



BUMIARMADA

BUMI ARMADA BERHAD

199501041194 (370398-X)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2020

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2020

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 first quarter ended 31 March 2020 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Note	Individual Quarter Ended			Cumulative Quarter Period Ended		
		31.03.2020 RM'000	31.03.2019 RM'000	+ / (-) %	31.03.2020 RM'000	31.03.2019 RM'000	+ / (-) %
Revenue		552,618	491,608	12	552,618	491,608	12
Cost of sales		(289,777)	(301,639)		(289,777)	(301,639)	
Gross profit		262,841	189,969		262,841	189,969	
Other operating income		26,308	12,337		26,308	12,337	
Selling and distribution costs		(705)	(1,629)		(705)	(1,629)	
Administrative expenses		(46,543)	(33,724)		(46,543)	(33,724)	
Operating profit before impairment		241,901	166,953	45	241,901	166,953	45
Impairment		(314,350)	-		(314,350)	-	
Operating (loss)/profit		(72,449)	166,953	(143)	(72,449)	166,953	(143)
Finance costs		(137,246)	(135,580)		(137,246)	(135,580)	
Share of results of joint ventures and associates		(4,520)	38,405		(4,520)	38,405	
(Loss)/Profit before taxation		(214,215)	69,778	(407)	(214,215)	69,778	(407)
Taxation	18	(5,332)	(8,423)		(5,332)	(8,423)	
(Loss)/Profit for the financial period		(219,547)	61,355	(458)	(219,547)	61,355	(458)
Attributable to:							
- Owners of the Company		(223,967)	62,213	(460)	(223,967)	62,213	(460)
- Non-controlling interests		4,420	(858)		4,420	(858)	
		(219,547)	61,355		(219,547)	61,355	
Earnings per share (sen)	27						
- Basic		(3.81)	1.06		(3.81)	1.06	
- Diluted		(3.81)	1.06		(3.81)	1.06	

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarter Period Ended	
		31.03.2020 RM'000	31.03.2019 RM'000	31.03.2020 RM'000	31.03.2019 RM'000
(Loss)/Profit for the financial period		(219,547)	61,355	(219,547)	61,355
Other comprehensive (expense)/income					
Items that may be reclassified subsequently to profit or loss					
- Fair value loss on cash flow hedges		(214,600)	(55,453)	(214,600)	(55,453)
- Costs of hedging		48,995	(1,637)	48,995	(1,637)
- Foreign currency translation differences		157,826	(39,690)	157,826	(39,690)
- Share of other comprehensive expense of joint ventures		(3,950)	(1,658)	(3,950)	(1,658)
Items that will not be reclassified to profit or loss:					
- Financial assets at fair value through other comprehensive income:					
- Loss on fair value change		(13,673)	(4,684)	(13,673)	(4,684)
Other comprehensive expense for the financial period, net of tax		(25,402)	(103,122)	(25,402)	(103,122)
Total comprehensive expense for the financial period		(244,949)	(41,767)	(244,949)	(41,767)
Total comprehensive (expense)/income attributable to:					
- Owners of the Company		(248,901)	(40,630)	(248,901)	(40,630)
- Non-controlling interests		3,952	(1,137)	3,952	(1,137)
		(244,949)	(41,767)	(244,949)	(41,767)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	5,806,761	5,940,608
Investments in joint ventures		1,103,553	1,056,059
Investment in associates		15,187	11,501
Financial assets at fair value through other comprehensive income		10,119	22,986
Finance lease receivables		4,978,996	4,789,815
Accrued lease rental		86,424	81,821
Contract assets		-	24,168
Amount due from a joint venture		24,487	22,857
Amount due from an associate		129,636	122,730
Derivative financial instruments	22	647	6,498
Deferred tax assets		21,470	21,958
		12,177,280	12,101,001
CURRENT ASSETS			
Inventories		3,744	5,635
Finance lease receivables		185,546	171,783
Trade receivables	20	611,855	416,786
Other receivables, deposits and prepayments		98,324	81,496
Contract assets		36,379	28,780
Amounts due from joint ventures		37,472	40,411
Amount due from an associate		37,904	8,739
Derivative financial instruments	22	388	8,888
Tax recoverable		12,331	11,041
Deposits, cash and bank balances		959,538	1,094,376
		1,983,481	1,867,935
Non-current assets classified as held-for-sale		-	10,227
TOTAL CURRENT ASSETS		1,983,481	1,878,162
TOTAL ASSETS		14,160,761	13,979,163

