment and non-current assets held for sale	(4,315)	(90)
Gain on disposal of a subsidiary	-	(17,645)
Net allowance for doubtful debts/(allowance for doubtful debts written back)	75,889	(15,306)
Bad debts written off	-	18
Unrealised foreign exchange gain	(7,044)	(60,740)
Share-based payment	1,737	3,184
Write off of property, plant and equipment impairment	-	1,928
- property, plant and equipment and non-current assets held for sale	592,401	353,809
- available-for-sale financial assets	5,166	21,038
- investment in a joint venture	-	2,691
Interest income	(10,716)	(44,128)
Interest expense	65,384	101,941
Dividend income	-	(1,841)
Taxation	45,833	87,532
Operating profit before changes in working capital	475,570	693,575
Changes in working capital:		
Inventories	1,753	(139)
Trade and other receivables	226,455	(176,715)
Trade and other payables	616,777	169,270
Cash from operations	1,320,555	685,991
Interest paid	(268,415)	(188,455)
Tax paid	(21,702)	(90,733)
Tax refund	2,056	4,461
Dividend received from a joint venture	21,380	-
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	1,053,874	411,264

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Period Ended 30.09.2016 RM'000	Period Ended 30.09.2015 RM'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,478,614)	(2,981,714)
Proceeds from disposal of property, plant and equipment and non-current assets held for sale	7,649	9
Investments in joint ventures	-	(40,504)
Interest received	10,799	47,888
Dividend received from investments	2,003	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(3,458,163)	(2,974,321)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	4,281,730	2,004,120
Repayment of bank borrowings	(918,148)	(958,711)
Proceeds from hire purchase creditors	453	-
Repayment of hire purchase creditors	(50)	(96)
Decrease in deposit pledged as security	-	600
Dividend paid	(48,103)	(95,620)
NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	3,315,882	950,293
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	911,593	(1,612,764)
CURRENCY TRANSLATION DIFFERENCES	(38,187)	368,162
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	2,398,224	2,057,145
Cash and cash equivalents consist of:		
Deposits with licensed banks	1,321,760	1,566,363
Cash and bank balances	1,077,364	491,682
Less: Designated deposits placed with licensed banks	(900)	(900)
	2,398,224	2,057,145

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 and Amendments to 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”
- Amendments to MFRS 2 “Share-based Payment” – Classification and Measurement of Share-based Payment Transactions

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.

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

(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 30.09.2016 RM'000	YTD 30.09.2015 RM'000 Restated	Change RM'000
Segment revenue			
FPSO & FGS ⁽¹⁾	488,206	927,378	(439,172)
OMS ⁽¹⁾	722,937	663,314	59,623
Total revenue	1,211,143	1,590,692	(379,549)
EBITDA ⁽²⁾	541,177	855,120	(313,943)
EBITDA margin	45%	54%	(9%)
Loss for the financial period	(598,568)	(154,913)	(443,655)
Depreciation	429,954	443,796	(13,842)
Impairment	597,567	377,538	220,029

The Group posted a revenue of RM1,211.1 million for the financial period up to 30 September 2016 (“YTD 2016”), a decrease of 24% compared to the financial period up to 30 September 2015 (“YTD 2015”). The decrease was mainly attributed to lower conversion activities from the Eni 1506 and Kraken FPSO projects as these projects are near completion, reduced contribution from Armada Claire, Armada Perdana, Armada Perkasa and OSV vessels due to lower vessel utilisation which was offset by the higher contribution from the LukOil project in the Caspian Sea.

The Group posted EBITDA of RM541.2 million for YTD 2016, a decrease of RM313.9 million compared to YTD 2015. The lower EBITDA was due to reduced contributions from the FPSO & FGS segment, net allowance for doubtful debts of RM75.9 million and a one-off gain on deemed disposal of a subsidiary in YTD 2015 of RM17.6 million. This was partly offset by marginal increased contributions from OMS segment and increased earnings from joint ventures from the operations of Armada Sterling, Armada Sterling II and higher conversion activities from Karapan Armada Sterling III.

