

**BUMI ARMADA BERHAD**  
(Company No: 370398-X)  
("Bumi Armada" or "Company")

SUMMARY OF KEY MATTERS DISCUSSED

Twenty-Third Annual General Meeting of Bumi Armada Berhad held at 2.00 p.m. on Tuesday, 28 May 2019 at Manhattan Ballroom, Level 14, Berjaya Times Square Hotel, 1 Jalan Imbi, 55100 Kuala Lumpur, Malaysia.

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**Directors Present**

*YAM Tunku Ali Redhaudin ibni Tuanku Muhriz (Chairman of Board of Directors, Chairperson of Nomination & Corporate Governance Committee)  
Independent Non-Executive Director*

*Ms Alexandra Elisabeth Johanna Maria Schaapveld (Chairperson of Remuneration Committee)  
Independent Non-Executive Director*

*Mr Uthaya Kumar K Vivekananda (Chairperson of Audit Committee and Risk Management Committee)  
Independent Non-Executive Director*

*Mr Chan Chee Beng  
Non-Independent Non-Executive Director*

*Ms Maureen Toh Siew Guat  
Non-Independent Non-Executive Director*

*Mr Gary Neal Christenson  
Executive Director/Chief Executive Officer*

**Shareholders Present**

*1,113 representing 2,439,053,496 ordinary shares ("Bumi Armada Shares")*

**Proxies Present**

*983 representing 1,456,418,758 Bumi Armada Shares of which 391,508,390 Shares have nominated the Chairman as their proxy*

**By Invitation**

*41 corporate guests registered*

## **1.0 Introduction**

### **1.1 Chairman**

Tunku Ali Redhaudin ibni Tuanku Muhriz, the Chairman of the Board, presided over the Twenty-Third Annual General Meeting of the Company (“Meeting” or “23<sup>rd</sup> AGM” or “AGM”).

The Chairman welcomed all present to the Meeting. He informed the Members that the total number of valid proxy forms received within the stipulated time was 659 appointing 1,069 proxies and representing a total of 1,456,422,302 shares out of which 91 holders of 391,508,390 shares had appointed the Chairman of the Meeting to be their proxy.

The Chairman declared that the required quorum for the Meeting was present. He then introduced the Board Members, the Senior Management of Bumi Armada and the representatives of the Company’s external legal counsel and external auditors.

The Chairman informed the Meeting that the Company had announced the appointment of Mr Gary Neal Christenson (“Mr Christenson”) as the Executive Director (“ED”) and Chief Executive Officer (“CEO”) effective 27 March 2019 and 16 May 2019 respectively, and welcomed him to his new role.

The Chairman also recorded his thanks to Mr Leon Harland, the former ED and CEO, whose tenure ended on 15 May 2019, for his contribution.

### **1.2 Safety Moment**

The Chairman informed the Meeting that, as part of continuing effort to promote a strong safety culture at the Company, a safety moment would be conducted before the start of each Board and Board Committees meetings.

The Chairman then invited Mr Gary Leong, Head, Health, Safety, Security, Environment and Quality (“HSSEQ”) to brief the Meeting on safety practices at construction sites.

### **1.3 Remarks from the Chairman on the Company’s Performance in 2018**

The Chairman acknowledged that the past year was challenging for the Company, as shown by its disappointing financial results. Among the contributing factors to the disappointing performance were the significant increase in global supply in the OSV segment leading to low utilisation and rates and BAB having to impair its OSV assets and the ongoing issues with the Armada Kraken FPSO.

Despite these challenges, there have been some recent positive news; the completion of the corporate debt refinancing and the announcement of BAB’s net profit for the first quarter of 2019.

### **1.4 Presentation by the CEO**

At the request of the Chairman, Mr Christenson, the ED/ CEO of Bumi Armada presented an overview of the operational and financial highlights of the Company for FY 2018, summarised below:-

(i) HSSEQ Safety First

- Overall HSSEQ performance was in line with targets and the Company received multiple safety awards although there were two serious Lost Time Injuries (“LTIs”) in Offshore Marine Services (“OMS”).