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000
LESS: CURRENT LIABILITIES			
Trade payables and accruals		197,711	265,982
Other payables and accruals		282,347	282,072
Contract liabilities		45,382	26,395
Amounts due to joint ventures		1,119	1,550
Amount due to an associate		832	725
Lease liabilities		38,767	35,934
Borrowings – others	21	1,186,874	1,145,446
Borrowings – Armada Kraken Pte Ltd	21	-	1,332,047
Derivative financial instruments	22	46,406	10,442
Taxation		42,052	37,654
		1,841,490	3,138,247
NET CURRENT ASSETS/(LIABILITIES)		141,991	(1,260,085)
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals		91,894	92,436
Contract liabilities		14,965	20,640
Lease liabilities		3,596	3,953
Borrowings	21	8,522,041	7,013,168
Derivative financial instruments	22	669,675	449,558
Deferred tax liabilities		48,039	48,021
		9,350,210	7,627,776
NET ASSETS		2,969,061	3,213,140
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		4,319,029	4,319,029
Reserves		(1,340,052)	(1,092,021)
		2,978,977	3,227,008
NON-CONTROLLING INTERESTS		(9,916)	(13,868)
TOTAL EQUITY		2,969,061	3,213,140
NET ASSETS PER SHARE (RM)		0.51*	0.55

* Based on 5,876,524,744 ordinary shares in issue as at 31 March 2020.

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>2020</u>										
At 1 January 2020	5,876,525	4,319,029	1,203,934	5,289	(113,634)	8,864	(2,196,474)	3,227,008	(13,868)	3,213,140
(Loss)/Profit for the financial period	-	-	-	-	-	-	(223,967)	(223,967)	4,420	(219,547)
Other comprehensive income/(expense) for the financial period, net of tax	-	-	158,294	-	(169,555)	(13,673)	-	(24,934)	(468)	(25,402)
Total comprehensive income/(expense) for the financial period, net of tax	-	-	158,294	-	(169,555)	(13,673)	(223,967)	(248,901)	3,952	(244,949)
Transaction with owners:										
- Management incentive plan granted	-	-	-	870	-	-	-	870	-	870
At 31 March 2020	5,876,525	4,319,029	1,362,228	6,159	(283,189)	(4,809)	(2,420,441)	2,978,977	(9,916)	2,969,061

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	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/(Loss) for the financial period	-	-	-	-	-	-	62,213	62,213	(858)	61,355
Other comprehensive expense for the financial period, net of tax	-	-	(39,411)	-	(58,748)	(4,684)	-	(102,843)	(279)	(103,122)
Total comprehensive (expense)/income for the financial period, net of tax	-	-	(39,411)	-	(58,748)	(4,684)	62,213	(40,630)	(1,137)	(41,767)
Transactions with owners:										
- Management incentive plan granted	-	-	-	1,260	-	-	-	1,260	-	1,260
- Employee share options forfeited	-	-	-	(6,469)	-	-	6,469	-	-	-
At 31 March 2019	5,870,937	4,314,815	1,200,848	4,942	(473)	(3,386)	(2,192,879)	3,323,867	5,766	3,329,633

