



**Bumi Armada Berhad Q3 2017 Analyst Briefing Transcript**  
**Thursday, 23<sup>rd</sup> November 2017**

*Bumi Armada Participants:*

- *Leon Harland, Executive Director / Chief Executive Officer*
- *Rezza Hassan, Head of OMS / Executive Director*
- *Pierre Savy, Acting Chief Financial Officer*
- *Jonathan Duckett, SVP Investor Relations, Communications & Sustainability*

**Jonathan Duckett:** Hi, this Jonathan from Bumi Armada. I know some of you are probably calling in from Europe, so good morning to you. In the room today we have Leon Harland, CEO, and Pierre Savy, Acting CFO for Bumi Armada. We're going to run through the presentation now and we will take questions afterwards. During the Q&A, we will take questions in the room before we open the lines. We are little but squeezed for time, because we do have other meetings after this, so we do need to press on. Just to give you a run through of what the schedule is, obviously there is our disclaimer statement, please read that. In the actual agenda, we will be running through some operational updates, the 3<sup>rd</sup> quarter 2017 results, and then the outlook for the company as well. I will now hand over to Leon.

**Leon Harland:** Thank you Jonathan. Hello everybody here in the room as well as on the lines, thank you for your attention. Let's zoom in on the tour around the company from an operational and project update perspective. We will start with the FPSO operations. I think we have seen very satisfying performance on all of our units on an average basis, good uptimes, good safety performance, and we are continuing to produce hydrocarbons and add value to our clients.

To remind you, last year we were extremely busy and dynamic in completing the construction of 3 large FPSOs and 1 LNG FSO in the yard. This year, we are in a transition phase, as we are bringing these units into operation.

We are very satisfied with the way our project in Angola has been progressing from a production perspective. We produced first oil for our client very quickly after having arrived in the field, and soon afterwards managed to ramp-up production to nameplate capacity and have been stably producing ever since.

In Indonesia, we have the world's first gas processing FPSO with a large H<sub>2</sub>S removal facility. We are able to handle gas with H<sub>2</sub>S levels of around 5,000 ppm and store the recovered sulphur in liquid molten form, in special tanks. Every so often, these tanks need to be emptied and the sulphur is then sold as a by-product from the gas production process. We finished the first offload of that molten sulphur recently, which was at same time the world's first operation of such kind being performed at sea. In that respect, it is a milestone and a great achievement.

On Kraken, we have been producing since June, after a very successful hook-up and subsequent start-up until first oil, one of the fastest actually in the North Sea for a long time. Meanwhile, we have achieved acceptance from the UK Health and Safety Executive that we are operating safely as part of our role as the Duty Holder, which is an important milestone. Over time, we have been progressing the ramp up of the production from the field albeit slower than we initially hoped. As result we have agreed with our client an interim agreement. This agreement is still in place as we are continuing



towards full production. Our team, together with our client, are working very co-operatively on achieving this.

In Malta, our LNG FSU facility progressing without much to mention.

In Nigeria, we have the Armada Perdana in operation. We have been very conservative in recognising revenue from our operations there. Our client is not always able to pay us on a regular basis. You have seen our statements on that. It has come to a stage where we basically suspend operations and secure our payment when the offload takes place. This has worked very well, and because of our cautious revenue recognition approach, you will see this quarter a lump coming in, that's because an offload was made and we got paid. For now, that is the basis on which we are continuing the relationship whilst in parallel we remain in dialogue with client on establishing a more constructive way forward.

In India, we have two FPSOs with ONGC operating smoothly, so not much to mention.

In Vietnam, the Armada TGT1 has already been operating successfully for quite some time. This unit is nearing the end of its firm charter by August next year. The client has a right to take out an option to extend the charter on year by year basis. We have entered into discussions with the client to negotiate a longer extension of the charter. This discussion has not been completed, but we are in constructive dialogue, and we will inform you when we have finalised this.

On the OMS business, I will hand over to Rezza.

**Rezza Hassan:** On the market side, for OSV we have slightly higher utilisation in the quarter. The market still has a huge oversupply and a low demand situation. The demand is slightly picking up mainly because of the work that needs to be carried out. But as you know, although utilisation may go up, the rates are still under a lot of pressure.

On the subsea construction side, the Lukoil project in the Russian sector of the Caspian Sea has been completed on schedule. Meanwhile, the vessels have been demobilised, and we are getting ready with procurement and so forth for the next campaign which starts next year.

**Leon Harland:** It's also worth adding that in general our Russian operations are going well, and our performances being recognised in Russia. On Financials, we move to Pierre.