(ii) 2018 milestones included the following:

- Armada Olombendo FPSO achieved final acceptance.
- Armada TGT FPSO contract extension for 6.25 years with USD285 million contract value.
- Armada Kraken FPSO achieved final acceptance after Amendment Agreement No.2 was signed.
- Corporate debt reduction of USD280 million.
- Completion of LukOil contract (in the Caspian Sea) for subsea construction (“SC”) business.
- New Chief Financial Officer joined BAB in November 2018.
- OMS – there was no recovery in the sector as the industry utilisation and charter rates remained low. The SC vessels in the Caspian had completed their contract. Two vessels (stacked) were sold in Q4 2019.
- Floating Production and Operation (“FPO”) – all six vessels were performing within industry standards except Armada Kraken FPSO which was processing heavy crude oil and required a more complex operation.

(iii) FY 2018 financial results:-

- Revenue in FY 2018 for FPO and OMS was RM1,694 million and RM725 million respectively.
- Total cost of sales of RM1,918 million and other costs of RM265 million.
- Number of employees for onshore and offshore reduced from 683 to 603 and from 1,079 to 1,046 respectively.
- Impairment of RM2,243 million.
- The Company recorded a loss of RM2,303 million.
- Total assets and total equity continued the downward trend seen since 2016.
- The factors contributing to the Company’s poor performance in 2018, included the over investment in OSV segment and impairment of Armada Kraken FPSO and certain OSV vessels, allowances for impairment losses and higher finance costs.
- In OSV, BAB’s performance was in line with its peers. However, in FPSO, BAB’s performance was weaker compared to its peers.

(iv) Q1 2019 financial results:-

- USD100 million of corporate debt was repaid. Significant cost reductions were undertaken and remain a focus. Four OSV vessels were sold in Q1 2019.
- Revenue in Q1 2019 for FPO and OMS stood at RM425.6 million and RM66 million respectively, where segment results for FPO was higher than Q4 2018 by 24%. The increase in FPO revenue was mainly due to higher contribution from Armada Kraken while the decrease in OMS revenue was mainly due to completion of LukOil project in the Caspian Sea in December 2018.
- Operating profit before impairment increased by 48% mainly due to higher contribution from Armada Kraken, while net profit attributable to owners of the Company in Q1 2019 amounting to RM62.2 million was higher than RM1,263 million loss recorded in Q4 2018, due to impairment recognised for Armada Kraken

and certain OSV vessels, and additional allowance for impairment losses in Q4 2018.

- As at 31 March 2019, the Group's firm order book stood at RM19.3 billion compared to RM20.2 billion as at 31 December 2018. Upon expiration of the firm contract period, certain contracts contain extension options which are renewable on annual basis with a total potential value of RM9.8 billion over the entire optional extension period.
- (v) In Q2 2019, the joint venture company between the Company and the Shapoorji Pallonji Group was awarded a new FPSO project by ONGC India. The Company also completed its corporate debt refinancing. Forward plans include maintaining focus on HSSEQ, costs and debt reduction, monetising assets, securing new charters for the SC vessels, pursuing selective growth in FPO sector and continually improving Armada Kraken FPSO's performance.

The CEO reiterated his priority for 2019 would be to continue to improve Armada Kraken FPSO's performance. To date, he has spent 9 days on board the vessel.

The Chairman thanked the CEO for his presentation. Next, questions received by the Company from the Minority Shareholder Watchdog Group ("MSWG"), and the Company's responses thereto (enclosed as Appendix 1) were displayed on the screens in the Meeting Hall and also read out for the benefit of those present.

The representative from MSWG thanked the Board for sharing the responses with the Meeting and suggested that in future annual reports, more information and details on bad debts and debt write-offs be provided.

