



**BUMI ARMADA**

**BUMI ARMADA BERHAD**

199501041194 (370398-X)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

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 2019 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2018 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		
		30.09.2019 RM'000	30.09.2018 RM'000	+ / (-) %	30.09.2019 RM'000	30.09.2018 RM'000	+ / (-) %
Revenue		<b>527,813</b>	588,047	(10)	<b>1,555,062</b>	1,842,431	(16)
Cost of sales		<b>(329,078)</b>	(414,735)		<b>(937,773)</b>	(1,421,874)	
Gross profit		<b>198,735</b>	173,312		<b>617,289</b>	420,557	
Other operating income		<b>81,819</b>	9,159		<b>109,811</b>	55,724	
Selling and distribution costs		<b>(2,369)</b>	(16,927)		<b>(5,190)</b>	(30,477)	
Administrative expenses		<b>(29,540)</b>	(50,882)		<b>(105,058)</b>	(163,779)	
Operating profit before impairment		<b>248,645</b>	114,662	117	<b>616,852</b>	282,025	119
Impairment		-	(563,480)		-	(1,042,422)	
Operating profit/(loss)		<b>248,645</b>	(448,818)	(155)	<b>616,852</b>	(760,397)	(181)
Finance costs		<b>(143,386)</b>	(130,845)		<b>(408,190)</b>	(385,038)	
Share of results of joint ventures and associates		<b>54,749</b>	65,471		<b>123,675</b>	112,008	
Profit/(loss) before taxation		<b>160,008</b>	(514,192)	(131)	<b>332,337</b>	(1,033,427)	(132)
Taxation	18	<b>(8,522)</b>	827		<b>(37,374)</b>	(23,433)	
Profit/(loss) for the financial period		<b>151,486</b>	(513,365)	(130)	<b>294,963</b>	(1,056,860)	(128)
Attributable to:							
- Owners of the Company		<b>153,373</b>	(502,827)	(131)	<b>293,794</b>	(1,039,890)	(128)
- Non-controlling interests		<b>(1,887)</b>	(10,538)		<b>1,169</b>	(16,970)	
		<b>151,486</b>	(513,365)		<b>294,963</b>	(1,056,860)	
Earnings per share (sen)	27						
- Basic		<b>2.61</b>	(8.56)		<b>5.00</b>	(17.71)	
- Diluted		<b>2.61</b>	(8.56)		<b>5.00</b>	(17.71)	

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Individual Quarter Ended		Cumulative Quarters Period Ended	
		30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Profit/(loss) for the financial period		<b>151,486</b>	(513,365)	<b>294,963</b>	(1,056,860)
Other comprehensive (expense)/income					
Items that may be reclassified subsequently to profit or loss					
- Fair value (loss)/gain on cash flow hedges		<b>(91,646)</b>	34,506	<b>(221,089)</b>	259,813
- Costs of hedging		<b>(8,743)</b>	(6,126)	<b>(7,463)</b>	(46,372)
- Foreign currency translation differences		<b>(4,502)</b>	111,241	<b>31,420</b>	135,548
- Share of other comprehensive (expense)/income of joint ventures		<b>(2,431)</b>	1,492	<b>(5,005)</b>	5,456
Items that will not be reclassified to profit or loss:					
- Financial assets at fair value through other comprehensive income:					
- Loss on fair value change		<b>(6,364)</b>	(660)	<b>(2,264)</b>	(8,664)
Other comprehensive (expense)/income for the financial period, net of tax		<b>(113,686)</b>	140,453	<b>(204,401)</b>	345,781
Total comprehensive income/(expense) for the financial period		<b>37,800</b>	(372,912)	<b>90,562</b>	(711,079)
Total comprehensive income/(expense) attributable to:					
- Owners of the Company		<b>40,357</b>	(363,418)	<b>89,588</b>	(689,197)
- Non-controlling interests		<b>(2,557)</b>	(9,494)	<b>974</b>	(21,882)
		<b>37,800</b>	(372,912)	<b>90,562</b>	(711,079)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>Note</b>	<b>As at 30.09.2019 RM'000</b>	<b>As at 31.12.2018 RM'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	<b>6,210,180</b>	6,692,694
Investments in joint ventures		<b>1,155,084</b>	1,022,870
Investment in an associate		-	5
Financial assets at fair value through other comprehensive income		<b>13,490</b>	15,158
Finance lease receivables		<b>4,950,715</b>	5,011,820
Contract assets		<b>24,740</b>	44,090
Amounts due from joint ventures		<b>22,898</b>	26,069
Amount due from an associate		<b>125,631</b>	-
Derivative financial instruments	22	<b>1,000</b>	65,060
Deferred tax assets		<b>18,063</b>	21,660
		<b>12,521,801</b>	12,899,426
<b>CURRENT ASSETS</b>			
Inventories		<b>3,446</b>	7,298
Finance lease receivables		<b>166,749</b>	156,639
Trade receivables	20	<b>545,756</b>	755,283
Accrued lease rentals		<b>319,693</b>	315,555
Other receivables, deposits and prepayments		<b>97,231</b>	58,810
Contract assets		<b>20,683</b>	5,574
Amounts due from joint ventures		<b>37,779</b>	30,055
Derivative financial instruments	22	<b>9,632</b>	65,804
Tax recoverable		<b>9,200</b>	19,734
Deposits, cash and bank balances		<b>1,034,538</b>	1,226,424
		<b>2,244,707</b>	2,641,176
Non-current assets classified as held-for-sale		-	114
<b>TOTAL ASSETS</b>		<b>14,766,508</b>	15,540,716