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period Ended 31.03.2020 RM'000	Period Ended 31.03.2019 RM'000
OPERATING ACTIVITIES		
(Loss)/Profit for the financial period	(219,547)	61,355
Adjustments for non-cash items:		
Share of results of joint ventures and associates	4,520	(38,405)
Gain on disposal of property, plant and equipment and non-current assets held-for-sale	(401)	(1,776)
Depreciation of property, plant and equipment	142,709	105,309
Fair value through profit or loss on derivative financial instruments	1,293	4,327
Bad debts written off	1	-
Net (reversal of allowance for impairment losses)/allowance for impairment losses	(552)	5,482
Unrealised foreign exchange (gain)/loss	(933)	3,096
Share-based payment	870	1,260
Impairment of:		
- Property, plant and equipment	314,350	-
Interest income	(7,511)	(8,370)
Interest expense	135,275	130,909
Accretion of interest	678	344
Taxation	5,332	8,423
Operating profit before changes in working capital	376,084	271,954
Changes in working capital:		
Inventories	1,938	1,908
Finance lease receivables	5,898	10,470
Trade and other receivables	(97,716)	120,936
Trade and other payables	(69,401)	(64,086)
Joint ventures and associates	(24,635)	13,366
Cash from operations	192,168	354,548
Interest paid	(154,816)	(159,027)
Tax paid	(1,576)	(1,113)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	35,776	194,408
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(40,181)	(33,147)
Proceeds from disposal of property, plant and equipment	10,890	21,785
Interest received	8,295	11,062
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(20,996)	(300)
FINANCING ACTIVITIES		
Repayment of borrowings	(206,559)	(259,034)
Principal elements of operating lease payment	(1,394)	(1,906)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(207,953)	(260,940)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Period Ended 31.03.2020 RM'000	Period Ended 31.03.2019 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(193,173)	(66,832)
CURRENCY TRANSLATION DIFFERENCES	58,335	(12,029)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	1,094,376	1,226,424
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	959,538	1,147,563
Cash and cash equivalents consist of:		
Deposits with licensed banks	710,802	970,173
Cash and bank balances	248,736	177,390
	959,538	1,147,563

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2020

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 2019 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 2019. 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 2019, other than those disclosed below:

(a) New amendments to MFRS and interpretations 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”
 - Amendments 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”
- Amendments to References to the Conceptual Framework in MFRS Standards
 - Amendment to IC Interpretation 19 “Extinguishing Financial Liabilities with Equity Instruments”
 - Amendment to IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration”
- 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 interpretations did not have any significant impact on the financial statements of the Group.

(b) Amendments to MFRS which are applicable to the Group effective for annual periods beginning on or after 1 January 2022:

- Amendments to MFRS 101 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-current

The adoption of the above amendments to 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 31.03.2020 RM'000	YTD 31.03.2019 RM'000	Change RM'000
Segment revenue			
FPO ⁽¹⁾	462,106	425,565	36,541
OMS ⁽¹⁾	90,512	66,043	24,469
Total revenue	552,618	491,608	61,010
(Loss)/Profit for the financial period	(219,547)	61,355	(280,902)
Finance costs	137,246	135,580	1,666
Depreciation of property, plant and equipment	142,709	105,309	37,400
Impairment losses on vessels	314,350	-	314,350

The Group generated revenue of RM552.6 million for the financial period ended 31 March 2020 (“YTD 2020”), an increase of RM61.0 million compared to the financial period ended 31 March 2019 (“YTD 2019”). Revenue from the FPO segment increased due to improved vessel availability for Armada Kraken FPSO, while revenue from the OMS segment increased due to improved OSV ⁽²⁾ vessel utilisation from 39% in YTD 2019 to 56% in YTD 2020.

OSV vessel average utilisation rates for the cumulative quarter ended	YTD 31.03.2020 %	YTD 31.03.2019 %	Change in %
Group’s vessels	56	39	17
- Class A ⁽³⁾	55	36	19
- Class B ⁽⁴⁾	60	45	15

The Group generated a loss of RM219.5 million for YTD 2020 compared to a profit of RM61.4 million for YTD 2019 mainly due to impairment losses on vessels recognised in YTD 2020.

With reference to Note 10 Segmental Information, the FPO segment results increased to RM354.4 million for YTD 2020 as compared to RM253.7 million for YTD 2019 mainly due to higher revenue, lower operating costs from Armada Olombendo FPSO and Armada Perdana FPSO (disposed in September 2019). The OMS segment results decreased to RM6.9 million for YTD 2020 as compared to RM9.0 million for YTD 2019 mainly due to higher operating costs and foreign exchange losses arising from translation of intercompany and bank balances denominated in foreign currencies, which was offset by improved OSV vessel utilisation in YTD 2020.

