



BUMIARMADA

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

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 2017 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2016 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	
		30.06.2017 RM'000	30.06.2016 RM'000 Restated	30.06.2017 RM'000	30.06.2016 RM'000 Restated
Revenue		694,419	402,869	1,098,592	833,637
Cost of sales		(375,206)	(384,216)	(653,466)	(753,532)
Gross profit		319,213	18,653	445,126	80,105
Other operating income		26,150	29,266	55,067	55,883
Selling and distribution costs		(3,467)	(3,574)	(14,175)	(13,265)
Administrative expenses		(51,009)	(35,252)	(107,033)	(55,543)
Operating profit before impairment		290,887	9,093	378,985	67,180
Impairment		(5,756)	(575,451)	(5,756)	(593,349)
Operating profit/(loss)		285,131	(566,358)	373,229	(526,169)
Finance costs		(108,497)	(12,274)	(172,039)	(34,600)
Share of results of joint ventures		9,350	52,982	58,411	91,056
Profit/(loss) before taxation		185,984	(525,650)	259,601	(469,713)
Taxation	18	(68,270)	9,450	(85,469)	(25,322)
Profit/(loss) for the financial period		117,714	(516,200)	174,132	(495,035)
Attributable to:					
- Owners of the Company		116,590	(518,324)	164,698	(494,894)
- Non-controlling interests		1,124	2,124	9,434	(141)
		117,714	(516,200)	174,132	(495,035)
Earnings per share (sen)	27				
- Basic		1.99	(8.84)	2.81	(8.44)
- Diluted		1.99	(8.84)	2.81	(8.44)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Period Ended	
		30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Profit/(loss) for the financial period		117,714	(516,200)	174,132	(495,035)
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		(37)	(31)	3,210	359
- Fair value (loss)/gain on cash flow hedges		(2,597)	(61,886)	19,214	(58,230)
- Foreign currency translation differences		(152,965)	207,410	(177,402)	(438,637)
- Share of other comprehensive expense of joint ventures		(2,831)	(263)	(2,069)	(1,325)
Other comprehensive (expense)/income for the financial period, net of tax		(158,430)	145,230	(157,047)	(497,833)
Total comprehensive (expense)/income for the financial period		(40,716)	(370,970)	17,085	(992,868)
Total comprehensive (expense)/income attributable to:					
- Owners of the Company		(41,068)	(373,043)	8,747	(984,971)
- Non-controlling interests		352	2,073	8,338	(7,897)
		(40,716)	(370,970)	17,085	(992,868)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 30.06.2017 RM'000	As at 31.12.2016 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	9,681,824	16,602,637
Investments in joint ventures		707,563	651,332
Available-for-sale financial assets		19,648	22,884
Deferred tax assets		4,333	6,467
Amounts due from joint ventures		21,540	19,470
Derivative financial instruments	21	84,538	116,108
Finance lease receivables		5,663,630	-
Other receivables		160,430	49,075
		16,343,506	17,467,973
CURRENT ASSETS			
Inventories		5,245	6,356
Amount due from customers on contract		10,511	-
Trade receivables		903,328	632,956
Accrued lease rentals		443,667	510,345
Other receivables, deposits and prepayments		88,254	85,904
Tax recoverable		1,830	2,312
Amounts due from joint ventures		281,134	335,032
Derivative financial instruments	21	1,056	-
Finance lease receivables		55,246	-
Deposits, cash and bank balances		1,793,479	3,015,854
		3,583,750	4,588,759
Non-current assets classified as held-for-sale		-	33,397
TOTAL ASSETS		19,927,256	22,090,129