With reference to the segmental information, the segment results from FPSO & FGS segment decreased to a loss of RM21.2 million in YTD 2016 as compared to a profit RM330.1 million in YTD 2015 on the back of completion of conversion activities on the Eni 1506 and Kraken FPSO projects and reduced contributions from Armada Claire, Armada Perdana and Armada Perkasa. The loss from OMS segment has reduced from RM37.6 million in YTD 2015 to RM4.7 million in YTD 2016 due to higher level of activity from the LukOil project which was offset by lower OSV vessel utilisation.

The Group made a non-cash impairment charge of RM592.4 million during YTD 2016 for certain FPSO and OMS multipurpose construction vessels (refer to Note 2(C)) and for available-for-sale financial assets of RM5.2 million. Excluding the impairment charge of RM597.6 million and net allowance for doubtful debts of RM75.9 million, the Group would have posted a profit of RM74.9 million for YTD 2016.

For YTD 2016, the Group posted a loss attributable to the Owners of the Company of RM591.6 million after taking into account the impairment charge and net allowance for doubtful debts. Excluding the impairment charge and net allowance for doubtful debts, the Group would have posted a profit attributable to the Owners of the Company of RM81.9 million.

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.

2. MANAGEMENT COMMENTARY (CONTINUED)

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

Financial Indicators	3rd Quarter 2016 RM'000	2nd Quarter 2016 RM'000	Change RM'000
Segment revenue			
FPSO & FGS	115,979	155,657	(39,678)
OMS	261,527	247,212	14,315
Total revenue	377,506	402,869	(25,363)
EBITDA	91,014	198,711	(107,697)
EBITDA margin	24%	49%	(25%)
Loss for the financial period	(103,533)	(516,200)	412,667
Depreciation	138,027	136,636	1,391
Impairment	4,218	575,451	(571,233)

The Group posted a revenue of RM377.5 million for the quarter ended 30 September 2016 ("Q3 2016"), a decrease of 6% compared to the quarter ended 30 June 2016 ("Q2 2016"). The decrease was attributed mainly to the following factors:

- (a) Lower FPSO revenue on the back of completion of conversion activities on the Eni 1506 FPSO project; and
- (b) The increase in OMS revenue was due to higher level of activity from the LukOil project in the Caspian Sea and Armada Installer. The OSV vessel utilisation remained stagnant in Q3 2016 as compared to Q2 2016.

OSV vessel average utilisation rates for the quarter ended	3rd Quarter 2016 %	2nd Quarter 2016 %	Change in %
Group's vessels	55	55	-
- Class A ⁽³⁾	50	53	(3)
- Class B ⁽⁴⁾	62	58	4
Group's vessels including those held by joint ventures	56	56	-

The Group posted an EBITDA of RM91.0 million for Q3 2016, a decrease of RM107.7 million compared to Q2 2016. The decrease in EBITDA was due mainly to lower contributions from FPSO & FGS segment, lower earnings from joint ventures from the operations of Armada Sterling II and the lower conversion activities of Karapan Armada Sterling III and net allowance for doubtful debts of RM79.6 million. This was offset by higher contribution from OMS segment, interest income and a one-off gain of disposal of non-current assets held-for-sale of RM4.3 million.

Segment results from FPSO & FGS segment decreased to a loss of RM76.7 million in Q3 2016 as compared to a profit of RM20.1 million in Q2 2016. This was due mainly to lower conversion activities from the Eni 1506 FPSO project as this project is near completion and net allowance for doubtful debts made during the quarter. The loss from OMS segment has reduced from a loss of RM15.2 million in Q2 2016 to a loss of RM5.9 million in Q3 2016 due to higher contribution from Armada Installer.