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

	Note	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
<b>LESS: CURRENT LIABILITIES</b>			
Trade payables and accruals		268,118	563,527
Other payables and accruals		281,697	492,897
Contract liabilities		31,633	26,635
Amounts due to joint ventures		18,082	34,667
Amounts due to associates		2,972	-
Provisions		-	85,587
Lease liabilities		21,707	5,549
Borrowings – others	21	1,321,618	3,781,099
Borrowings – Armada Kraken Pte Ltd	21	1,477,403	1,782,895
Borrowings – Sukuk Murabahah	21	-	1,499,352
Derivative financial instruments	22	15,562	426,299
Taxation		30,695	35,467
		<b>3,469,487</b>	<b>8,733,974</b>
<b>NET CURRENT LIABILITIES</b>			
		<b>(1,224,780)</b>	<b>(6,092,684)</b>
<b>LESS: NON-CURRENT LIABILITIES</b>			
Other payables and accruals		128,454	55,802
Contract liabilities		22,350	15,616
Lease liabilities		3,686	-
Borrowings	21	7,080,768	3,317,184
Derivative financial instruments	22	544,793	7,044
Deferred tax liabilities		51,787	40,956
		<b>7,831,838</b>	<b>3,436,602</b>
<b>NET ASSETS</b>			
		<b>3,465,183</b>	<b>3,370,140</b>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital		4,319,029	4,314,815
Reserves		(861,723)	(951,578)
		<b>3,457,306</b>	<b>3,363,237</b>
<b>NON-CONTROLLING INTERESTS</b>			
		<b>7,877</b>	<b>6,903</b>
<b>TOTAL EQUITY</b>			
		<b>3,465,183</b>	<b>3,370,140</b>
<b>NET ASSETS PER SHARE (RM)</b>			
		<b>0.59*</b>	<b>0.57</b>

\* Based on 5,876,524,744 ordinary shares in issue as at 30 September 2019.

**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	Share capital RM'000	Foreign exchange reserve RM'000	Share option reserve RM'000	Hedging reserve RM'000	Other reserves RM'000	Accumulated losses RM'000	Total RM'000		
<u>2019</u>										
At 1 January 2019	5,870,937	4,314,815	1,240,259	10,151	58,275	1,298	(2,261,561)	3,363,237	6,903	3,370,140
Profit for the financial period	-	-	-	-	-	-	293,794	293,794	1,169	294,963
Other comprehensive income/(expense) for the financial period, net of tax	-	-	31,615	-	(233,557)	(2,264)	-	(204,206)	(195)	(204,401)
Total comprehensive income/(expense) for the financial period, net of tax	-	-	31,615	-	(233,557)	(2,264)	293,794	89,588	974	90,562
Transactions with owners:										
- Shares issued pursuant to the management incentive plan	5,588	4,214	-	(4,214)	-	-	-	-	-	-
- Management incentive plan granted	-	-	-	4,481	-	-	-	4,481	-	4,481
- Employee share options forfeited	-	-	-	(6,469)	-	-	6,469	-	-	-
At 30 September 2019	5,876,525	4,319,029	1,271,874	3,949	(175,282)	(966)	(1,961,298)	3,457,306	7,877	3,465,183

**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	Share capital RM'000	Foreign exchange reserve RM'000	Share Option reserve RM'000	Hedging reserve RM'000	Other reserves RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000		
<u>2018</u>										
At 1 January 2018	5,866,269	4,311,294	1,080,241	19,352	(40,257)	16,708	109,991	5,497,329	23,702	5,521,031
Effect on the adoption of MFRS 9	-	-	-	-	-	-	(15,473)	(15,473)	-	(15,473)
Effect on the adoption of MFRS 15	-	-	-	-	-	-	(48,402)	(48,402)	-	(48,402)
At 1 January 2018 (Restated)	5,866,269	4,311,294	1,080,241	19,352	(40,257)	16,708	46,116	5,433,454	23,702	5,457,156
Loss for the financial period	-	-	-	-	-	-	(1,039,890)	(1,039,890)	(16,970)	(1,056,860)
Other comprehensive income/(expense) for the financial period, net of tax	-	-	140,445	-	218,912	(8,664)	-	350,693	(4,912)	345,781
Total comprehensive income/(expense) for the financial period, net of tax	-	-	140,445	-	218,912	(8,664)	(1,039,890)	(689,197)	(21,882)	(711,079)
Transactions with owners:										
- Shares issued pursuant to the management incentive plan	4,668	3,521	-	(3,521)	-	-	-	-	-	-
- Management incentive plan granted	-	-	-	4,199	-	-	-	4,199	-	4,199
- Employee share options forfeited	-	-	-	(5,611)	-	-	5,611	-	-	-
At 30 September 2018	5,870,937	4,314,815	1,220,686	14,419	178,655	8,044	(988,163)	4,748,456	1,820	4,750,276

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Period Ended 30.09.2019 RM'000</b>	<b>Period Ended 30.09.2018 RM'000</b>
<b>OPERATING ACTIVITIES</b>		
Profit/(loss) for the financial period	<b>294,963</b>	(1,056,860)
Adjustments for non-cash items:		
Share of results of joint ventures and associates	<b>(123,675)</b>	(112,008)
Gain on disposal of property, plant and equipment and non-current assets held-for-sale	<b>(31,968)</b>	(14,648)
Gain on disposal of joint ventures	<b>(36,111)</b>	-
Depreciation of property, plant and equipment	<b>321,344</b>	401,807
Fair value through profit and loss on derivative financial instruments	<b>(5,801)</b>	(10,678)
Bad debts written back	<b>(3,209)</b>	-
Net allowance for impairment losses	<b>10,181</b>	179,691
Unrealised foreign exchange loss	<b>2,436</b>	20,611
Share-based payment	<b>4,481</b>	4,199
Impairment of:		
- Property, plant and equipment	-	999,249
- Non-current assets held-for-sale	-	43,173
Interest income	<b>(21,682)</b>	(26,688)
Interest expense	<b>412,765</b>	390,152
Accretion of interest	<b>1,226</b>	5,564
Taxation	<b>37,374</b>	23,433
Operating profit before changes in working capital	<b>862,324</b>	846,997
Changes in working capital:		
Inventories	<b>3,877</b>	(3,140)
Finance lease receivables	<b>117,414</b>	284,564
Trade and other receivables	<b>184,722</b>	(428,191)
Trade and other payables	<b>(237,301)</b>	74,950
Joint ventures and associates	<b>13,929</b>	258,815
Cash from operations	<b>944,965</b>	1,033,995
Interest paid	<b>(433,763)</b>	(408,848)
Tax paid	<b>(13,178)</b>	(33,605)
<b>NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES</b>	<b>498,024</b>	591,542
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(95,718)</b>	(155,714)
Proceeds from disposal of property, plant and equipment	<b>71,444</b>	16,732
Advances to an associate	<b>(125,631)</b>	-
Interest received	<b>22,939</b>	28,161
Increase in paid-up share capital in a joint venture	-	(224,083)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(126,966)</b>	(334,904)
<b>FINANCING ACTIVITIES</b>		
Repayment of borrowings	<b>(3,465,014)</b>	(610,194)
Repayment of hire purchase creditors	-	(286)
Proceeds from borrowings	<b>2,889,513</b>	-
Principal elements of operating lease payment	<b>(4,442)</b>	-
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(579,943)</b>	(610,480)