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	As at 30.06.2017 RM'000	As at 31.12.2016 RM'000
LESS: CURRENT LIABILITIES			
Trade payables and accruals		767,038	1,227,072
Other payables and accruals		342,712	1,129,761
Amounts due to joint ventures		34,388	36,562
Amounts due to customers on contract		-	69,645
Hire purchase creditors		88	88
Borrowings	20	2,601,399	2,517,059
Derivative financial instruments	21	27,232	42,250
Taxation		68,155	46,661
		3,841,012	5,069,098
NET CURRENT LIABILITIES			
		(257,262)	(446,942)
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals		43,465	97,014
Hire purchase creditors		243	287
Borrowings	20	9,749,831	10,529,054
Derivative financial instruments	21	573,808	705,741
Deferred tax liabilities		-	709
Provisions		108,383	98,149
		10,475,730	11,430,954
NET ASSETS			
		5,610,514	5,590,077
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		4,311,294	1,173,253
Reserves		1,287,766	4,413,708
		5,599,060	5,586,961
NON-CONTROLLING INTERESTS			
		11,454	3,116
TOTAL EQUITY			
		5,610,514	5,590,077
NET ASSETS PER SHARE (RM)			
		0.96*	0.95

* Based on 5,866,269,344 ordinary shares in issue per Companies Act, 2016 as at 30 June 2017.

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	Accumulated losses RM'000	Total RM'000		
<u>2017</u>											
At 1 January 2017	5,866,269	1,173,253	3,137,730	1,593,424	13,947	19,928	(101,474)	(249,847)	5,586,961	3,116	5,590,077
Transfer to share capital ⁽¹⁾	-	3,138,041	(3,137,730)	-	(311)	-	-	-	-	-	-
Profit for the financial period	-	-	-	-	-	-	-	164,698	164,698	9,434	174,132
Other comprehensive (expense)/income for the financial period, net of tax	-	-	-	(176,280)	3,210	-	17,119	-	(155,951)	(1,096)	(157,047)
Total comprehensive (expense)/income for the financial period, net of tax	-	-	-	(176,280)	3,210	-	17,119	164,698	8,747	8,338	17,085
Transactions with owners:											
- Employee share options granted	-	-	-	-	-	3,352	-	-	3,352	-	3,352
- Employee share options forfeited	-	-	-	-	-	(2,607)	-	2,607	-	-	-
At 30 June 2017	5,866,269	4,311,294	-	1,417,144	16,846	20,673	(84,355)	(82,542)	5,599,060	11,454	5,610,514

Note:

⁽¹⁾ Effective from 31 January 2017, the new Companies Act, 2016 (“the Act”) abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium and preference share redemption reserve becomes part of the Company’s share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. The Board of Directors will make a decision thereon by 31 January 2019. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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>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	-	-	-	-	-	-	-	(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 STATEMENTS OF CASH FLOWS

	Period Ended 30.06.2017 RM'000	Period Ended 30.06.2016 RM'000
OPERATING ACTIVITIES		
Profit/(loss) for the financial period	174,132	(495,035)
Adjustments for non-cash items:		
Share of results of joint ventures	(58,411)	(91,056)
Depreciation of property, plant and equipment	239,152	291,927
Fair value through profit and loss on derivative financial instruments	(9,455)	(9,162)
Gain on disposal of property, plant and equipment	(4,366)	-
Net allowance for doubtful debts written back	(9,730)	(3,700)
Unrealised foreign exchange loss/(gain)	45,623	(1,188)
Share-based payment	3,352	1,257
Impairment of property, plant and equipment and non-current assets held for sale	-	592,401
Impairment of available for sale financial asset	5,756	948
Interest income	(20,890)	(5,562)
Interest expense	172,120	33,363
Taxation	85,469	25,322
Operating profit before changes in working capital	622,752	339,515
Changes in working capital:		
Inventories	1,329	463
Trade and other receivables	(287,895)	286,523
Trade and other payables	(271,766)	363,223
Cash from operations	64,420	989,724
Interest paid	(240,016)	(173,372)
Tax paid	(20,864)	(40,420)
Tax refund	-	2,056
NET CASH FLOWS (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(196,460)	777,988