The key questions posed by the Members and proxies present and the responses to these are set out below:-

(i) Share price performance and outlook for FY 2019

The Company acknowledged that 2018 had been a challenging and difficult year and this has affected the share price. The main action plans for FY 2019 would include reducing expenses and costs, improving revenue and monetising assets (both utilised and unutilised) to reduce debt and improve gearing ratio. The Company was not currently planning for a private placement or a rights issue. The main focus of the Company for 2019 would be to stabilise the Company and pursue selective growth. The share price was expected to improve once the Company's overall performance and situation improved.

The OSV business has been challenging and the fleet utilisation rate remained low. Currently, the utilisation rate was at 38%. Despite this, the Company has seen positive signs in the market for OSV going forward with the utilisation rate potentially improving. As for now, the Company's primary focus was to monetise and sell assets.

To the concern raised by shareholders on whether speculative trading on the Company's shares was happening which resulted in a significant drop in the share price this year compared to last year, the Company responded that it would notify the Securities Commission and Bursa Malaysia Securities Berhad about the concerns raised.

(ii) Business Updates

- Details of the four vessels sold

The Company had evaluated the offers from potential buyers and it was confirmed the

sale values were all above net book value. The sale value per vessel ranged from RM2 million to RM16 million.

- Updates on Armada Kraken

The Company would continue to improve the performance of Armada Kraken and will work closely with the client to maximise performance.

- Updates on the litigation with Woodside Energy Julimar Pty Ltd (“Woodside”)

The trial for the litigation with Woodside relating to the termination of the contract of Armada Claire was concluded in March 2019. The compensation requested by the Company was about USD275 million. However, the exact amount would largely depend on the court’s final decision expected to be issued by end of this year. The Company maintained its views that there were reasonable grounds to expect a favourable outcome in respect of its claims against Woodside.

(iii) Outlook for FY 2019

The Company would continue with reducing its costs and debt, monetising assets, securing new charters for the SC vessels, selected growth in FPO, and improving Armada Kraken’s performance.

(iv) Payment of Non-Executive Directors’ (“NEDs”) fees

On whether the NEDs have considered reducing their fees in view of the Company’s poor performance, it was informed to the Meeting that the Company has reduced the mandate for NEDs’ fees requested from shareholders to RM3.2 million for FY 2019 compared to RM4.5 million in the previous year.

(v) KPIs for CEO

The CEO would be assessed based on four criteria, namely HSSEQ, Operations, Financial, and Commercial. He would also be assessed based on Armada Kraken’s performance and the other priority areas highlighted in the CEO’s presentation.

(vi) Re-appointment of PricewaterhouseCoopers (“PwC”) as external auditors for the financial ending 31 December 2019

On the reason for the re-appointment of PwC as external auditors, although PwC’s fees were not the lowest in the market, it was explained that the key criteria for the selection was a reputable and capable firm providing value to the Company. The Company would continue to negotiate with PwC on its fees, ensuring the best value is obtained by the Company for PwC’s services.

## 2.0 Notice of 23<sup>rd</sup> AGM

The Notice of the Meeting was taken as read.

The Chairman informed the Members that the Resolutions tabled would be determined by poll. The poll voting would be done electronically after all the proposed Resolutions have been tabled to the Members for consideration and questions by Members on the proposed Resolutions have addressed.

### 3.0 Consideration of the Audited Financial Statements for FY 2018 and the Reports of the Directors and Auditors thereon

The Audited Financial Statements for FY 2018 and the Reports of the Directors and Auditors thereon were taken as read.

### 4.0 Consideration of Proposed Ordinary Resolutions No. 1 to 6

On the proposal of Members and proxies, and seconded by Members and proxies, all 6 proposed Ordinary Resolutions were tabled to the shareholders for deliberation.

### 5.0 Polling

There being no other questions from the floor or any other business to be dealt with at the Meeting, the Chairman invited the representative from the Share Registrar, Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd), to brief the Members and proxies on the electronic-polling procedures.