**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

	<b>Period Ended 30.09.2019 RM'000</b>	<b>Period Ended 30.09.2018 RM'000</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(208,885)</b>	<b>(353,842)</b>
<b>CURRENCY TRANSLATION DIFFERENCES</b>	<b>16,999</b>	<b>38,197</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<b>1,226,424</b>	<b>1,846,114</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>1,034,538</b>	<b>1,530,469</b>
Cash and cash equivalents consist of:		
Deposits with licensed banks	<b>917,201</b>	<b>1,262,741</b>
Cash and bank balances	<b>117,337</b>	<b>267,728</b>
	<b>1,034,538</b>	<b>1,530,469</b>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

**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 2018 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 2018. The results of the joint ventures are based on unaudited management accounts.

As at 30 September 2019, the Group’s current liabilities exceeded its current assets by RM1,224.8 million mainly due to classification of non-current borrowings of Armada Kraken Pte Ltd (“AKPL”) of RM1,477.4 million as current liabilities.

A cash flow forecast for the 12 months from the reporting date was prepared to assess and confirm the appropriateness of the going concern basis for the preparation of the financial statements of the Group. The actions taken to address the Group’s debt obligations are disclosed in Note 21.

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 2018, other than those disclosed below:

(a) New MFRS, amendments to MFRS, annual improvements and interpretation which are applicable to the Group effective on or after 1 January 2019:

- MFRS 16 “Leases”
- IC Interpretation 23 “Uncertainty over Income Tax Treatments”
- Amendments to MFRS 128 “Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 9 “Financial Instruments” - Prepayment Features with Negative Compensation
- Annual improvements to MFRS Standards 2015 - 2017 Cycle:
  - Amendments to MFRS 3 “Business Combinations” - Previously Held Interest in a Joint Operation
  - Amendments to MFRS 11 “Joint Arrangements” - Previously Held Interest in a Joint Operation
  - Amendments to MFRS 112 “Income Taxes” - Income Tax Consequences of Payments on Financial Instruments Classified as Equity
  - Amendments to MFRS 123 “Borrowing Costs” - Borrowing Costs Eligible for Capitalisation

The adoption of the above amendments and annual improvement to MFRS did not have any significant impact on the financial statements of the Group, except as disclosed in Note 28.

(b) New amendments to MFRS and interpretation which are applicable to the Group effective on or after 1 January 2020:

- Amendments to References to the Conceptual Framework in MFRS Standards
  - Amendments to MFRS 2 “Share-Based Payment”
  - Amendment to MFRS 3 “Business Combinations”
  - Amendments to MFRS 101 “Presentation of Financial Statements”
  - Amendments to MFRS 108 “Accounting Policies, Changes in Accounting Estimates and Errors”
  - Amendments to MFRS 134 “Interim Financial Reporting”
  - Amendment to MFRS 137 “Provisions, Contingent Liabilities and Contingent Assets”
  - Amendment to MFRS 138 “Intangible Assets”
  - Amendment to IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration”

**1. BASIS OF PREPARATION (CONTINUED)**

(b) New amendments to MFRS and interpretation which are applicable to the Group effective on or after 1 January 2020: (continued)

- Amendments to MFRS 3 “Business Combinations” – Definition of a Business
- Amendments to MFRS 101 “Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Material
- Amendments to MFRS 9, MFRS 139 and MFRS 7 “Interest Rate Benchmark Reform”

The adoption of the above amendments to MFRS and interpretation 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**

<b>Financial Indicators</b>	<b>YTD 30.09.2019 RM'000</b>	<b>YTD 30.09.2018 RM'000</b>	<b>Change RM'000</b>
Segment revenue			
FPO <sup>(1)</sup>	<b>1,323,036</b>	1,312,524	10,512
OMS <sup>(1)</sup>	<b>232,026</b>	529,907	(297,881)
Total revenue	<b>1,555,062</b>	1,842,431	(287,369)
Profit/(loss) for the financial period	<b>294,963</b>	(1,056,860)	1,351,823
Finance costs	<b>(408,190)</b>	(385,038)	(23,152)
Depreciation of property, plant and equipment	<b>(321,344)</b>	(401,807)	80,463
Impairment losses on vessels	<b>-</b>	(1,042,422)	1,042,422

The Group generated revenue of RM1,555.1 million for the financial period ended 30 September 2019 (“YTD 2019”), a decrease of RM287.4 million compared to the financial period ended 30 September 2018 (“YTD 2018”). The decrease in revenue was mainly arising from the OMS segment due to the completion of the LukOil project in the Caspian Sea in December 2018. Revenue from the FPO segment increased due to higher revenue from Armada Kraken FPSO arising from improved vessel availability and recognition of compensation payable to the charterers of Armada Kraken FPSO in accordance with Amendment Agreement No. 2 in YTD 2018, which was offset by decreased revenue from Armada TGT 1 FPSO in YTD 2019 subsequent to the signing of the extension agreement in August 2018.

The Group generated a profit of RM295.0 million for YTD 2019 compared to a loss of RM1,056.9 million for YTD 2018 mainly due to impairment losses recognised in YTD 2018.

With reference to Note 10 Segmental Information, the FPO segment results increased to RM758.3 million for YTD 2019 as compared to RM648.0 million for YTD 2018 mainly due to higher contribution from Armada Kraken FPSO. The OMS segment results decreased to RM77.4 million for YTD 2019 as compared to RM148.6 million for YTD 2018 mainly due to the completion of the LukOil project in the Caspian Sea in December 2018.

Notes:

<sup>(1)</sup> FPO – Floating Production and Operations, and OMS – Offshore Marine Services. These acronyms are also used hereinafter.