Notes:

- ⁽¹⁾ FPO – Floating Production and Operations, and OMS – Offshore Marine Services. These acronyms are also used hereinafter.
- ⁽²⁾ OSV – Offshore Support Vessel. This acronym is also used hereinafter.
- ⁽³⁾ Class A represents vessels which are less than 12 years old or more than 8000 brake horsepower 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 horsepower and accommodation work barges which are less than 200 pax in capacity.

2. MANAGEMENT COMMENTARY (CONTINUED)

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

Financial Indicators	1st Quarter 2020 RM'000	4th Quarter 2019 RM'000	Change RM'000
Segment revenue			
FPO	462,106	419,539	42,567
OMS	90,512	96,104	(5,592)
Total revenue	552,618	515,643	36,975
Loss for the financial period	(219,547)	(256,805)	37,258
Finance costs	137,246	147,312	(10,066)
Depreciation of property, plant and equipment	142,709	119,184	23,525
Impairment losses on vessels	314,350	43,656	270,694

The Group generated revenue of RM552.6 million for the quarter ended 31 March 2020 (“Q1 2020”), an increase of RM37.0 million compared to the quarter ended 31 December 2019 (“Q4 2019”). The increase from the FPO segment was due to improved vessel availability for Armada Kraken FPSO, which was offset by a decrease from the OMS segment mainly due to lower revenue from third party vessels in Q1 2020 compared to Q4 2019.

OSV vessel average utilisation increased from 54% in Q4 2019 to 56% in Q1 2020.

OSV vessel average utilisation rates for the quarter ended	1st Quarter 2020 %	4th Quarter 2019 %	Change in %
Group’s vessels	56	54	2
- Class A	55	51	4
- Class B	60	69	(9)

The Group generated a loss of RM219.5 million for Q1 2020 compared to a loss of RM256.8 million in Q4 2019 mainly due to higher revenue from Armada Kraken FPSO and lower operating costs from Armada Olombendo FPSO in Q1 2020, impairment losses on accrued lease rental in Q4 2019 offset by higher impairment losses on vessels and lower share of results of joint ventures in Q1 2020. Lower share of results of joint ventures in Q1 2020 was mainly due to higher deferred tax expense arising from temporary differences on finance lease receivables.

With reference to Note 10 Segmental Information, the FPO segment results increased to RM354.4 million for Q1 2020 as compared to RM194.5 million for Q4 2019 mainly due to higher revenue from Armada Kraken FPSO and lower operating costs from Armada Olombendo FPSO in Q1 2020 as well as higher foreign exchange gains arising from translation of intercompany balances denominated in foreign currencies. The OMS segment results decreased to RM6.9 million for Q1 2020 as compared to RM35.7 million for Q4 2019 mainly due to higher foreign exchange losses arising from translation of intercompany and bank balances denominated in foreign currencies compared to Q4 2019, offset by lower operating costs.

2. MANAGEMENT COMMENTARY (CONTINUED)

(C) Review of consolidated statement of financial position

Financial Indicators	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000	Change RM'000
Total assets	14,160,761	13,979,163	181,598
Total liabilities	(11,191,700)	(10,766,023)	(425,677)
Total equity	(2,969,061)	(3,213,140)	244,079

As at 31 March 2020, the Group had total assets of RM14,160.8 million, an increase of 1% compared to 31 December 2019, mainly due to an increase in finance lease receivables and trade receivables which was offset by decrease in property, plant and equipment (“PPE”). Finance lease receivables increased due to higher finance lease revenue recognised in YTD 2020 as compared to billings made during the period. The increase in trade receivables was mainly due to lower receipts from customers as compared to billings in YTD 2020. PPE decreased due to depreciation and impairment charged in YTD 2020.

As at 31 March 2020, the Group had total liabilities of RM11,191.7 million, an increase of 4% compared to 31 December 2019, mainly due to higher valuation of borrowings denominated in USD due to stronger USD rates in March 2020 which was offset by repayment of bank borrowings.

