

# Q1 2015 Results Presentation

26<sup>th</sup> May 2015



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"Knots Ahead of the Rest"

# Disclaimer

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# Q1 2015 Financial Highlights



"Knots Ahead of the Rest"



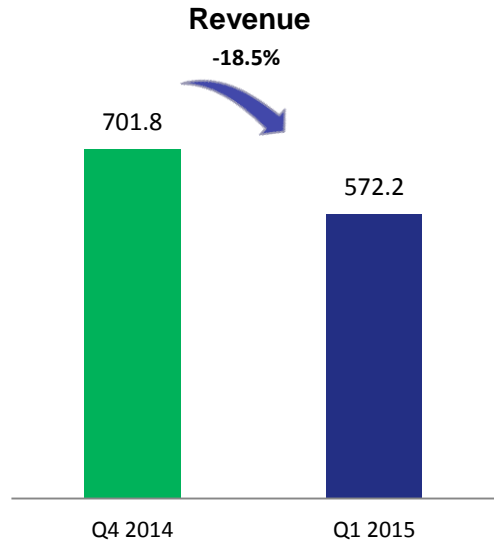
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# Key takeaways

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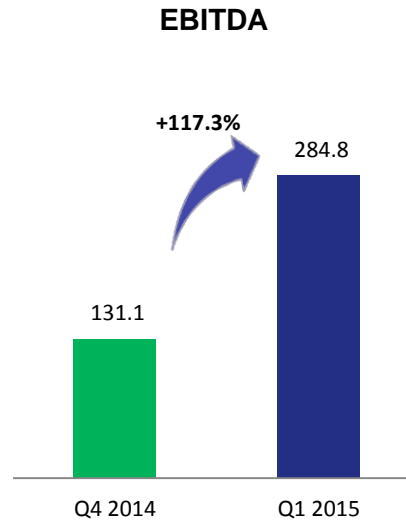
- Net Profit increased 11.2% from RM64.8 mil in YTD 2014 to RM72.0 mil in YTD 2015 and improved from RM52.6 mil in Q4 2014 .
- EBITDA increased 117.3% from RM131.1 mil in Q4 2014 to RM284.8 mil in Q1 2015 and improved 27.6% from RM223.1 mil in Q1 2014.
- YTD 2015 EBITDA margin at 50% as compared to 48% in YTD 2014.
- Q1 results includes a charge of RM20.6 mil for the staff retrenchment exercise.
- There were no one-off provisions made in Q1 2015.
- Cash flows from operations for the quarter increased to RM148.7 mil in Q1 2015 from RM73.5 mil in Q1 2014.
- OSV utilisation deteriorated to 71% in Q1 2015 from 79% in Q4 2014.
- Q1 2015 total order book at RM38.9bn (RM25.6 bn on firm and RM13.3 bn on extensions). The order book excludes the Malta contract of USD300 mil (RM1.1 bn) which was signed in April 2015.

# Results Overview – Q1 2015 vs. Q4 2014 (in RM'mil)



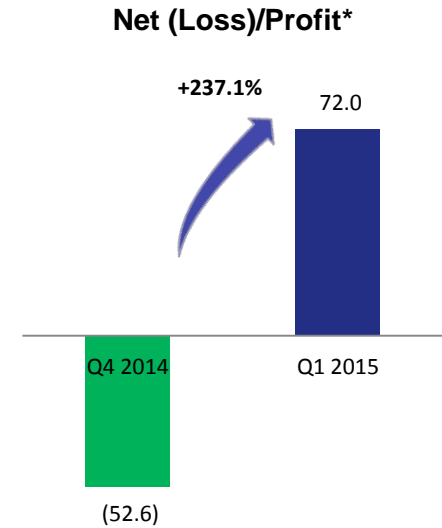
**Lower revenue from:**

- Lower OSV vessel utilisation
- Lower contribution from Armada Hawk and lower activity for LukOil project