**2. MANAGEMENT COMMENTARY (CONTINUED)**

**(B) Review of performance of the current quarter as compared with the immediate preceding quarter**

<b>Financial Indicators</b>	<b>3rd Quarter 2019 RM'000</b>	<b>2nd Quarter 2019 RM'000</b>	<b>Change RM'000</b>
Segment revenue			
FPO	<b>453,863</b>	443,608	10,255
OMS	<b>73,950</b>	92,033	(18,083)
Total revenue	<b>527,813</b>	535,641	(7,828)
Profit for the financial period	<b>151,486</b>	82,122	69,364
Finance costs	<b>(143,386)</b>	(129,224)	(14,162)
Depreciation of property, plant and equipment	<b>(109,409)</b>	(106,626)	(2,783)

The Group generated revenue of RM527.8 million for the quarter ended 30 September 2019 (“Q3 2019”), a decrease of RM7.8 million compared to the quarter ended 30 June 2019 (“Q2 2019”). The decrease was attributed mainly to certain charters where third party vessels were used, resulting in the Group reporting revenue net of costs for these charters. This was offset by increased FPO revenue due to higher contribution from Armada Kraken FPSO.

Vessel average utilisation rates improved from 51% in Q2 2019 to 58% in Q3 2019 due to the disposal of certain vessels during the quarter.

<b>OSV vessel average utilisation rates for the quarter ended</b>	<b>3rd Quarter 2019 %</b>	<b>2nd Quarter 2019 %</b>	<b>Change in %</b>
Group’s vessels	<b>58</b>	51	7
- Class A <sup>(3)</sup>	<b>54</b>	43	11
- Class B <sup>(4)</sup>	<b>73</b>	74	(1)
Group’s vessels including those held by joint ventures	<b>56</b>	50	6

The Group generated a profit of RM151.5 million and a profit attributable to Owners of the Company of RM153.4 million for Q3 2019, which is an improvement of 84% as compared to Q2 2019. This was mainly due to higher share of results from joint ventures in Q3 2019 arising from tax exemptions obtained for Armada Sterling FPSO and Armada Sterling II FPSO and gain on disposal of joint ventures and property, plant and equipment.

With reference to Note 10 Segmental Information, the FPO segment results decreased to RM226.1 million for Q3 2019 as compared to RM278.5 million for Q2 2019 mainly from Armada Olombendo FPSO arising from a one-off discount obtained from vendors on costs incurred during the conversion phase of the vessel in Q2 2019. The OMS segments result increased to RM45.8 million for Q3 2019 as compared to RM22.5 million for Q2 2019 mainly due to foreign exchange gain in Q3 2019 arising from translation of intercompany balances denominated in foreign currencies.

Notes:

- (2) OSV – Offshore Support Vessel
- (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) Review of consolidated statement of financial position**

<b>Financial Indicators</b>	<b>As at 30.09.2019 RM'000</b>	<b>As at 31.12.2018 RM'000</b>	<b>Change RM'000</b>
Total assets	<b>14,766,508</b>	15,540,716	(774,208)
Total liabilities	<b>(11,301,325)</b>	(12,170,576)	869,251
Total equity	<b>(3,465,183)</b>	(3,370,140)	(95,043)

As at 30 September 2019, the Group had total assets of RM14,766.5 million, a decrease of 5% compared to 31 December 2018, mainly due to a decrease in property, plant and equipment ("PPE"), trade receivables and deposits, cash and bank balances. PPE decreased due to depreciation charged and disposal of vessels in YTD 2019. The decrease in trade receivables was mainly due to receipts from customers in YTD 2019. The decrease in cash and bank balances was mainly due to repayment of bank borrowings.

As at 30 September 2019, the Group had total liabilities of RM11,301.3 million, a decrease of 7% compared to 31 December 2018, mainly due to repayment of bank borrowings and settlement of trade and other payables balances.

**(D) Review of consolidated statement of cash flows**

<b>Financial Indicators</b>	<b>YTD 30.09.2019 RM'000</b>	<b>YTD 30.09.2018 RM'000</b>	<b>Change RM'000</b>
Net cash flows generated from operating activities	<b>498,024</b>	591,542	(93,518)
Net cash flows used in investing activities	<b>(126,966)</b>	(334,904)	207,938
Net cash flows used in financing activities	<b>(579,943)</b>	(610,480)	30,537
Net decrease in cash and cash equivalents	<b>(208,885)</b>	(353,842)	144,957

The Group had lower net cash flows generated from operating activities in YTD 2019 compared to YTD 2018, mainly due to higher payments to vendors and lower receipts from joint ventures in YTD 2019, which was offset by higher receipts from customers during the period.

The Group had lower net cash flows used in investing activities in YTD 2019 compared to YTD 2018 due to the subscription of shares of a joint venture in YTD 2018, lower purchase of PPE in YTD 2019 due to payment of remaining capex for certain FPSO vessels in 2018 and higher proceeds received from the disposal of PPE in YTD 2019. The reduction was partially offset by advances to an associate in YTD 2019.

The Group had lower net cash flows used in financing activities in YTD 2019 compared to YTD 2018 due to proceeds from borrowings in YTD 2019 which was partially offset by repayment of borrowings in YTD 2019.

**3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019**

The Group continues to focus on the following areas to improve the prospects for the organisation:

- Corporate and operational HSSEQ;
- Optimise performance across the FPO fleet;
- Reduction of costs and debt;
- Securing charters for the OMS vessels; and
- Monetisation of assets.

**4. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS**

There was no qualification to the audited financial statements for the preceding financial year ended 31 December 2018.

**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 2019.

**6. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE**

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

**7. CHANGES IN ESTIMATES**

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

**8. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES**

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

**9. DIVIDENDS PAID**

There were no dividends paid in the current financial period ended 30 September 2019.