(D) Review of consolidated statement of cash flows

Financial Indicators	YTD 31.03.2020 RM'000	YTD 31.03.2019 RM'000	Change RM'000
Net cash flows generated from operating activities	35,776	194,408	(158,632)
Net cash flows used in investing activities	(20,996)	(300)	(20,696)
Net cash flows used in financing activities	(207,953)	(260,940)	52,987
Net decrease in cash and cash equivalents	(193,173)	(66,832)	(126,341)

The Group had lower net cash flows generated from operating activities in YTD 2020 compared to YTD 2019 mainly due to lower receipts from customers during YTD 2020.

The Group had higher net cash flows used in investing activities in YTD 2020 compared to YTD 2019 due to higher purchases of PPE and lower sales proceeds received from disposal of PPE during YTD 2020.

The Group had lower net cash flows used in financing activities in YTD 2020 compared to YTD 2019 due to lower repayment of borrowings during YTD 2020.

2. MANAGEMENT COMMENTARY (CONTINUED)

(E) Critical accounting estimates and judgements

The Group has assessed the impact of the COVID-19 pandemic and the decline in global oil prices on the Group's operations and financial performance during the financial period through a review of the likelihood of increase in expected credit losses of financial assets, the decline in the recoverable amount of the vessels, the impact on earnings, and increased liquidity risks. Other than the following disclosed financial impact to property, plant and equipment, the Group is not aware of any other material impact on the financial statements. The Group is monitoring the situation closely and will take appropriate and timely actions to minimise the financial impact arising from this situation.

Impairment of property, plant and equipment

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

VIU is the present value of the future cash flows expected to be derived from the CGU. The FV represents an estimate of the amount received in the event the vessel is sold on a willing buyer and willing seller basis.

Based on the assessment, an impairment charge of RM314.4 million for property, plant and equipment has been recognised during the financial period for certain OMS vessels. The recoverable amount of OMS vessels was determined based on estimates and judgement with respect to key assumptions such as contracted value, discount rate and residual value; or estimated selling price net of costs of disposal in the event the vessel is expected to be sold on a willing buyer and willing seller basis.

Revision of useful life and residual value

During the financial period, the Group revised the residual value of certain FPSO and OMS vessels based on the prevailing market conditions and the expected value to be obtained for these vessels at the end of their useful lives. In addition, the Group revised the useful life of certain OMS vessel costs based on the expected period of future economic benefits for the vessel costs. The revisions were accounted for as a change in accounting estimate and was effected on 1 January 2020. As a result, the depreciation charge during the financial period increased by RM24.7 million.

3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020

The fall in oil prices in the first quarter of 2020 reflects the expected low demand for oil as a result of the economic turmoil and future uncertainties from the COVID-19 pandemic. The Group expects stable operations for the FPO segment, which generated 84% of revenue in the first quarter, throughout 2020. The OMS segment however, is expected to be volatile with low industry activity affecting contract rates and asset sales. The Group has COVID-19 mitigation measures in place and will continuously monitor the situation to ensure the safety of our staff and assets.

For 2020, 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;
- Cost efficiency and debt reduction;
- Secure charters for the OMS vessels; and
- Monetise selective 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 2019.

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 31 March 2020.

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, except as disclosed in Note 2(E) and Note 3.

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, except as disclosed in Note 2(E).

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 31 March 2020.

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 quarter ended 31 March 2020 and 31 March 2019 are as follows:

Individual Quarter Ended 31.03.2020	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	462,106	90,512	-	-	552,618
Inter-segment revenue	-	-	16,462	(16,462)	-
Results					
Segment results	354,422	6,911	(3,582)	-	357,751
Depreciation of property, plant and equipment	(86,373)	(55,194)	(1,142)	-	(142,709)
Bad debt written off	-	(1)	-	-	(1)
Net reversal of allowance for impairment losses	-	552	-	-	552
Impairment	-	(314,350)	-	-	(314,350)
Share of results of joint ventures and associates	(4,520)	-	-	-	(4,520)
Subtotal	263,529	(362,082)	(4,724)	-	(103,277)
Other operating income					26,308
Finance costs					(137,246)
Taxation					(5,332)
Loss for the financial period					(219,547)

Individual Quarter Ended 31.03.2019	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	425,565	66,043	-	-	491,608
Inter-segment revenue	-	-	33,492	(33,492)	-
Results					
Segment results	253,727	9,040	2,640	-	265,407
Depreciation of property, plant and equipment	(68,765)	(34,645)	(1,899)	-	(105,309)
Net allowance for impairment losses	(5,482)	-	-	-	(5,482)
Share of results of joint ventures and associate	38,150	255	-	-	38,405
Subtotal	217,630	(25,350)	741	-	193,021
Other operating income					12,337
Finance costs					(135,580)
Taxation					(8,423)
Profit for the financial period					61,355

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

11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

As at 31 March 2020, 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 have arisen in the interval between the end of this reporting period end and the date of this report.