**Higher EBITDA mainly due to:**

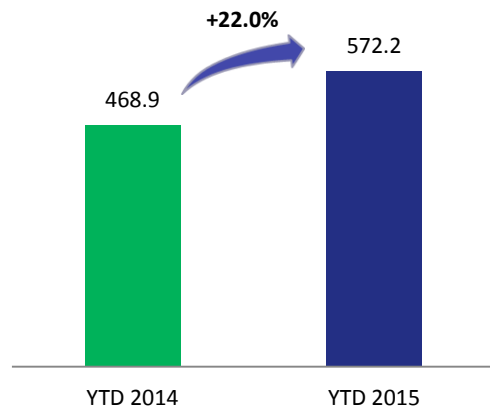
- Non-repeat of certain cost and charges incurred in Q4 2014, including T&I cost of FPSO installation, allowance for doubtful debts and impairment charge for available-for-sale financial assets and goodwill
- Current quarter include severance charge for staff retrenchment exercise



**Net profit is in line with higher EBITDA after accounting for increased vessel depreciation**

# Results Overview – YTD 2015 vs. YTD 2014 (in RM'mil)

## Revenue



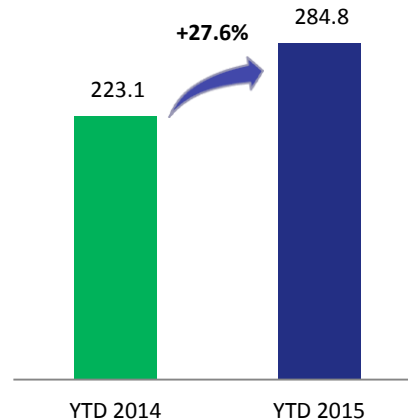
### Higher revenue from:

- New FPSO project, ENI 1506 and new tanker, MT Ulysses together with higher contribution from Kraken FPSO conversion progress and tankers operation
- New OSV vessels (AT307 & AT500) acquired in 2014
- Higher utilisation on Armada Installer and Armada Hawk

### Offset by:

- Lower contribution from Class B OSV vessels, Armada Condor and lower activity of LukOil project

## EBITDA



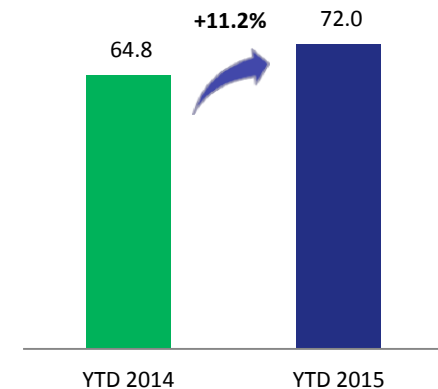
### Higher EBITDA in line with:

- Higher revenue from new FPSO project, ENI 1506 and new tanker, MT Ulysses
- Strong contribution from Kraken FPSO, Armada Installer and improvement in Armada Hawk

### Offset by:

- Lower margins from OSV vessels and LukOil project
- Current quarter include severance charge for staff retrenchment exercise

## Net Profit\*



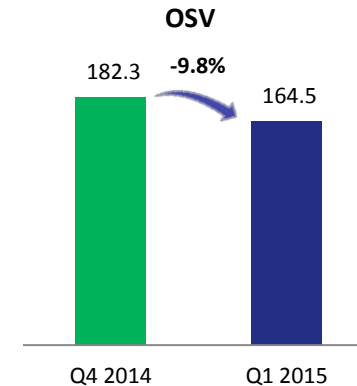
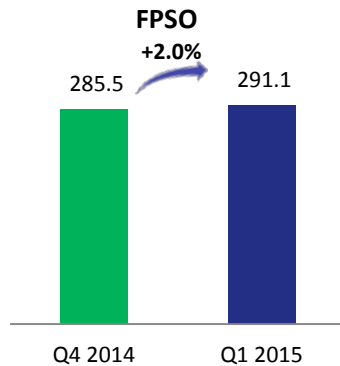
### Net Profit is in line with higher EBITDA after accounting for:

- Higher depreciation of additional vessels
- Higher finance costs due to higher corporate debts



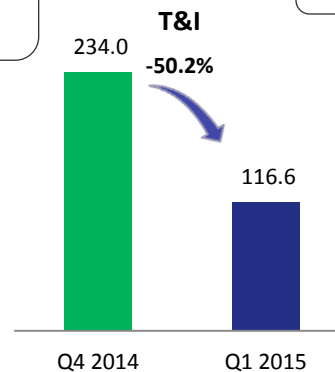
# Revenue composition by segments – Q1 2015 vs. Q4 2014 (in RM'mil)

Performance in established segments driven by the underlying activities



Higher contribution from Kraken and tankers operation offset by lower contribution from ENI 1506 FPSO projects