**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 2019 and 30 September 2018 are as follows:

<b>Individual Quarter Ended 30.09.2019</b>	<b>FPO RM'000</b>	<b>OMS RM'000</b>	<b>Corporate and others RM'000</b>	<b>Elimination RM'000</b>	<b>Group RM'000</b>
Revenue	453,863	73,950	-	-	527,813
Inter-segment revenue	-	-	28,605	(28,605)	-
Results					
Segment results	226,125	45,820	5,780	-	277,725
Depreciation of property, plant and equipment	(71,086)	(36,809)	(1,514)	-	(109,409)
Bad debts written back	3,209	-	-	-	3,209
Net allowance for impairment losses	(4,232)	(467)	-	-	(4,699)
Share of results of joint ventures and associates	66,970	(12,221)	-	-	54,749
Subtotal	220,986	(3,677)	4,266	-	221,575
Other operating income					81,819
Finance costs					(143,386)
Taxation					(8,522)
Profit for the financial period					151,486

<b>Individual Quarter Ended 30.09.2018</b>	<b>FPO RM'000</b>	<b>OMS RM'000</b>	<b>Corporate and others RM'000</b>	<b>Elimination RM'000</b>	<b>Group RM'000</b>
Revenue	405,712	182,335	-	-	588,047
Inter-segment revenue	-	-	33,129	(33,129)	-
Results					
Segment results	196,532	44,570	8,504	-	249,606
Depreciation of property, plant and equipment	(75,883)	(53,341)	(345)	-	(129,569)
Net writeback of allowance for impairment losses/ (allowance for impairment losses)	129	(14,663)	-	-	(14,534)
Impairment	(41,423)	(522,057)	-	-	(563,480)
Share of results of joint ventures	65,192	279	-	-	65,471
Subtotal	144,547	(545,212)	8,159	-	(392,506)
Other operating income					9,159
Finance costs					(130,845)
Taxation					827
Loss for the financial period					(513,365)

**10. SEGMENTAL INFORMATION (CONTINUED)**

<b>Cumulative Quarters Period Ended 30.09.2019</b>	<b>FPO RM'000</b>	<b>OMS RM'000</b>	<b>Corporate and others RM'000</b>	<b>Elimination RM'000</b>	<b>Group RM'000</b>
Revenue	<b>1,323,036</b>	<b>232,026</b>	-	-	<b>1,555,062</b>
Inter-segment revenue	-	-	72,572	(72,572)	-
Results					
Segment results	<b>758,302</b>	<b>77,389</b>	(334)	-	<b>835,357</b>
Depreciation of property, plant and equipment	(211,112)	(105,379)	(4,853)	-	(321,344)
Bad debts written back	3,209	-	-	-	3,209
Net allowance for impairment losses	(9,714)	(467)	-	-	(10,181)
Share of results of joint ventures and associates	<b>135,308</b>	<b>(11,633)</b>	-	-	<b>123,675</b>
Subtotal	<b>675,993</b>	<b>(40,090)</b>	<b>(5,187)</b>	-	<b>630,716</b>
Other operating income					<b>109,811</b>
Finance costs					(408,190)
Taxation					(37,374)
Profit for the financial period					<b>294,963</b>

<b>Cumulative Quarters Period Ended 30.09.2018</b>	<b>FPO RM'000</b>	<b>OMS RM'000</b>	<b>Corporate and others RM'000</b>	<b>Elimination RM'000</b>	<b>Group RM'000</b>
Revenue	1,312,524	529,907	-	-	1,842,431
Inter-segment revenue	-	-	86,868	(86,868)	-
Results					
Segment results	647,987	148,555	11,257	-	807,799
Depreciation of property, plant and equipment	(236,773)	(163,594)	(1,440)	-	(401,807)
Net (allowance for impairment losses)/ writeback of allowance for impairment losses	(50,690)	(129,021)	20	-	(179,691)
Impairment	(520,365)	(522,057)	-	-	(1,042,422)
Share of results of joint ventures	112,560	(552)	-	-	112,008
Subtotal	(47,281)	(666,669)	9,837	-	(704,113)
Other operating income					55,724
Finance costs					(385,038)
Taxation					(23,433)
Loss for the financial period					(1,056,860)

Segmental revenue for FPO and OMS is mainly denominated in USD.



**11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

As at 30 September 2019, 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 events has arisen in the interval between the end of this reporting period and the date of this report, except as disclosed in Note 21.

**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, except as follows:

- (a) On 26 April 2019, Bumi Armada Singapore Holdings Pte. Ltd. (“BASHPL”) and PT Oceanik Eka Abadi (“PT OEA”) entered into a shareholders’ agreement (“SHA”) and an Investment Framework Agreement (“IFA”) (collectively “Agreements”) to jointly control PT Ionasea Marine Services (“PT IMS”) where each shareholder will hold 50% economic interest in PT IMS. PT OEA holds 51% of equity interest in PT IMS while BASHPL holds the remaining stake. The SHA is deemed fully effective on 13 September 2019 upon fulfilment of the conditions therein.

The principal activity of PT IMS is to provide offshore and marine support services.

- (b) On 29 August 2019, Bumi Armada Berhad (“BAB”) entered into an agreement with Century Real Estate and Logistics Limited to dispose its 49% equity interest in Armada Century Limited (“ACL”) and 40% equity interest in Century Bumi Limited (“CBL”).

**14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Group’s contingent liabilities comprising bank guarantees extended to third parties amounted to RM135.7 million as at 30 September 2019 as compared to RM149.2 million as at 31 December 2018. 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 2019 and 31 December 2018 are as follows:

	<b>As at 30.09.2019 RM’000</b>	<b>As at 31.12.2018 RM’000</b>
- authorised and contracted	<b>21,743</b>	25,160
- authorised but not contracted	<b>39,740</b>	22,625
	<b><u>61,483</u></b>	<b><u>47,785</u></b>

**16. SIGNIFICANT RELATED PARTY DISCLOSURES**

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

	<b>Cumulative Quarters Period Ended 30.09.2019 RM'000</b>	<b>Cumulative Quarters Period Ended 30.09.2018 RM'000</b>
(a) Management fees and engineering assistance services receivable from joint ventures	<b>5,213</b>	8,018
(b) Payment on behalf of joint ventures	<b>454</b>	2,991
(c) Telecommunication expenses to Maxis Berhad <sup>(1)</sup>	<b>(349)</b>	(563)
(d) Rental to Malaysian Landed Property Sdn Bhd <sup>(2)</sup>	<b>(4,017)</b>	(5,820)
(e) Transactions with UTSB Management Sdn Bhd <sup>(3)</sup> - management fees	<b>(5,295)</b>	(5,047)
(f) Transactions with Mezzanine Equities N.V. <sup>(3)</sup> - term loan facility	<b>(125,631)</b>	-
(g) Transactions with an associate - advances to an associate	<b>125,631</b>	-
(h) Key management personnel compensation - Non-Executive Directors' fees	<b>(1,680)</b>	(1,557)
- salaries, bonus and allowances and other staff related costs	<b>(10,872)</b>	(12,333)
- defined contribution plan	<b>(303)</b>	(452)
- share-based payment	<b>(3,282)</b>	(2,313)

Usaha Tegag 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:

<sup>(1)</sup> Subsidiary of a joint venture, in which UTSB has a significant equity interest.