13. CHANGES IN THE COMPOSITION OF THE GROUP

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

Armada Mahakam Limited (“AML”), an indirect wholly-owned subsidiary of the Company was dissolved on 17 March 2020 as stated in the Certificate of Dissolution with the Registrar of Corporate Affairs of the British Virgin Islands (“BVI”). The dissolution of AML is in line with the Group’s streamlining exercise and is not expected to have any material impact on the earnings or net assets of the Group for the financial year ending 31 December 2020.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group’s contingent liabilities comprising bank guarantees extended to third parties amounted to RM83.9 million as at 31 March 2020 as compared to RM80.1 million as at 31 December 2019. 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 31 March 2020 and 31 December 2019 are as follows:

	As at 31.03.2020 RM’000	As at 31.12.2019 RM’000
- authorised and contracted	1,054	41,210
- authorised but not contracted	41,972	44,873
	<u>43,026</u>	<u>86,083</u>

16. SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Quarter Ended 31.03.2020 RM'000	Quarter Ended 31.03.2019 RM'000
(a) Management fees and engineering assistance services receivable from joint ventures and an associate		
- revenue	1,444	5,213
- other operating income	17,196	-
(b) Payment on behalf of joint ventures	254	161
(c) Telecommunication expenses to Maxis Berhad ⁽¹⁾	(85)	(123)
(d) Rental to Malaysian Landed Property Sdn Bhd ⁽²⁾	(1,174)	(1,648)
(e) Transaction with UTSB Management Sdn Bhd ⁽³⁾		
- management fees	(1,923)	(1,765)
(f) Transaction with Mezzanine Equities N.V. ⁽³⁾		
- Interest expense	(5,504)	-
(g) Transaction with an associate		
- Interest income	1,559	-
(h) Key management personnel compensation		
- Non-Executive Directors' fees	(543)	(557)
- salaries, bonus and allowances and other staff related costs	(2,647)	(5,115)
- defined contribution plan	(122)	(982)
- share-based payment	(856)	(425)

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 a joint venture, in which UTSB has a significant equity interest.
⁽²⁾ Subsidiary of a company in which TAK has 100% equity interest.
⁽³⁾ 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 Quarter Period Ended	
	31.03.2020 RM'000	31.03.2019 RM'000	31.03.2020 RM'000	31.03.2019 RM'000
Income tax:				
- Current year	6,492	6,425	6,492	6,425
- Prior year	4	74	4	74
Deferred tax	(1,164)	1,924	(1,164)	1,924
Total	5,332	8,423	5,332	8,423

The Group's effective tax rates for the individual and cumulative quarters ended 31 March 2020 were negative 2%. The difference in the effective tax rate and the Malaysian statutory tax rate of 24% is mainly due to income not subject to tax, non-deductible expenses and tax effect of different tax rate in other countries.

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 31 March 2020 and 31 March 2019 is as follows:

	As at 31.03.2020 RM'000	As at 31.03.2019 RM'000
Current	459,016	434,850
Less than 30 days past due	129,349	111,069
Between 31 and 60 days past due	4,175	3,094
Between 61 and 90 days past due	11,380	5,168
Between 91 days and 1 year past due	7,932	13,834
More than 1 year past due	3	23,967
	<u>611,855</u>	<u>591,982</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 31.03.2020			As at 31.12.2019			As at 31.03.2019		
	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
SHORT-TERM DEBTS									
Secured:									
Term loans – others	872,996	-	872,996	813,240	-	813,240	928,414	-	928,414
Term loans – Armada Kraken Pte Ltd ⁽¹⁾	-	-	-	1,332,047	-	1,332,047	1,656,138	-	1,656,138
Unsecured:									
Sukuk Murabahah – current	-	6,908	6,908	-	30,655	30,655	-	6,907	6,907
Sukuk Murabahah – non-current	-	-	-	-	-	-	-	1,499,387	1,499,387
Revolving credit	-	-	-	-	-	-	1,143,419	-	1,143,419
Term loans	306,970	-	306,970	301,551	-	301,551	1,552,431	-	1,552,431
Total short-term debts	1,179,966	6,908	1,186,874	2,446,838	30,655	2,477,493	5,280,402	1,506,294	6,786,696
LONG TERM DEBTS									
Secured:									
Term loans	4,602,643	-	4,602,643	3,222,717	-	3,222,717	3,194,883	-	3,194,883
Unsecured:									
Sukuk Murabahah	-	1,499,526	1,499,526	-	1,499,491	1,499,491	-	-	-
Term loans	2,419,872	-	2,419,872	2,290,960	-	2,290,960	-	-	-
Total long-term debts	7,022,515	1,499,526	8,522,041	5,513,677	1,499,491	7,013,168	3,194,883	-	3,194,883
Total borrowings	8,202,481	1,506,434	9,708,915	7,960,515	1,530,146	9,490,661	8,475,285	1,506,294	9,981,579

21. BORROWINGS (CONTINUED)

- (1) As at 31 December 2019, non-current borrowings for Armada Kraken Pte Ltd (“AKPL”) of RM1,332.0 million was classified as current liabilities due to existing non-compliances by AKPL under this loan, in particular the Armada Kraken FPSO project not achieving final acceptance by the scheduled date, where project lenders have the right to issue, but have 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 February 2020, the project lenders agreed to remove the risk of having to prepay the loan. Accordingly, the non-current borrowings was reclassified as non-current liabilities.

As at 31 December 2019, the proportion of borrowings between floating interest rates and fixed interest rates is 84%:16%. 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:

	31.03.2020	31.12.2019	31.03.2019
	%	%	%
Revolving credits	-	-	4.82
Term loans	4.88	5.37	5.31
Sukuk Murabahah	6.35	6.35	6.35

Borrowings as at 31 March 2020 increased by 2% as compared to 31 December 2019 mainly due to higher valuation of borrowings denominated in USD due to stronger USD rates in March 2020 which was offset by repayment of bank borrowings.

22. DERIVATIVE FINANCIAL INSTRUMENTS

Details of derivative financial instruments outstanding as at 31 March 2020 and 31 December 2019 are as set out below:

Types of Derivative	As at 31.03.2020		As at 31.12.2019	
	Contract/ Notional amount RM'000	Fair value assets/ (liabilities) RM'000	Contract/ Notional amount RM'000	Fair value assets/ (liabilities) RM'000
Derivatives used for hedging:				
Interest rate swaps				
- Less than 1 year	563,895	(33,232)	1,469,601	3,940
- 1 to 3 years	1,232,559	(71,511)	513,800	(8,412)
- More than 3 years	1,833,439	(61,517)	1,582,561	(11,536)
	<u>3,629,893</u>	<u>(166,260)</u>	<u>3,565,962</u>	<u>(16,008)</u>
Cross currency interest rate swaps				
- Less than 1 year	-	(12,786)	-	(5,494)
- 1 to 3 years	-	(29,449)	-	(18,374)
- More than 3 years	1,500,000	(506,551)	1,500,000	(404,738)
	<u>1,500,000</u>	<u>(548,786)</u>	<u>1,500,000</u>	<u>(428,606)</u>

There have been no changes since the end of the previous financial year ended 31 December 2019 in respect of the following:

- the 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 31 March 2020, the net derivative financial liabilities of the Group amounted to RM715.0 million (31 December 2019: RM444.6 million) on re-measuring the fair values of the derivative financial instruments. The increase of RM270.4 million from the previous financial year ended 31 December 2019, 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 RM4.1 million was included in the hedging reserve.

RM103.6 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 RM1.3 million was recycled to profit or loss which was included in finance cost. This has resulted in an increase in the balance of hedging reserve as at 31 March 2020 by RM169.6 million.