Lower OSV vessels utilisation

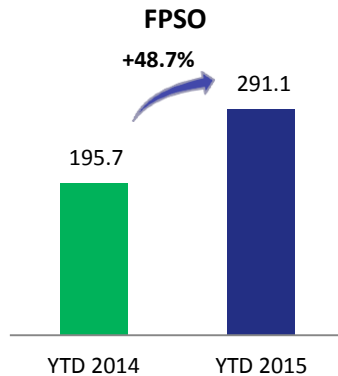


Lower contribution/activity on Armada Hawk and LukOil project

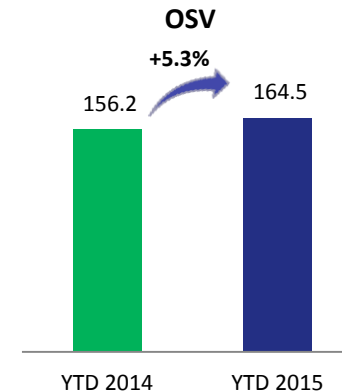


# Revenue composition by segments – YTD 2015 vs. YTD 2014 (in RM'mil)

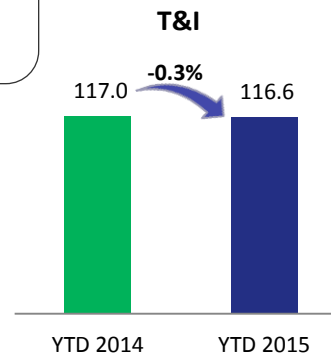
Performance in established segments driven by the underlying activities



Additional contributions from ENI 1506 FPSO project and new tanker, higher activities from Kraken FPSO project and tankers operation



Additional contributions from new OSV vessels (AT307 & AT500) acquired in 2014 offset with lower contribution from Class B vessels

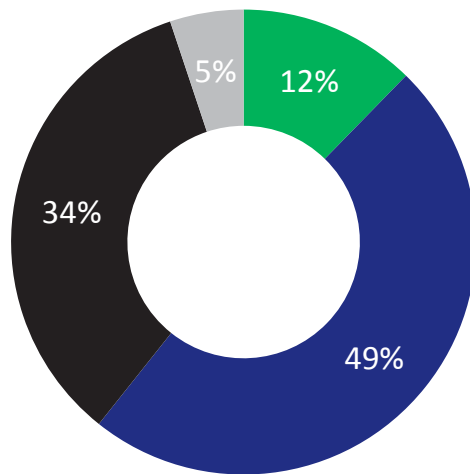


Higher contribution from O&M activity for Armada Installer and Armada Hawk offset by lower contribution from Armada Condor and lower activity of LukOil project