During Q3 2016, the Group made a non-cash impairment charge of RM4.2 million for available-for-sale financial assets. Excluding the impairment charge of RM4.2 million and net allowance for doubtful debts of RM79.6 million, the Group would have posted a loss of RM19.7 million for Q3 2016.

For Q3 2016, the Group posted a loss attributable to the Owners of the Company of RM96.7 million after taking into account the impairment charge and net allowance for doubtful debts. Excluding the impairment charge and net allowance for doubtful debts, the Group would have posted a loss attributable to the Owners of the Company of RM12.9 million.

Notes:

⁽³⁾ 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.

⁽⁴⁾ 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 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. The reduced activity and lack of new projects in the offshore segment will continue to undermine demand for the assets and services of the Group in the near term. There have been, however, some positive signs from selected clients in terms of project pre-qualifications and. 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 September 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

The following dividend payment was made during the period ended 30 September 2016:

	RM'000
In respect of the financial year ended 31 December 2015:	
- Final cash dividend comprising a single tier tax-exempt dividend of 0.82 sen per ordinary share paid on 18 August 2016	48,103

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 September 2016 and 30 September 2015 are as follows:

Individual Quarter Ended 30.09.2016	FPSO & FGS RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	115,979	261,527	-	-	377,506
Inter-segment revenue	-	-	72,534	(72,534)	-
Results					
Segment results	(76,657)	(5,944)	22,599	(21,703)	(81,705)
Impairment	-	-	(4,218)	-	(4,218)
Share of results of joint ventures	20,550	276	-	-	20,826
Other operating income					13,866
Finance costs					(31,791)
Taxation					(20,511)
Loss for the financial period					(103,533)

Individual Quarter Ended 30.09.2015	FPSO & FGS RM'000	OMS RM'000 Restated	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	365,168	194,296	-	-	559,464
Inter-segment revenue	-	-	45,205	(45,205)	-
Results					
Segment results	146,335	(49,193)	801	(3,492)	94,451
Impairment	-	-	(12,221)	-	(12,221)
Share of results of joint ventures	25,625	277	-	-	25,902
Other operating income					19,394
Finance costs					(25,788)
Taxation					(30,763)
Profit for the financial period					70,975

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 September 2016 and 30 September 2015 are as follows:

Cumulative Quarters Period Ended 30.09.2016	FPSO & FGS RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	488,206	722,937	-	-	1,211,143
Inter-segment revenue	-	-	198,581	(198,581)	-
Results					
Segment results	(21,226)	(4,692)	36,871	(35,975)	(25,022)
Impairment	(570,085)	(22,316)	(5,166)	-	(597,567)
Share of results of joint ventures	111,132	750	-	-	111,882
Other operating income					24,363
Finance costs					(66,391)
Taxation					(45,833)
Loss for the financial period					(598,568)

Cumulative Quarters Period Ended 30.09.2015	FPSO & FGS RM'000	OMS RM'000 Restated	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	927,378	663,314	-	-	1,590,692
Inter-segment revenue	-	-	129,073	(129,073)	-
Results					
Segment results	330,052	(37,610)	8,597	(8,597)	292,442
Impairment	-	(353,809)	(23,729)	-	(377,538)
Share of results of joint ventures	42,829	359	-	-	43,188
Other operating income					75,694
Finance costs					(101,167)
Taxation					(87,532)
Loss for the financial period					(154,913)

11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment for the period under review. As at 30 September 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 RM859.5 million as at 30 September 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 September 2016 are as follows:

	RM'000
- authorised and contracted	1,923,953
- authorised but not contracted	877,573
	<hr/>
	2,801,526
	<hr/> <hr/>

16. SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Cumulative Quarters Period Ended 30.09.2016 RM'000
(a) Transactions with UTSB Management Sdn Bhd ⁽¹⁾ : - management fees	8,176
(b) Telecommunication expenses to - Maxis Berhad ⁽²⁾ - Maxis Broadband Sdn Bhd ⁽²⁾	481 507
(c) Rental to Malaysian Landed Property Sdn Bhd ⁽³⁾	6,014
(d) Management and engineering assistance services charged to joint ventures	55,413
(e) Key management personnel compensation: - non-executive directors' fees - salaries, bonus and allowances and other staff related costs - defined contribution plan - share-based payment	2,632 7,850 1,147 1,125
(f) Payment on behalf: - joint ventures	4,156

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	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Income tax:				
- Current year	19,743	38,893	57,457	98,949
- Prior year	-	(215)	-	928
Deferred tax	768	(7,915)	(11,624)	(12,345)
Total	20,511	30,763	45,833	87,532

The Group's effective tax rates for the individual and cumulative quarters ended 30 September 2016 were negative 24.7% and negative 8.3% 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 September 2016 are as set out below:

	As at 30.09.2016 RM'000
SHORT TERM DEBT	
Secured:	
Term loans	470,619
Unsecured:	
Sukuk Murabahah	6,385
Revolving credit	1,040,894
Term loans	180,834
Total short term debt	1,698,732
LONG TERM DEBT	
Secured:	
Term loans	5,662,740
Unsecured:	
Sukuk Murabahah	1,499,040
Term loans	2,254,250
Total long term debt	9,416,030
Total borrowings	11,114,762
CURRENCY PROFILE	
United States Dollar	9,170,608
Ringgit Malaysia	1,944,154
	11,114,762

21. DERIVATIVE FINANCIAL INSTRUMENTS

Disclosure of derivatives

Details of derivative financial instruments outstanding as at 30 September 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	413,878	(9,028)
- 1 to 3 years	661,890	(9,087)
- More than 3 years	<u>1,083,722</u>	<u>(426)</u>
	<u>2,159,490</u>	<u>(18,541)</u>
Cross currency interest rate swaps		
- Less than 1 year	27,696	(17,085)
- 1 to 3 years	27,696	(32,247)
- More than 3 years	<u>1,500,000</u>	<u>(581,383)</u>
	<u>1,555,392</u>	<u>(630,715)</u>

There have been no changes since the end of the previous financial year ended 31 December 2015 in respect of the following:

- (a) the market risk and credit risk associated with the derivatives as these are used for hedging purposes;
- (b) the cash requirements of the derivatives;
- (c) the policies in place for mitigating or controlling the risks associated with the derivatives; and
- (d) the related accounting policies.

As at 30 September 2016, the Group recognised derivative financial liabilities of RM649.3 million (2015: RM677.7 million) on re-measuring the fair values of the derivative financial instruments. Of the decrease of RM28.4 million from the previous financial year ended 31 December 2015, an amount of RM20.5 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interests, of which RM70.1 million was recycled to the profit or loss while the total gain on derivatives charged to profit or loss was RM8.3 million as disclosed in the Note 24 (k).

The Group's cash flow hedging reserve of RM276.9 million as at 30 September 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 September 2016 except as set out below, measured using Level 3 valuation technique:

	Carrying amount RM'000	Fair value RM'000
Sukuk Murabahah	<u>1,505,425</u>	<u>1,506,076</u>

(b) Financial instruments carried at fair value

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

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Financial asset:			
Available-for-sale financial asset	<u>14,458</u>	<u>-</u>	<u>14,458</u>
Financial liabilities:			
Derivatives used for hedging			
- Interest rate swaps	-	(18,541)	(18,541)
- Cross currency interest rate swaps	<u>-</u>	<u>(630,715)</u>	<u>(630,715)</u>

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 30.09.2016 RM'000
Total retained earnings of the Company and its subsidiaries	
- realised	769,971
- unrealised	24,371
	<hr/> 794,342 <hr/>
Total share of retained earnings from joint ventures	
- realised	365,527
- unrealised	(36,332)
	<hr/> 329,195 <hr/>
Total retained earnings of the Group	<hr/> 1,123,537 <hr/>