<sup>(2)</sup> Subsidiary of a company in which TAK has 100% equity interest.

<sup>(3)</sup> Subsidiary of UTSB, a substantial shareholder of the Company.

**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	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Income tax:				
- Current year	5,347	2,306	18,366	29,329
- Prior year	22	(4,268)	5,042	(17,659)
Deferred tax	3,153	1,135	13,966	11,763
Total	8,522	(827)	37,374	23,433

The Group's effective tax rates for the individual and cumulative quarters ended 30 September 2019 were 5% and 11% respectively. The difference in the effective tax rate and the Malaysian statutory tax rate of 24% is mainly due to income not subject to tax and recognition of deferred tax assets on potential tax refund receivable from dividend to be declared by foreign subsidiaries.

**19. STATUS OF CORPORATE PROPOSALS ANNOUNCED**

There were no corporate proposals announced but not completed as at the date of this report other than the announcement on 13 August 2013 that a USD1.5 billion Multi Currency Euro Medium Term Note Programme ("EMTN Programme") has been established on 6 August 2013 by a wholly-owned subsidiary, Bumi Armada Capital Offshore Ltd. To date, no medium term notes have been issued under the EMTN Programme.

**20. TRADE RECEIVABLES**

The credit terms of trade receivables ranged from 0 to 60 days. Ageing analysis of trade receivables as at 30 September 2019 and 31 December 2018 is as follows:

	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
Current	521,149	439,248
Less than 30 days past due	5,225	23,133
Between 31 and 60 days past due	6,100	90,886
Between 61 and 90 days past due	1,071	77,662
Between 91 days and 1 year past due	7,532	101,077
More than 1 year past due	4,679	23,277
	<u>545,756</u>	<u>755,283</u>

Trade receivables which are past due as listed above, are not impaired as the Group has assessed these balances and believes that they are recoverable.

**21. BORROWINGS**

	As at 30.09.2019			As at 31.12.2018			As at 30.09.2018		
	Denominated in USD RM'000	Denominated in RM RM'000	Total RM'000	Denominated in USD RM'000	Denominated in RM RM'000	Total RM'000	Denominated in USD RM'000	Denominated in RM RM'000	Total RM'000
<b>SHORT-TERM DEBTS</b>									
<b>Secured:</b>									
Term loans – others <sup>(1)</sup>	976,761	-	976,761	925,573	-	925,573	910,381	-	910,381
Term loans – Armada Kraken Pte Ltd <sup>(2)</sup>	1,477,403	-	1,477,403	1,782,895	-	1,782,895	1,890,795	-	1,890,795
<b>Unsecured:</b>									
Sukuk Murabahah – current	-	6,647	6,647	-	30,655	30,655	-	6,646	6,646
Sukuk Murabahah – non-current <sup>(3)</sup>	-	-	-	-	1,499,352	1,499,352	-	-	-
Revolving credits <sup>(4)</sup>	-	-	-	1,246,912	-	1,246,912	1,324,256	-	1,324,256
Term loans <sup>(4)</sup>	338,210	-	338,210	1,577,959	-	1,577,959	2,080,409	-	2,080,409
<b>Total short-term debts</b>	<b>2,792,374</b>	<b>6,647</b>	<b>2,799,021</b>	<b>5,533,339</b>	<b>1,530,007</b>	<b>7,063,346</b>	<b>6,205,841</b>	<b>6,646</b>	<b>6,212,487</b>
<b>LONG TERM DEBTS</b>									
<b>Secured:</b>									
Term loans <sup>(5)</sup>	3,236,200	-	3,236,200	3,317,184	-	3,317,184	3,401,883	-	3,401,883
<b>Unsecured:</b>									
Sukuk Murabahah	-	1,499,456	1,499,456	-	-	-	-	1,499,318	1,499,318
Term loans <sup>(4)</sup>	2,345,112	-	2,345,112	-	-	-	-	-	-
<b>Total long-term debts</b>	<b>5,581,312</b>	<b>1,499,456</b>	<b>7,080,768</b>	<b>3,317,184</b>	<b>-</b>	<b>3,317,184</b>	<b>3,401,883</b>	<b>1,499,318</b>	<b>4,901,201</b>
<b>Total borrowings</b>	<b>8,373,686</b>	<b>1,506,103</b>	<b>9,879,789</b>	<b>8,850,523</b>	<b>1,530,007</b>	<b>10,380,530</b>	<b>9,607,724</b>	<b>1,505,964</b>	<b>11,113,688</b>

## **21. BORROWINGS (CONTINUED)**

- (1) Included in the current secured term loan is a RM190.9 million Armada Floating Gas Storage Malta Ltd (“AFGSML”) bridge loan, which is intended to be refinanced via long term financing. In April 2019, the lender waived its right to issue a cancellation notice for full repayment of the loan and extended the repayment date of the loan from 12 April 2019 to 11 October 2019.

On 11 October 2019, the AFGSML bridge loan has been successfully refinanced via a 6-year term loan facility from Mezzanine Equities N.V. (“MENV”), a wholly-owned subsidiary of Usaha Tegas Sdn Bhd.

- (2) Non-current borrowings for AKPL of RM1,477.4 million remains classified as current liabilities due to existing non-compliances by AKPL under this loan, in particular Armada Kraken FPSO project not achieving final acceptance by the scheduled date, where project lenders currently have the right to issue, but have to-date not issued, a notice for full prepayment of the loan. Thus, AKPL did not have an unconditional right to defer payment of the non-current borrowings for at least 12 months after the balance sheet date.