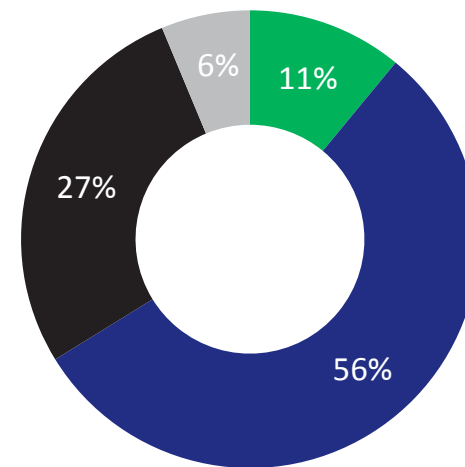
# Revenue composition by geographical %

Malaysia based international company  
continued expansion across key regions

YTD 2014



YTD 2015

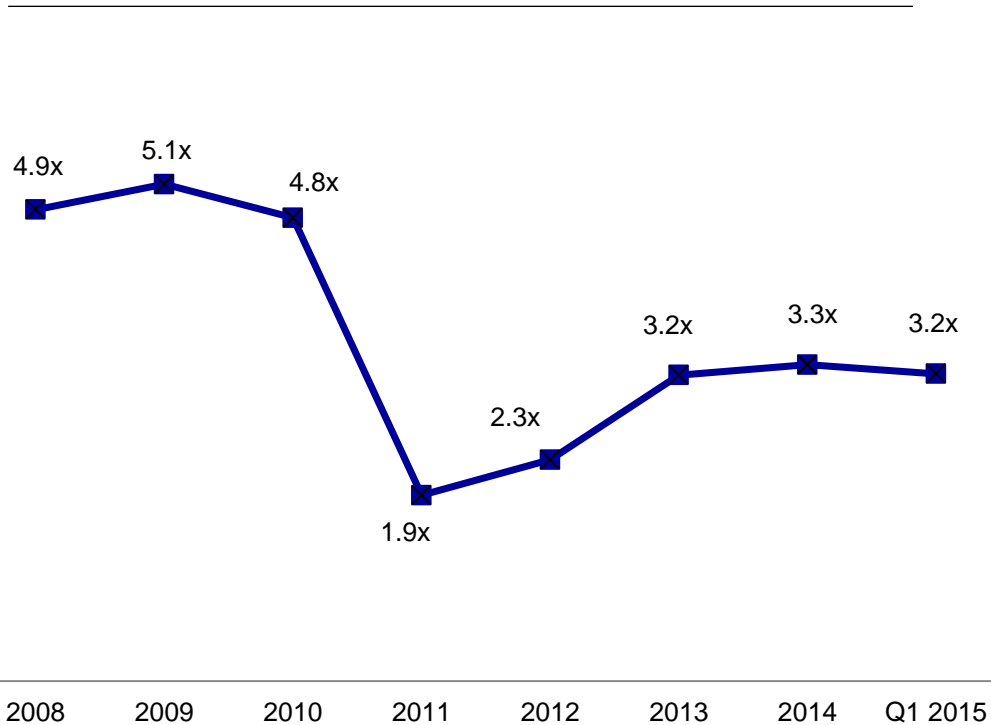


- Malaysia
- Asia (excluding Malaysia) and Australia
- Africa
- Latin America

# Leverage and capitalisation

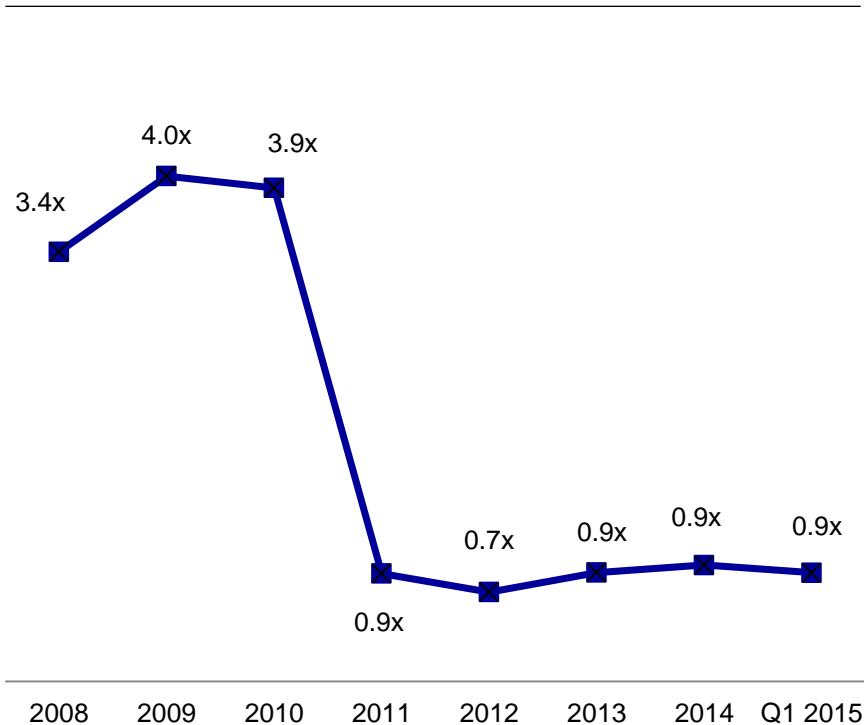
Financial capacity intact to execute existing projects