After the briefing, the Chairman invited the Members and proxies to proceed to cast their vote using the mobile application or the touch screen terminals set up at the poll voting area.

*(The Meeting took a break at 4.50 p.m. for the polling process. The Meeting resumed at 5.20 p.m.)*

### 6.0 Declaration of Results

The Chairman announced the results of the poll, which had been verified by the scrutineers, Boardroom Corporate Services Sdn Bhd (formerly known as Boardroom Corporate Services (KL) Sdn Bhd).

All 6 proposed Ordinary Resolutions were passed and the detailed results were as follows:

No.	Resolutions	For		Against	
		No. of Shares	%	No. of Shares	%
1	To re-elect Alexandra Schaapveld who retires by rotation in accordance with Rule 131.1 of the Company's Constitution, and who being eligible, offers herself for re-election as a Director of the Company.	3,844,414,052	99.9995	20,300	0.0005
2	To re-elect Maureen Toh Siew Guat who retires by rotation in accordance with Rule 131.1 of the Company's Constitution, and who being eligible, offers herself for re-election as a Director of the Company.	3,807,111,402	99.0060	38,222,950	0.9940

No.	Resolutions	For		Against	
		No. of Shares	%	No. of Shares	%
	<b>Ordinary Resolutions</b>				
3	To approve the payment of directors' fees and benefits to the Non-Executive Directors up to an amount of RM3.2 million from 29 May 2019 until the conclusion of the next AGM of the Company in 2020.	3,842,015,142	99.9377	2,396,210	0.0623
4	To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration for that year.	3,834,103,602	99.7080	11,230,750	0.2921
5	To authorise the Directors to allot and issue new ordinary shares pursuant to Section 75 and Section 76 of the Companies Act, 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.	3,068,878,602	79.8078	776,455,750	20.1922
6	To offer, grant and/or allotment in respect of ordinary shares in the Company to Gary Neal Christenson, Executive Director pursuant to the Company's Management Incentive Plan.	2,614,120,799	85.1862	454,592,353	14.8138

## 7.0 Closure

The Meeting ended at 5.30 p.m. with a vote of thanks to the Members and the Chairman.

**BUMI ARMADA**

27 May 2019

Badan Pengawas Pemegang Saham Minoriti Berhad  
(Minority Shareholder Watchdog Group)  
Tingkat 11, Bangunan KWSP  
No. 3 Changkat Raja Chulan  
Off Jalan Raja Chulan  
50200 Kuala Lumpur

Attention: Mr Devanesan Evanson, Chief Executive Officer

Dear Sir,

**BUMI ARMADA BERHAD (“BAB” or the “COMPANY”)  
- Twenty-Third Annual General Meeting (“23<sup>rd</sup> AGM”)**

Thank you for your letter dated 24 May 2019.

Please find our response to the questions raised by you, which will also be highlighted to those who attend our 23<sup>rd</sup> AGM scheduled to be held on 28 May 2019:

<b>Strategic and Financial Matters</b>		
<b>No.</b>	<b>Question</b>	<b>Bumi Armada’s response</b>
1.	<p>In the Chairman’s Statement on page 18 of Bumi Armada Berhad (“BAB”)’s Annual Report (“AR”) 2018, it was disclosed that despite similar revenue generated both in Financial Year (“FY”) 2018 and FY 2017, the Company recorded a loss of RM2.32 million in FY 2018. This is largely due to impairment on Armada Kraken and Offshore Marine Services (“OMS”) assets amounting to RM1,613.2 million and RM586.5million respectively.</p> <p>a) What are the measures taken by the Company to safeguard its assets from further impairment?</p>	<p>a) We are currently undertaking maximum efforts to improve the performance of the Armada Kraken FPSO and we expect to see the results come through gradually in 2019. A dedicated team has been set up for this and the progress is being closely monitored.</p> <p>Meanwhile, as part of the asset monetisation exercise of the OMS business, we have put a concerted effort to market and sell the vessels.</p>