**Pierre Savy:** I will give you the major takeaways on the financials. Revenue in Q3 decreased by 7.6% to RM641 mil, compared to Q2. As a reminder, we had a catch up in revenue for Lukoil in Q2, which boosted revenue at that time, so it not so much of a decrease. In Q3, FPO revenue increased RM19.3 million to RM403 million. OMS revenue decreased by 33%, because of the catch up effect of Lukoil in Q2, so revenue in the OMS segment was RM239 million. Our EBITDA increased by 9% to RM467 million. Our net profit increased by 6.1% to RM124 million.

In terms of order book, the Groups total order book as 30 September 2017 was RM36 billion, of which RM23 billion are on firm contract and RM13 billion on are on optional extensions.

If we look at the graph, on the results overview slide (Slide 9), which is a comparison between Q3 and Q2. Revenue decreased by 8%, you see that in terms of the FPO business, it is increasing, but with the impact of going back to normal on the OMS, after the Lukoil impact in Q2, it shows a decrease. In terms of EBITDA, you have a 9% increase, which is about RM39 million, its mainly coming from Armada Kraken and Armada Perdana, as well as higher recognition from the joint ventures, Armada Sterling II



and Karapan Armada Sterling III, and some gain on the disposal of the Armada Intrepid. So that gives us a good EBITDA increase over the quarter. Net Profit increased from RM117 million in Q2 RM124 million in Q3.

If we look at the results overview (Slide 10), using a year to date comparison between 2016 and 2017, at the end of 2016, we generated RM1.2 billion in revenue, which has increased 44% to RM1.7 billion in 2017, which is very much related to getting on charter and so on in the FPO business. If we look at EBITDA, we see improvement as well, almost RM541 in 2016 million to RM1.1 billion in 2017. In terms of Net Profit, we were in 2016 at RM6 million, and we are now at RM296 million. If you recall, in Q4 2016 we did a major impairment at the time. Earlier this year, Leon committed that we would be profitable in 2017, and Q3 is confirming that. That's a good thing, despite some delays on the vessels which are impacting the bottom line.

YTD revenue composition by geography (Slide 11), this is not something that is reflecting the current activity, because as long as a vessel is under capex and not revenue, we have considered it as Asian revenue. I think in the future it will be more related to the destination, so if you look at 2017 compared to 2016, we still have a big portion of Asian revenue, which is in relation to the completion of capex on Armada Kraken. The portion on the Middle East and Africa, it has increased from 17% to 39%, and this is due to Armada Olombendo in Angola.

In terms of Order Book (Slide 12), at the end of September 2017, we have a firm order book of RM22.7 billion, which compared to the end of June this year was RM23.7 billion. Overall, the firm contract period order book is RM23 billion, with an optional extension period order book of RM13.1 billion. So, I think the trends are being confirmed along the quarter, and that's where we are at today.

**Leon Harland:** I will next share our views regarding our outlook. Zooming in first on the business side then clearly the focus will be on continuing to provide safe and reliable operations to our clients on our FPSOs, OSVs and subsea construction vessel. In the very near future, we are focused on bringing Armada Kraken fully online, getting out of the interim agreement and into steady operations and revenue collections. In parallel, we will continue to focus on bringing our OSV fleet into higher utilisation where possible.

Next to business focus, we are further working on the consolidation of the company. As I mentioned, we are in a transition year from projects into operations and the transition is nearly complete. There are a lot of lessons to be learned that we want to build upon. An important part of our consolidation efforts will be based on the roll-out of our Business Management System which we have started to work on last year. We now want to bring that into daily practice.

On the financial side, once Armada Kraken is fully online, we are going to work on strengthening the balance sheet and for which we are pursuing several initiatives. For now, it's a bit too early to provide further details, yet we give it our full attention and keep you updated in due course.

Lastly, the outlook of new projects. This is definitely on our minds, particularly on the FPSO side, as we are being approached by a lot of clients for participation in projects. These projects relate to new assets as well as relocation of our existing units. Needless to say, we are closely engaging with our clients. Yet, we are not pursuing every possible opportunity, instead we are being selective and direct our attention particularly to those projects that we feel are realistic and fitting well with the



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capabilities of our Company. It is worth mentioning that also on the subsea construction side we see workload picking up in the longer term, particularly in the Caspian Sea. In this area, we see indeed new projects coming up, and our vessels are very well placed to pick up the associated workload.

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*The Presentation of the Q3 2017 Financial Results ended here.*