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Period Ended 30.06.2017 RM'000	Period Ended 30.06.2016 RM'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(993,126)	(2,328,282)
Proceeds from disposal of property, plant and equipment	61,234	-
Dividend received from a joint venture	-	21,380
Interest received	20,704	6,225
Dividend received from investments	-	2,003
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(911,188)	(2,298,674)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	57,991	3,061,642
Repayment of bank borrowings	(291,821)	(835,152)
Decrease in deposits pledged as security	900	-
Proceeds from hire purchase creditors	-	441
Repayment of hire purchase creditors	(44)	(22)
NET CASH FLOWS (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(232,974)	2,226,909
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,340,622)	706,223
CURRENCY TRANSLATION DIFFERENCES	119,147	(64,034)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	3,014,954	1,524,818
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	1,793,479	2,167,007
Cash and cash equivalents consist of:		
Deposits with licensed banks	1,513,508	1,756,316
Cash and bank balances	279,971	411,591
Less: Designated deposits placed with licensed banks	-	(900)
	1,793,479	2,167,007

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

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 2016 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 2016. 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 2016, other than those disclosed below:

- (a) Compliance with the requirements of the Companies Act, 2016 in Malaysia.
- (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
 - Annual improvements to MFRS 12 “Disclosures of Interests in Other Entities”

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

- (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”
 - Amendments to MFRS 2 “Share-based Payment” - Classification and Measurement of Share-based Payment Transactions
 - Annual Improvements to MFRS 1 “First-time Adoption of Malaysian Financial Reporting Standards”
 - Annual Improvements to MFRS 128 “Investments in Associates and Joint Ventures”
 - IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration”

The adoption of these 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”
 - IC Interpretation 23 “Uncertainty over Income Tax Treatments”

The adoption of these 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.

2. MANAGEMENT COMMENTARY

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

Financial Indicators	YTD 30.06.2017 RM'000	YTD 30.06.2016 RM'000	Change RM'000
Segment revenue			
FPO ⁽¹⁾	577,342	372,227	205,115
OMS ⁽¹⁾	521,250	461,410	59,840
Total revenue	1,098,592	833,637	264,955
EBITDA ⁽²⁾	676,548	450,163	226,385
EBITDA margin	62%	54%	8%
Profit/(loss) for the financial period	174,132	(495,035)	669,167
Depreciation	239,152	291,927	(52,775)
Impairment	5,756	593,349	(587,593)

The Group’s revenue of RM1,098.6 million for the half year ended 30 June 2017 (“YTD 2017”), an increase of RM265.0 million compared to the half year ended 30 June 2016 (“YTD 2016”), was mainly attributed to increased revenue from the Armada Olombendo FPSO, Armada LNG Mediterrana Floating Storage Unit, and one-off revenue recognised based on work completed on the LukOil project arising from the signing of the supplementary agreement, offset by lower OSV ⁽³⁾ vessel utilisation.

The Group’s EBITDA of RM676.5 million in YTD 2017, an increase of RM226.4 million compared to YTD 2016 was mainly due to higher contribution from the FPO segment which was partly offset by lower share of results of joint ventures from Karapan Armada Sterling III.

With reference to Note 10 Segmental Information, results from the FPO segment increased to RM215.1 million for YTD 2017 as compared to RM26.8 million for YTD 2016 mainly due to higher contribution from Armada Olombendo FPSO and Armada LNG Mediterrana Floating Storage Unit which was offset by recognition of supplementary payments to the charterer of the Kraken FPSO project in YTD 2017. In respect of the OMS segment, profit improved by RM119.9 million for YTD 2017 as compared to a loss of RM32.4 million for YTD 2016 mainly due to higher contribution from the LukOil project and reduced OSV operating cost and depreciation expense.

The Group’s profit of RM174.1 million for YTD 2017 and profit attributable to the Owners of the Company of RM164.7 million, is an increase of RM669.2 million and RM659.6 million compared to YTD 2016, as the YTD 2016 earnings were negatively impacted by a non-cash impairment charge of RM592.4 million for FPSO and OMS multipurpose construction vessels.