Strategic and Financial Matters																																																	
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	b) Under what circumstances, would there be a likelihood of reversal of these impairment in the future?	b) The likelihood of reversal of impairment is low.																																															
2.	<p>In the Chairman's Statement on page 13 of BAB's AR 2018, it was disclosed that the Company had addressed the challenge of maturing corporate debt by refinancing the corporate debt as announced to Bursa Securities on 24 April 2019.</p> <p>Please explain how the terms of the refinancing impacts the Company's cash flows and balance sheet and quantify the total interest cost payable under the revised financing.</p>	<p>On 23 May 2019, BAB Group drew down the refinancing facility and repaid the unsecured term loans and revolving credit facilities.</p> <p>The refinancing facility comprise a Tranche 1 facility of USD260.0 million and a Tranche 2 facility of USD400.0 million repayable over 24 months and 60 months respectively. This will improve the net current liabilities position of the Group.</p> <p>As announced, the additional interest expense for financial year ending 31 December 2019 is estimated to be approximately RM40 million.</p>																																															
3.	<p>The following expenditure items have increased (Note 5 on page 142 of the AR 2018). What are the main reasons for the increase?</p> <table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2018</th> <th colspan="2">Increase / (Decrease)</th> </tr> <tr> <th></th> <th>RM '000</th> <th>RM '000</th> <th>RM '000</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Auditor's remuneration: Non-PricewaterhouseCoopers ("PwC") member firms</td> <td>374</td> <td>645</td> <td>271</td> <td>72.5</td> </tr> <tr> <td>Auditor's remuneration: fees for non-audit services - PwC</td> <td>451</td> <td>805</td> <td>354</td> <td>78.5</td> </tr> <tr> <td>Auditor's remuneration: member firms of PwC International Limited</td> <td>-</td> <td>463</td> <td>-</td> <td>&gt;100</td> </tr> <tr> <td>Impairment of non-current assets classified as held-for-sale</td> <td>-</td> <td>43,173</td> <td>-</td> <td>&gt;100</td> </tr> <tr> <td>Bad debts written off</td> <td>-</td> <td>8,223</td> <td>-</td> <td>&gt;100</td> </tr> <tr> <td>Impairment loss : Trade receivables</td> <td>1,741</td> <td>101,494</td> <td>99,753</td> <td>&gt;100</td> </tr> <tr> <td>Impairment loss : Other receivables and deposits</td> <td>-</td> <td>141,234</td> <td>-</td> <td>&gt;100</td> </tr> </tbody> </table>		2017	2018	Increase / (Decrease)			RM '000	RM '000	RM '000	%	Auditor's remuneration: Non-PricewaterhouseCoopers ("PwC") member firms	374	645	271	72.5	Auditor's remuneration: fees for non-audit services - PwC	451	805	354	78.5	Auditor's remuneration: member firms of PwC International Limited	-	463	-	>100	Impairment of non-current assets classified as held-for-sale	-	43,173	-	>100	Bad debts written off	-	8,223	-	>100	Impairment loss : Trade receivables	1,741	101,494	99,753	>100	Impairment loss : Other receivables and deposits	-	141,234	-	>100	<p>The increase is mainly due to the following:</p> <ol style="list-style-type: none"> <li>1) RM271k - Auditor's remuneration fees for statutory audit: Non-PwC member firms – as part of the Group's effort to reduce costs, we have changed auditors for some of our subsidiaries in Ghana and Nigeria to non-PwC firms during FY 2018.</li> <li>2) RM354k - Auditors' remuneration fees for non-audit services – PwC Malaysia – increased mainly due to transfer pricing review engaged with PwC for some of our subsidiaries.</li> <li>3) RM463k - Auditors' remuneration for non-audit services – member firms of PwC International Limited – Fees incurred to clear backlog subsidiary accounts.</li> <li>4) RM43.17m - Impairment of non-current assets classified as held-for-sale – Mainly due to Armada Ulysses which was sold below book value.</li> <li>5) RM8.2m - Bad debts written off – Pertains to amount owing from</li> </ol>		
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Strategic and Financial Matters						
No.	Question					Bumi Armada's response
	Impairment loss : Amount due from a joint venture	-	33,630	-	>100	<p>Armada Madura EPC Limited which was written off following settlement on amount payable for work performed for the construction of Karapan Armada Sterling III.</p> <p>6) RM99.8m - Impairment loss: Trade receivables (Disclosed in Note 21 page 175) – Substantially relates to a customer which has not paid. Legal action has been taken.</p> <p>7) RM141.2m - Impairment loss: Other receivables and deposits – (Disclosed in Note 23 page 178) Consists of:</p> <ul style="list-style-type: none"> <li>- Impairment of non-current deposits which was recognised in view of extremely difficult operating conditions in the OSV segment with low demand for vessel coupled with soft charter rates. The deposits were paid in 2014 for the construction of OSV vessel; and</li> <li>- Impairment of non-current other receivables relating to an amount due from a charterer which is under a significant financial stress relating to the operations of the Armada Perdana FPSO.</li> </ul> <p>8) RM33.6m - Impairment loss: Amount due from a joint venture (Disclosed in Note 18 page 172) – Impairment provided due to change in expected amount and timing of recovery from a joint venture.</p>