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Individual Quarter Ended 30.09.2016 RM'000	Individual Quarter Ended 30.09.2015 RM'000	Cumulative Quarters Period Ended 30.09.2016 RM'000	Cumulative Quarters Period Ended 30.09.2015 RM'000
Loss before taxation is arrived at after charging/(crediting):				
(a) Other operating income				
- Interest income	(5,154)	(13,899)	(10,716)	(44,128)
- Gain on disposal of property, plant and equipment and non- current assets held for sale	(4,315)	(90)	(4,315)	(90)
- Gain on disposal of a subsidiary	-	-	-	(17,645)
- Insurance claims	(74)	(2,865)	(174)	(4,575)
- Dividend income	-	-	-	(1,841)
- Others	(4,323)	(2,540)	(9,158)	(7,415)
(b) Interest expense	32,021	27,214	65,384	101,941
(c) Depreciation and amortisation	138,027	158,882	429,954	443,796
(d) Net allowance for doubtful debts/ (allowance for doubtful debts written back)	79,589	-	75,889	(15,306)
(e) Bad debts written off	-	18	-	18
(f) Impairment for property, plant and equipment and non-current assets held for sale	-	-	592,401	353,809
(g) Impairment for available-for-sale financial assets	4,218	12,221	5,166	21,038
(h) Impairment for investment in a joint venture	-	-	-	2,691
(i) Write-off of property, plant and equipment	-	-	-	1,928
(j) Net foreign exchange loss/(gain):				
- realised	10,405	1,345	24,577	57
- unrealised	(5,856)	(42,047)	(7,044)	(60,740)
(k) Fair value through profit and loss on derivative financial instruments	893	10,928	(8,269)	15,489
(l) Retrenchment expenses	1,434	4,357	5,431	26,248

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 and other exceptional items for the current quarter ended 30 September 2016.

25. MATERIAL LITIGATION

Save for the following, as at 30 September 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 September 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 September 2016.

27. EARNINGS PER SHARE

The basic earnings per share (“EPS”) is calculated by dividing the Group’s (loss)/profit 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 (loss)/profit 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	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
(Loss)/profit attributable to Owners of the Company (RM’000)	(96,712)	69,998	(591,606)	(149,486)
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)	(1.65)	1.19	(10.08)	(2.55)
Diluted EPS (sen)	(1.65)	1.19	(10.08)	(2.55)

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 30.09.2015 RM'000	Effect of reclassification RM'000	As restated 30.09.2015 RM'000
<u>Segmental Information</u>			
<u>Individual Quarter Ended 30.09.2015</u>			
<u>Revenue</u>			
OMS	-	194,296	194,296
OSV	137,392	(137,392)	-
T&I	56,904	(56,904)	-
	<u>56,904</u>	<u>(56,904)</u>	<u>-</u>
<u>Segment results</u>			
OMS	-	(49,193)	(49,193)
OSV	(18,837)	18,837	-
T&I	(30,356)	30,356	-
	<u>(30,356)</u>	<u>30,356</u>	<u>-</u>
<u>Cumulative Quarters Period Ended 30.09.2015</u>			
<u>Revenue</u>			
OMS	-	663,314	663,314
OSV	427,806	(427,806)	-
T&I	235,508	(235,508)	-
	<u>235,508</u>	<u>(235,508)</u>	<u>-</u>
<u>Segment results</u>			
OMS	-	37,610	(37,610)
OSV	(41,174)	41,174	-
T&I	3,564	(3,564)	-
	<u>3,564</u>	<u>(3,564)</u>	<u>-</u>
<u>Impairment</u>			
OMS	-	(353,809)	(353,809)
OSV	(249,092)	249,092	-
T&I	(104,717)	104,717	-
	<u>(104,717)</u>	<u>104,717</u>	<u>-</u>

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
22 November 2016