Notes:

- ⁽¹⁾ FPO - Floating Production and Operation (previously known as FPSO & FGS - Floating Production Storage Offloading system and Floating Gas Solution), and OMS - Offshore Marine Services. These acronyms are also used hereinafter.
- ⁽²⁾ Defined as profit before finance costs, taxation, depreciation, amortisation and impairment.
- ⁽³⁾ OSV – Offshore Support Vessels

2. MANAGEMENT COMMENTARY (CONTINUED)

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

Financial Indicators	2nd Quarter 2017 RM'000	1st Quarter 2017 RM'000	Change RM'000
Segment revenue			
FPO	337,639	239,703	97,936
OMS	356,780	164,470	192,310
Total revenue	694,419	404,173	290,246
EBITDA	428,160	248,388	179,772
EBITDA margin	62%	61%	1%
Profit for the financial period	117,714	56,418	61,296
Depreciation	127,923	111,229	16,694
Impairment	5,756	-	5,756

The Group's revenue of RM694.4 million for the quarter ended 30 June 2017 ("Q2 2017"), an increase of RM290.2 million compared to the quarter ended 31 March 2017 ("Q1 2017"), was attributed mainly to the following factors:

- Increase in FPO revenue mainly due to higher revenue from the Armada Olombendo FPSO and Armada LNG Mediterrana Floating Storage Unit. In addition, revenue in Q1 2017 was reduced due to supplementary payments to the charterer of the Kraken FPSO project.
- The increase in OMS revenue was mainly due to one-off revenue recognised based on work completed on the LukOil project arising from the signing of the supplementary agreement, and higher OSV vessel utilisation.

OSV vessel average utilisation rates for the quarter ended	2nd Quarter 2017 %	1st Quarter 2017 %	Change in %
Group's vessels	52	42	10
- Class A ⁽⁴⁾	47	39	8
- Class B ⁽⁵⁾	61	46	15
Group's vessels including those held by joint ventures	53	43	10

The Group's EBITDA of RM428.2 million in Q2 2017, an increase of RM179.8 million compared to Q1 2017, was driven by increased contribution from the LukOil project, Armada Olombendo FPSO and Armada LNG Mediterrana Floating Storage Unit. In addition, EBITDA in Q1 2017 was reduced due to supplementary payments to the charterer of the Kraken FPSO project. The increase was partially offset by lower share of results of joint ventures from Armada Sterling and Karapan Armada Sterling III.

Results from the FPO segment increased to a profit of RM145.7 million for Q2 2017 as compared to RM69.4 million for Q1 2017 due to higher contribution from the Armada Olombendo FPSO and Armada LNG Mediterrana Floating Storage Unit. In addition, results in Q1 2017 was reduced due to supplementary payments to the charterer of the Kraken FPSO project. Results from the OMS segment increased to a profit of RM111.9 million for Q2 2017 as compared to a profit of RM8.0 million in Q1 2017 mainly due to higher contribution from the LukOil project and higher OSV vessel utilisation.

The Group posted a profit of RM117.7 million in Q2 2017 and a profit attributable to Owners of the Company of RM116.6 million, an increase of RM61.3 million and RM68.5 million compared to Q1 2017. The increase is due to lower foreign exchange loss due to the weakening of USD which was offset by higher finance costs in Q2 2017 due to cessation of capitalisation of borrowing costs following the completion of a FPSO vessel.

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

3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017

As oil prices remain at depressed level, we are cautious in the short-term. We believe this is likely to delay the recovery in new exploration activities, which in turn, will negatively impact the OMS business. With the completion of the four major conversion projects in 2017, we expect revenue to improve for the remaining period of the financial year.

4. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS

The audited financial statements for the preceding financial year ended 31 December 2016 were unqualified.

5. SEASONALITY OR CYCLICALITY OF OPERATIONS

The businesses of the Group were not materially affected by any seasonal or cyclical fluctuations during the half year ended 30 June 2017.

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 half year ended 30 June 2017.

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 during the half year ended 30 June 2017.