In view that the Armada Kraken FPSO has achieved final acceptance in September 2018, the Group is currently in discussion with project lenders to remove the risk of having to prepay the loan as a result of existing non-compliances by AKPL. The Group expects to alleviate such risk by end of 2019.

- (3) The Group did not meet the financial covenant of net debt over earnings before interest, depreciation and amortisation (“EBITDA”) for the Sukuk Murabahah for the financial year ended 31 December 2018. This is mainly because the computation includes non-cash impairment expenses recognised during the financial year ended 31 December 2018.

In April 2019, the Group received a waiver on the covenant breach from the Sukuk holders. Thereafter, non-current Sukuk Murabahah of RM1,499.4 million was reclassified to non-current liabilities.

- (4) In April 2019, the Group signed a facility agreement to refinance the unsecured term loans and revolving credit facilities (the “Facility Agreement”). The salient terms of the new unsecured term loans (the “Loans”) are as follows:

- (i) The Loans comprise a Tranche 1 facility of RM1,074.3 million and a Tranche 2 facility of RM1,652.8 million repayable over 24 months and 60 months respectively, from the closing date of the Facility Agreement;
- (ii) The OMS business together with certain FPO vessels which are idle will be disposed of assuming commercially acceptable sale terms can be obtained; and
- (iii) Surplus funds from operations and part of the proceeds from certain strategic initiatives including monetisation of assets and new project financing will be used to repay the Loans.

On 23 May 2019, the Group drewdown the Loans and repaid the unsecured term loans and revolving credit facilities with the total carrying amount of RM2,727.1 million. Thereafter, the Loans which are due after 12 months from the end of the reporting period were reclassified as non-current liabilities.

- (5) Included in the non-current secured term loan is a RM125.6 million Bumi Armada 98/2 Holdings Pte. Ltd. (“BA98/2”) term loan obtained from MENV. The term loan is secured based on the Group’s equity interest in BA98/2 and Armada Madura EPC Limited, assignment over bank account and assignment of the right to payments due to the Group.

Based on the cash flow forecast for the next 12 months from the reporting date, the Group’s obligations are expected to be funded by available cash balances and cash flows from the Group’s existing vessel charter contracts and proceeds from asset monetisation of non-core assets. The Group also expects distribution from joint ventures.

In order to further manage and strengthen the cash flow position, the Group is taking the following measures:

- Pursue collections from customers; and
- Optimise cost structure.

## 21. BORROWINGS (CONTINUED)

As at 30 September 2019, the proportion of borrowings between floating interest rate and fixed interest rate is 85%:15%. The term loan facility that has floating interest rate has been partially hedged using Interest Rate Swap, while Sukuk Murabahah has been hedged using Cross Currency Interest Rate Swap, as disclosed in Note 22.

The weighted contractual interest/profit rates per annum of borrowings that were effective as at the end of the financial period are as follows:

	<b>30.09.2019</b>	<b>31.12.2018</b>	<b>30.09.2018</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Revolving credits	-	4.83	4.21
Term loans	<b>5.56</b>	4.94	4.66
Sukuk Murabahah	<b>6.35</b>	6.35	6.35

Borrowings as at 30 September 2019 reduced by 5% as compared to 31 December 2018 mainly due to repayment of borrowings.

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

Details of derivative financial instruments outstanding as at 30 September 2019 and 31 December 2018 are as set out below:

<b>Types of Derivative</b>	<b>As at 30.09.2019</b>		<b>As at 31.12.2018</b>	
	<b>Contract/ Notional amount RM'000</b>	<b>Fair value assets/ (liabilities) RM'000</b>	<b>Contract/ Notional amount RM'000</b>	<b>Fair value assets/ (liabilities) RM'000</b>
Derivatives used for hedging:				
Interest rate swaps				
- Less than 1 year	<b>1,572,768</b>	<b>3,841</b>	1,747,785	63,161
- 1 to 3 years	<b>518,134</b>	<b>(17,304)</b>	489,220	27,090
- More than 3 years	<b>1,689,662</b>	<b>(29,549)</b>	1,865,918	30,926
	<b>3,780,564</b>	<b>(43,012)</b>	<b>4,102,923</b>	<b>121,177</b>
Cross currency interest rate swaps				
- Less than 1 year	-	<b>(9,771)</b>	1,500,000	(423,656)
- 1 to 3 years	-	<b>(23,916)</b>	-	-
- More than 3 years	<b>1,500,000</b>	<b>(473,024)</b>	-	-
	<b>1,500,000</b>	<b>(506,711)</b>	<b>1,500,000</b>	<b>(423,656)</b>

There have been no changes since the end of the previous financial year ended 31 December 2018 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 September 2019, the net derivative financial liabilities of the Group amounted to RM549.7 million (31 December 2018: RM302.5 million) on re-measuring the fair values of the derivative financial instruments. Of the increase of RM247.2 million from the previous financial year ended 31 December 2018, a net amount of RM247.2 million was included in the cost of hedging reserve and cash flow hedge reserve (collectively "hedging reserve") attributable to the Group and non-controlling interests. Share of hedging reserve in the joint ventures of RM5.0 million was included in the hedging reserve.

**22. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

RM24.4 million was reclassified to the statements of profit or loss to offset the foreign exchange loss which arose from the weakening of RM against USD, and RM5.8 million was recycled to profit or loss which was included in finance cost. This has resulted in a decrease in the credit balance of hedging reserve to a debit balance as at 30 September 2019 by RM175.3 million.

The Group's hedging reserve as at 30 September 2019 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 hedging reserve will be released to the profit or loss within finance costs over the period of the underlying borrowings.

**23. 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 2019 and 31 December 2018 except as set out below, measured using Level 3 valuation technique:

	As at 30.09.2019		As at 31.12.2018	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Finance lease receivables	5,117,464	5,816,937	5,168,459	5,903,289
Amounts due from joint ventures	22,898	55,474	26,069	51,976
Sukuk Murabahah	1,506,103	1,462,806	1,530,007	1,500,230

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

The table below analyses financial instruments carried at fair value as at 30 September 2019 and 31 December 2018, by valuation method.