Corporate Governance Matter		
No.	Question	Bumi Armada's response
1.	<p>Based on the Corporate Governance ("CG") report of the Company on the application of the Practices under the Malaysian Code on Corporate Governance ("MCCG") 2017, please provide clarification on the following:</p> <p>As BAB falls under the category of Large Companies as defined under MCCG 2017, the Step Up Practices are applicable to BAB.</p> <p>a) Practice 4.1 – At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.</p> <p>BAB's response: Applied</p> <p>On page 18 of the CG report, it was disclosed that as at 31 December 2018, the Board has 7 members out of which 4 are Independent Directors (57%).</p> <p><u>MSWG's comment:</u></p> <p>We note from the announcement made to Bursa Securities on 28 February 2019, Gary Neal Christenson was re-designated from Independent Director to Executive Director on 27 March 2019 and subsequently appointed as Chief Executive Officer on 16 May 2019. In addition, it was also announced on 28 February 2019 that Leon Andre Harland will be concluding his contract of employment and will cease to be Executive Director effective from 15 May 2019. Therefore the current composition of Independent Director stands 50% (3 of 6 directors are independent).</p>	

Corporate Governance Matter		
No.	Question	Bumi Armada's response
	<p>The Practice clearly states that for Large Companies the board comprises a majority independent directors hence BAB being a Large Company has not met this Practice. Does BAB intend to adopt Practice 4.1? If so, by when?</p> <p>b) Step Up Practice 8.4 - The Audit Committee ("AC") should comprise solely of Independent Directors.</p> <p>BAB's response: Not Adopted.</p> <p><u>MSWG's comment*</u>:</p> <p>Currently 50% of the Board comprises Independent Directors therefore BAB is in a position to adopt this Practice.</p>	<p>The Board is of the view that the current Board composition continues to allow for rigorous debate, and we have the appropriate level of skills, diversity and experience that combine to contribute positively to Board discussions and deliberations.</p> <p>Whilst the Board is cognizant of Step Up Practice 8.4, the current AC member who is a Non-Independent Non-Executive Director has significant legal experience and background and is able to add value and contribute to the discussions at the AC meetings.</p>

We trust the above clarifies. Kindly acknowledge receipt of this letter by signing and returning to us the duplicate copy of the same.

Thank you.

Yours faithfully  
for **BUMI ARMADA BERHAD**



**NOREEN MELINI BINTI MUZAMLI**  
Joint Company Secretary