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 2017 and 30 June 2016 are as follows:

Individual Quarter Ended 30.06.2017	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	337,639	356,780	-	-	694,419
Inter-segment revenue	-	-	34,498	(34,498)	-
Results					
Segment results	145,699	111,918	7,120	-	264,737
Impairment	-	-	(5,756)	-	(5,756)
Share of results of joint ventures	9,062	288	-	-	9,350
Other operating income					26,150
Finance costs					(108,497)
Taxation					(68,270)
Profit for the financial period					117,714

Individual Quarter Ended 30.06.2016	FPO RM'000 Restated	OMS RM'000 Restated	Corporate and others RM'000 Restated	Elimination RM'000 Restated	Group RM'000 Restated
Revenue	155,657	247,212	-	-	402,869
Inter-segment revenue	-	-	33,608	(33,608)	-
Results					
Segment results	5,851	(31,965)	5,941	-	(20,173)
Impairment	(570,085)	(4,418)	(948)	-	(575,451)
Share of results of joint ventures	52,520	462	-	-	52,982
Other operating income					29,266
Finance costs					(12,274)
Taxation					9,450
Loss for the financial period					(516,200)

10. SEGMENTAL INFORMATION (CONTINUED)

Cumulative Quarters Period Ended 30.06.2017	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	577,342	521,250	-	-	1,098,592
Inter-segment revenue	-	-	69,198	(69,198)	-
Results					
Segment results	215,104	119,918	(11,104)	-	323,918
Impairment	-	-	(5,756)	-	(5,756)
Share of results of joint ventures	57,835	576	-	-	58,411
Other operating income					55,067
Finance costs					(172,039)
Taxation					(85,469)
Profit for the financial period					174,132

Cumulative Quarters Period Ended 30.06.2016	FPO RM'000 Restated	OMS RM'000 Restated	Corporate and others RM'000 Restated	Elimination RM'000 Restated	Group RM'000 Restated
Revenue	372,227	461,410	-	-	833,637
Inter-segment revenue	-	-	79,393	(79,393)	-
Results					
Segment results	26,830	(32,396)	16,863	-	11,297
Impairment	(570,085)	(22,316)	(948)	-	(593,349)
Share of results of joint ventures	90,429	627	-	-	91,056
Other operating income					55,883
Finance costs					(34,600)
Taxation					(25,322)
Loss for the financial period					(495,035)

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 2017, 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

The only material event in the interval between the end of this reporting period and the date of this report is as follows:

On 3 July 2017, a supplementary agreement (“Supplementary Agreement”) was signed between Bumi Armada Caspian LLC, a wholly owned subsidiary of Bumi Armada Berhad, with LUKOIL-Nizhnevolzhskneft LLC for additional Engineering, Procurement, Construction and Installation services. The services are to lay additional subsea pipelines, and undertake post trenching and additional back-filing works on sections of the Filanovsky field in the Russian sector of the Caspian Sea. The total contract value is USD134 million.

13. CHANGES IN THE COMPOSITION OF THE GROUP

The only 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 is as follows:

On 5 June 2017, Bumi Armada Marine Holdings Limited (“BAMHL”), together with Shapoorji Pallonji Oil and Gas Private Limited (“SPOG”), a wholly owned subsidiary of Shapoorji Pallonji And Company Private Limited and Cypress Energy Company Limited (“CECL”) established a joint venture company known as Bumi Armada Shapoorji Pallonji Ghana Limited (“BASPG”) in Ghana. BASPG is 45% held by BAMHL, 45% held by SPOG and 10% held by CECL.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group’s contingent liabilities comprising bank guarantees extended to third parties amounted to RM673.6 million as at 30 June 2017 as compared to RM708.8 million as at 31 December 2016. 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 2017 are as follows:

	RM’000
- authorised and contracted	374,572
- authorised but not contracted	623,424
	<hr/>
	997,996
	<hr/> <hr/>

16. SIGNIFICANT RELATED PARTY DISCLOSURES

The significant related party transactions undertaken during the financial period ended 30 June 2017 are described below:

	Cumulative Quarters Period Ended 30.06.2017 RM'000
(a) Transactions with UTSB Management Sdn Bhd ⁽¹⁾ : - management fees	3,098
(b) Telecommunication expenses to Maxis Berhad ⁽²⁾	777
(c) Rental to Malaysian Landed Property Sdn Bhd ⁽³⁾	3,962
(d) Management services charged to joint ventures	19,848
(e) Key management personnel compensation: - non-executive directors fees	1,147
- salaries, bonus and allowances and other staff related costs	10,292
- defined contribution plan	396
- share-based payment	2,040
(f) Payment on behalf: - joint ventures	<u>4,956</u>

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	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Income tax:				
- Current year	62,231	3,071	76,513	37,714
- Prior year	6,656	-	6,656	-
Deferred tax	(617)	(12,521)	2,300	(12,392)
Total	68,270	(9,450)	85,469	25,322

The Group's effective tax rates for the individual and cumulative quarters period ended 30 June 2017 were 36.7% and 32.9% 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 2017 are as set out below:

	As at 30.06.2017 RM'000
SHORT TERM DEBT	
Secured:	
Term loans	862,108
Unsecured:	
Sukuk Murabahah	30,132
Revolving credit	1,511,398
Term loans	197,761
Total short term debt	2,601,399
LONG TERM DEBT	
Secured:	
Term loans	6,104,286
Unsecured:	
Sukuk Murabahah	1,499,144
Term loans	2,146,401
Total long term debt	9,749,831
Total borrowings	12,351,230
CURRENCY PROFILE	
United States Dollar	10,604,199
Ringgit Malaysia	1,747,031
	12,351,230

21. DERIVATIVE FINANCIAL INSTRUMENTS

Disclosure of derivatives

Details of derivative financial instruments outstanding as at 30 June 2017 are as set out below:

Types of Derivative	Contract/ Notional amount RM'000	Fair value assets/ (liabilities) RM'000
Derivatives used for hedging:		
Interest rate swaps		
- Less than 1 year	778,290	(7,980)
- 1 to 3 years	1,062,725	18,773
- More than 3 years	3,193,826	63,566
	<u>5,034,841</u>	<u>74,359</u>
Cross currency interest rate swaps		
- Less than 1 year	27,696	(18,196)
- 1 to 3 years	-	(28,833)
- More than 3 years	1,500,000	(542,776)
	<u>1,527,696</u>	<u>(589,805)</u>

There have been no changes since the end of the previous financial year ended 31 December 2016 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 2017, the net derivative financial liabilities of the Group amounted to RM515.4 million (2016: RM631.9 million) on re-measuring the fair values of the derivative financial instruments. Of the decrease of RM116.5 million from the previous financial year ended 31 December 2016, a net amount of RM105.7 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interests and RM10.8 million was recycled to the profit or loss which was included in administrative expenses for cross currency interest rate swaps and finance cost for interest rate swaps.

RM87.0 million was reclassified to the statements of profit or loss to offset the foreign exchange gain which arose from the strengthening of RM against USD, and RM1.6 million was recycled to profit or loss. This has resulted in a decrease in the debit balance of the cash flow hedging reserve as at 30 June 2017 by RM17.1 million.

The Group's cash flow hedging reserve as at 30 June 2017 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 2017 except as set out below, measured using Level 3 valuation technique:

	Carrying amount RM'000	Fair value RM'000
Sukuk Murabahah	<u>1,529,276</u>	<u>1,463,478</u>

(b) Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value as at 30 June 2017, by valuation method.

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Financial asset:			
Available-for-sale financial asset	19,648	-	19,648
Derivatives used for hedging			
- Interest rate swaps	-	84,683	84,683
- Cross currency interest rate swaps	<u>-</u>	<u>911</u>	<u>911</u>
Financial liabilities:			
Derivatives used for hedging			
- Interest rate swaps	-	(10,324)	(10,324)
- Cross currency interest rate swaps	<u>-</u>	<u>(590,716)</u>	<u>(590,716)</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/(ACCUMULATED LOSSES)

The following analysis of realised and unrealised retained earnings/(accumulated losses) 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/(accumulated losses) of the Group is as follows:

	As at 30.06.2017 RM'000
Total accumulated losses of the Company and its subsidiaries	
- realised	(437,422)
- unrealised	(41,466)
	<hr/> (478,888)
Total share of retained earnings/(accumulated losses) from joint ventures	
- realised	431,395
- unrealised	(35,049)
	<hr/> 396,346
Total accumulated losses of the Group	<hr/> (82,542) <hr/>

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Individual Quarter Ended 30.06.2017 RM'000	Individual Quarter Ended 30.06.2016 RM'000 Restated	Cumulative Quarters Period Ended 30.06.2017 RM'000	Cumulative Quarters Period Ended 30.06.2016 RM'000 Restated
Profit before taxation is arrived at after charging/(crediting):				
(a) Other operating income				
- Interest income	(12,834)	(2,208)	(20,890)	(5,562)
- Insurance claims	(6)	-	(1,161)	(100)
- Gain on disposal of property, plant and equipment	(5,365)	-	(4,366)	-
- Management services charged to joint ventures	-	(25,045)	(16,641)	(45,386)
- Others	(7,945)	(2,013)	(12,009)	(4,835)
(b) Interest expense	108,193	12,000	172,120	33,363
(c) Depreciation and amortisation	127,923	136,636	239,152	291,927
(d) Net allowance for doubtful debts written back	(1,005)	137	(9,730)	(3,700)
(e) Impairment of property, plant and equipment and non-current asset held from sale	-	574,503	-	592,401
(f) Impairment of available-for-sale financial assets	5,756	948	5,756	948
(g) Net foreign exchange loss/(gain)				
- realised	8,810	14,037	(3,471)	14,172
- unrealised	5,806	(7,268)	45,623	(1,188)
(h) Fair value through profit and loss on derivative financial instruments	(8,204)	(2,599)	(9,455)	(9,162)
(i) Retrenchment expenses	1,208	3,997	1,347	3,997

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 2017.

25. MATERIAL LITIGATION

Save for the following, as at 30 June 2017, 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:

(a) In the Supreme Court of Western Australia between Armada Balnaves Pte Ltd and Woodside Energy Julimar Pty Ltd

The matter arose out of a dispute between Armada Balnaves Pte Ltd (“ABPL”), our wholly-owned subsidiary, and Woodside Energy Julimar Pty Ltd (“WEJ”) in relation to a contract for the provision of floating production storage and offloading services dated 30 September 2011 (“Contract”). On 4 March 2016, WEJ purported to terminate the Contract by issuing a notice of termination to ABPL. ABPL considered that this purported 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 (“Supreme Court”) 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 its Statement of Claim in the Supreme Court against WEJ claiming for damages in general for WEJ’s repudiation of the Contract, 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. ABPL is also claiming for the additional sum of USD7,700,000.00 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. The matter is currently progressing towards trial. No date for trial has been fixed yet.

The management is of the view that there are reasonable grounds to expect a favourable outcome in respect of ABPL’s claims with regards to the said repudiation by WEJ of the Contract. Notwithstanding the foregoing, the award of damages in the event of a favourable outcome is subject to final determination by the Supreme Court.

(b) In the High Court of Malaya at Johor Bahru, Malaysia between Armada TGT Ltd v Gerbaru Jaya Sdn Bhd

On 5 March 2015, Armada TGT Ltd (“Armada TGT”), our wholly-owned subsidiary, filed a Writ of Summons and Statement of Claim (“Suit”) against Gerbaru Jaya Sdn Bhd (“Gerbaru”) to recover damages resulting from counterfeit valves supplied by Gerbaru to Armada TGT with respect to its floating production, storage and offloading vessels.

In the Suit, Armada TGT is claiming for the sum of USD4,377,985.44 as specific damages, the sum of USD2,715,551 for the purchase consideration paid and general damages to be assessed. This matter has been fixed for continued trial between May 2017 and August 2017.

The management is of the view that there is more than an even chance that the Suit will be decided in favour of Armada TGT.