As at 30.09.2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets:				
Financial assets at fair value through other comprehensive income	13,490	-	-	13,490
Derivatives used for hedging				
- Interest rate swaps	-	8,997	-	8,997
- Cross currency interest rate swaps	-	1,635	-	1,635
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	-	(52,011)	-	(52,011)
- Cross currency interest rate swaps	-	(508,344)	-	(508,344)

**23. FAIR VALUE HIERARCHY (CONTINUED)**

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

<b>As at 31.12.2018</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
Financial assets:				
Financial assets at fair value through other comprehensive income	15,158	-	-	15,158
Derivatives used for hedging				
- Interest rate swaps	-	128,820	-	128,820
- Cross currency interest rate swaps	-	2,044	-	2,044
	<u>-</u>	<u>128,820</u>	<u>-</u>	<u>128,820</u>
	<u>-</u>	<u>2,044</u>	<u>-</u>	<u>2,044</u>
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	-	(7,643)	-	(7,643)
- Cross currency interest rate swaps	-	(425,700)	-	(425,700)
	<u>-</u>	<u>(7,643)</u>	<u>-</u>	<u>(7,643)</u>
	<u>-</u>	<u>(425,700)</u>	<u>-</u>	<u>(425,700)</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.



**24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

	<b>Individual Quarter Ended 30.09.2019 RM'000</b>	<b>Individual Quarter Ended 30.09.2018 RM'000</b>	<b>Cumulative Quarters Period Ended 30.09.2019 RM'000</b>	<b>Cumulative Quarters Period Ended 30.09.2018 RM'000</b>
Profit/(loss) before taxation is arrived at after (crediting)/charging:				
(a) Other operating income				
- Interest income	<b>(6,449)</b>	(8,785)	<b>(21,682)</b>	(26,688)
- Gain on disposal of joint ventures	<b>(36,111)</b>	-	<b>(36,111)</b>	-
- Gain on disposal of property, plant and equipment and non-current assets held-for-sale <sup>(1)</sup>	<b>(29,877)</b>	(177)	<b>(31,968)</b>	(14,648)
- Others	<b>(9,382)</b>	(197)	<b>(20,050)</b>	(14,388)
(b) Interest expense	<b>141,736</b>	134,957	<b>412,765</b>	390,152
(c) Accretion of interest	<b>490</b>	2,097	<b>1,226</b>	5,564
(d) Depreciation of property, plant and equipment	<b>109,409</b>	129,569	<b>321,344</b>	401,807
(e) Bad debts written back	<b>(3,209)</b>	-	<b>(3,209)</b>	-
(f) Net allowance for impairment losses				
- Trade receivables	<b>4,699</b>	14,534	<b>4,699</b>	22,900
- Other receivables and deposits	-	-	-	141,234
- Amount due from a joint venture	-	-	<b>5,482</b>	15,557
(g) Impairment of				
- Property, plant and equipment	-	522,057	-	999,249
- Non-current assets held-for-sale	-	41,423	-	43,173
(h) Net foreign exchange loss/(gain)				
- realised	<b>3,589</b>	14,457	<b>(10,677)</b>	41,353
- unrealised	<b>2,053</b>	6,580	<b>2,436</b>	20,611
(i) Fair value through profit and loss on derivative financial instruments	<b>1,160</b>	(6,209)	<b>(5,801)</b>	(10,678)
(j) Retrenchment expenses	<b>-</b>	486	<b>35</b>	5,397

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 September 2019.

<sup>(1)</sup> The gain on disposal of property, plant and equipment mainly relates to Armada Perdana FPSO which was sold to Century Energy Services Limited ("CESL") for a purchase price of USD40.0 million.

## **25. MATERIAL LITIGATION**

Save for the following, as at 30 September 2019, 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 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 trial for this matter has commenced at the Supreme Court on 18 February 2019 and the parties served written closing submissions and made closing oral submissions on 26 and 27 March 2019. Judgement is expected before the end of December 2019.

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.

## **26. DIVIDENDS**

No dividend was declared or recommended for the current financial period ended 30 September 2019.

## **27. EARNINGS PER SHARE**

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

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account:

- the after income tax effect of interest and other financing costs associated with the Employee Share Options Scheme (“ESOS”) and Management Incentive Plan (“MIP”); and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares from the ESOS and MIP.

**27. EARNINGS PER SHARE (CONTINUED)**

The MIP shares awarded were not dilutive for the period ended 30 September 2019 as there is one vesting condition to be satisfied before Quarter 2, 2020. Hence, the calculation of diluted earnings per share does not assume the exercise of the MIP. The ESOS is not dilutive as the exercise price is higher than the current market price.

	Individual Quarter Ended		Cumulative Quarters Period Ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Profit/(loss) attributable to Owners of the Company (RM'000)	<b>153,373</b>	(502,827)	<b>293,794</b>	(1,039,890)
Weighted average/adjusted weighted average number of ordinary shares in issue for basic EPS ('000)	<b>5,874,102</b>	5,870,937	<b>5,874,102</b>	5,870,937
Basic EPS (sen)	<b>2.61</b>	(8.56)	<b>5.00</b>	(17.71)
Diluted EPS (sen)	<b>2.61</b>	(8.56)	<b>5.00</b>	(17.71)

**28. ADOPTION OF MFRS 16**

The Group has adopted MFRS 16 in the current financial period, where MFRS 16 supersedes MFRS 117 "Leases" and the related interpretations. Under MFRS 16, a contract is, or contains a lease, if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 eliminates the classification of leases by the lessee as either finance leases or operating leases.

MFRS 16 requires the lessee to recognise in the statement of financial position, a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payment for most leases. The right-of use is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in the statement of profit or loss.

On the date of initial application, the Group applied the simplified transition approach and did not restate comparative amounts for the period prior to first adoption. Right-of-use assets were measured on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The adoption of MFRS 16 impacts the Group's financial performance in the current financial period as below:

- (a) On the statement of profit or loss, expenses which were previously included as operating lease rentals were replaced by accretion of interest on lease liabilities (included within "finance costs") and amortisation of the right-of-use assets (included within depreciation of property, plant and equipment).
- (b) On the statement of cash flows, operating lease rental outflows previously recorded within "net cash flows from operating activities" were reclassified as "net cash flows used in financing activities" for repayment of the principal portion of lease liabilities.

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 2019