The Group's hedging reserve as at 31 March 2020 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 31 March 2020 and 31 December 2019 except as set out below, measured using Level 3 valuation technique:

	As at 31.03.2020		As at 31.12.2019	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Finance lease receivables	5,164,542	5,888,132	4,961,598	5,622,626
Amount due from a joint venture	24,487	61,711	22,857	58,423
Sukuk Murabahah	1,506,433	1,513,955	1,530,146	1,548,652

(b) Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value as at 31 March 2020 and 31 December 2019, by valuation method.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
As at 31.03.2020				
Financial assets:				
Financial assets at fair value through other comprehensive income	10,119	-	-	10,119
Derivatives used for hedging				
- Interest rate swaps	-	-	-	-
- Cross currency interest rate swaps	-	1,035	-	1,035
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	-	(166,260)	-	(166,260)
- Cross currency interest rate swaps	-	(549,821)	-	(549,821)
As at 31.12.2019				
Financial assets:				
Financial assets at fair value through other comprehensive income	22,986	-	-	22,986
Derivatives used for hedging				
- Interest rate swaps	-	13,300	-	13,300
- Cross currency interest rate swaps	-	2,086	-	2,086
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	-	(29,308)	-	(29,308)
- Cross currency interest rate swaps	-	(430,692)	-	(430,692)

23. FAIR VALUE HIERARCHY (CONTINUED)

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

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

	Individual Quarter Ended 31.03.2020 RM'000	Individual Quarter Ended 31.03.2019 RM'000
(Loss)/Profit before taxation is arrived at after (crediting)/charging:		
(a) Other operating income		
- Interest income	(7,511)	(8,370)
- Gain on disposal of property, plant and equipment	(401)	(1,776)
- Management fees charged to a joint venture	(17,196)	-
- Others	(1,200)	(2,191)
(b) Interest expense	135,275	130,909
(c) Accretion of receivables	678	344
(d) Depreciation of property, plant and equipment	142,709	105,309
(e) Bad debts written off	1	-
(f) Net (reversal of allowance for impairment losses)/allowance for impairment losses		
- Trade receivables	(552)	-
- Amount due from a joint venture	-	5,482
(g) Impairment of		
- Property, plant and equipment	314,350	-
(h) Net foreign exchange loss/(gain)		
- realised	15,504	(13,066)
- unrealised	(933)	3,096
(i) Fair value through profit and loss on derivative financial instruments	1,293	4,327
(j) Retrenchment expenses	-	34

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 31 March 2020.

25. MATERIAL LITIGATION

Save for the following, as at 31 December 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 commenced a writ action 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. The trial for this matter commenced at the Supreme Court on 18 February 2019 and concluded on 27 March 2019. Judgment was delivered by the Supreme Court on 24 January 2020 as summarised below:

1. The Supreme Court ruled in favour of WEJ on ABPL’s main claim of repudiation of the Contract.
2. ABPL was found to be entitled to a payment of USD2,000,050 for unpaid milestone claims and AUD341,165.29 for unpaid invoices. ABPL was found to be required to pay WEJ AUD1,567,302.20 for reimbursement of miscellaneous charges.

The Supreme Court issued the final orders on the judgment on 20 February 2020. ABPL filed an appeal against the Supreme Court’s decision at the Court of Appeal on 11 March 2020.

26. DIVIDENDS

No dividend was declared or recommended for the current financial period ended 31 March 2020.

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 year.

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 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 MIP.

27. EARNINGS PER SHARE (CONTINUED)

The MIP shares awarded were not dilutive for the period ended 31 March 2020 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 vesting of the MIP.

	Individual Quarter Ended		Cumulative Quarter Period Ended	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
(Loss)/Profit attributable to Owners of the Company (RM'000)	(223,967)	62,213	(223,967)	62,213
Weighted average/adjusted weighted average number of ordinary shares in issue for basic EPS ('000)	5,876,525	5,870,937	5,876,525	5,870,937
Basic EPS (sen)	(3.81)	1.06	(3.81)	1.06
Diluted EPS (sen)	(3.81)	1.06	(3.81)	1.06

BY ORDER OF THE BOARD

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

Kuala Lumpur
29 May 2020