25. MATERIAL LITIGATION (CONTINUED)

(c) In the High Court of Bayelsa State, Nigeria between Century Energy Services Limited v Bumi Armada Berhad

On 16 November 2016, Century Energy Services Limited (“CESL”) commenced a suit against our Company at the High Court of Bayelsa State (“High Court”) in Nigeria by way of a Writ of Summons and Statement of Claim (“Suit”) which was received by our Company on 16 December 2016. In the Suit, CESL alleged that our Company was in breach of one of the terms of a shareholders’ agreement dated 14 April 2010 between our Company and CESL (“Agreement”) and CESL has sought several declaratory reliefs, orders and damages in the sum of USD10,000,000.

In accordance with the terms of the Agreement which provided for the resolution of disputes by way of arbitration, on 19 January 2017, our Company issued a Notice of Arbitration to CESL stating our intention to arbitrate all claims and disputes between parties pursuant to the terms of the Agreement. On 25 January 2017, our Company filed an application in the High Court to stay the Suit. On 6 February 2017, the Court granted our Company’s application and stayed the Suit sine die pending the arbitration.

The management is of the view that until the parties’ respective claims have been filed in the arbitration, it is not possible at this stage to evaluate the probable outcome of the case.

26. DIVIDENDS

No dividend was declared or recommended for the quarter ended 30 June 2017.

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	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Profit/(loss) attributable to Owners of the Company (RM’000)	116,590	(518,324)	164,698	(494,894)
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)	1.99	(8.84)	2.81	(8.44)
Diluted EPS (sen)	1.99	(8.84)	2.81	(8.44)

28. COMPARATIVE FIGURES

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

	As previously reported 30.06.2016 RM'000	Effect of reclassification RM'000	As restated 30.06.2016 RM'000
<u>Consolidated Statements of Income</u>			
<u>Individual Quarter Ended 30.06.2016</u>			
Cost of sales	(358,920)	(25,296)	(384,216)
Other income	4,221	25,045	29,266
Selling and distribution costs	(5,031)	1,457	(3,574)
Administrative expenses	(34,046)	(1,206)	(35,252)
	<u> </u>	<u> </u>	<u> </u>
<u>Cumulative Quarters Period Ended 30.06.2016</u>			
Cost of sales	(744,148)	(9,384)	(753,532)
Other income	10,497	45,386	55,883
Selling and distribution costs	(9,097)	(4,168)	(13,265)
Administrative expenses	(23,709)	(31,834)	(55,543)
	<u> </u>	<u> </u>	<u> </u>
<u>Segmental Information</u>			
<u>Individual Quarter Ended 30.06.2016</u>			
<u>Segment revenue</u>			
Inter-segment revenue	47,207	(13,599)	33,608
<u>Segment results</u>			
FPO (previously known as FPSO & FGS)	20,087	(14,236)	5,851
OMS	(15,215)	(16,750)	(31,965)
Corporate and others	947	4,994	5,941
Elimination	(947)	947	-
Other operating income	4,221	25,045	29,266
	<u> </u>	<u> </u>	<u> </u>
<u>Cumulative Quarters Period Ended 30.06.2016</u>			
<u>Segment revenue</u>			
Inter-segment revenue	126,047	(46,654)	79,393
<u>Segment results</u>			
FPO (previously known as FPSO & FGS)	55,431	(28,601)	26,830
OMS	1,252	(33,648)	(32,396)
Corporate and others	14,272	2,591	16,863
Elimination	(14,272)	14,272	-
Other operating income	10,497	45,386	55,883
	<u> </u>	<u> </u>	<u> </u>

28. COMPARATIVE FIGURES (CONTINUED)

Management fees charged to joint ventures and reversal of certain expenses, previously classified as administrative expenses has been reclassified to other income and to cost of sales and selling and distribution costs respectively to better reflect the nature of the transactions.

Comparatives on segmental information is updated to reflect the changes affected in Q1 2017 on internal reporting provided to the Chief Executive Officer.

BY ORDER OF THE BOARD

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

Kuala Lumpur
25 August 2017