Net Debt / EBITDA<sup>(1)</sup>



<sup>(1)</sup> Calculated based on YTD 2015 EBITDA

Gearing ratio<sup>(2)</sup>



<sup>(2)</sup> Gearing = Gross Debt / Shareholders Equity

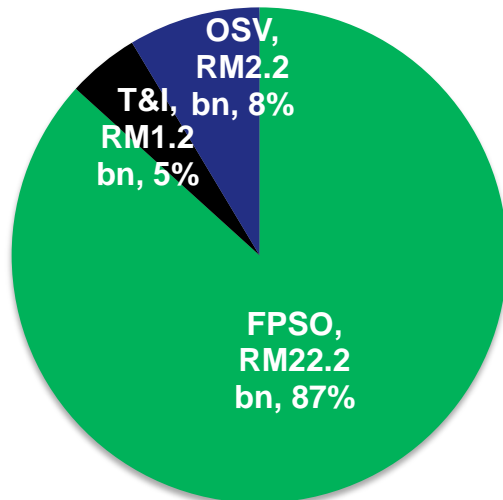
# Order book as at 31 March 2015

## Quality firm order book increases to RM25.6 bn (Q4: RM24.5 bn)

As at 31 March 2015, the Group's order book stood at RM25.6 bn compared to RM24.5 bn as at 31 December 2014. Upon expiration of the firm contract period, certain contracts contain extension options which are renewable on annual basis with a total potential contract sum of RM13.3 bn over the entire option periods.

### Firm contract period

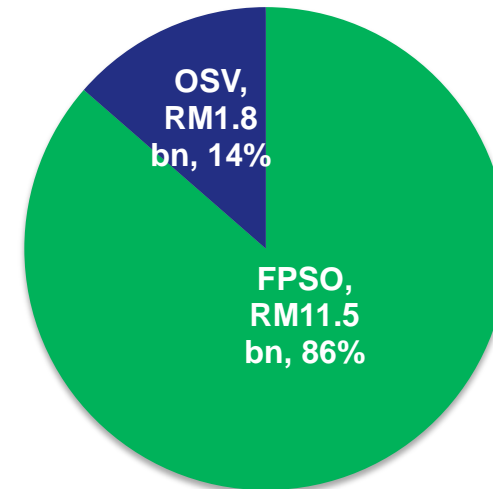
- The breakdown of order book with firm contract period by business segments (fleets) is as follows:



**Firm contract period order book: RM25.6bn\***

### Optional extension period

- The breakdown of order book with optional contract period by business segments (fleets) is as follows:



**Optional extension period order book: RM13.3bn\***

# Q1 2015 Review & Outlook

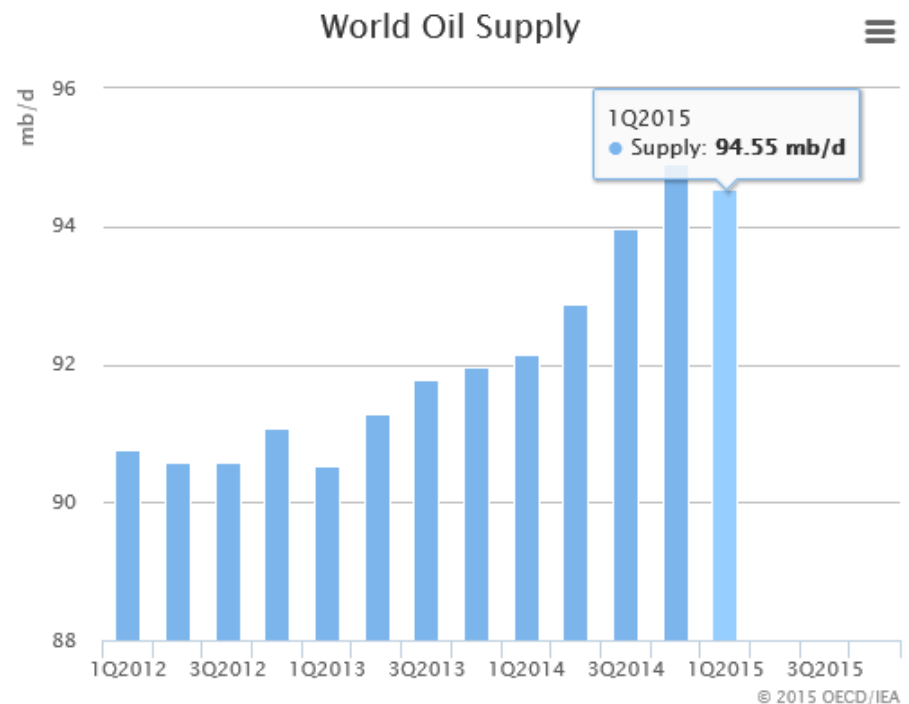
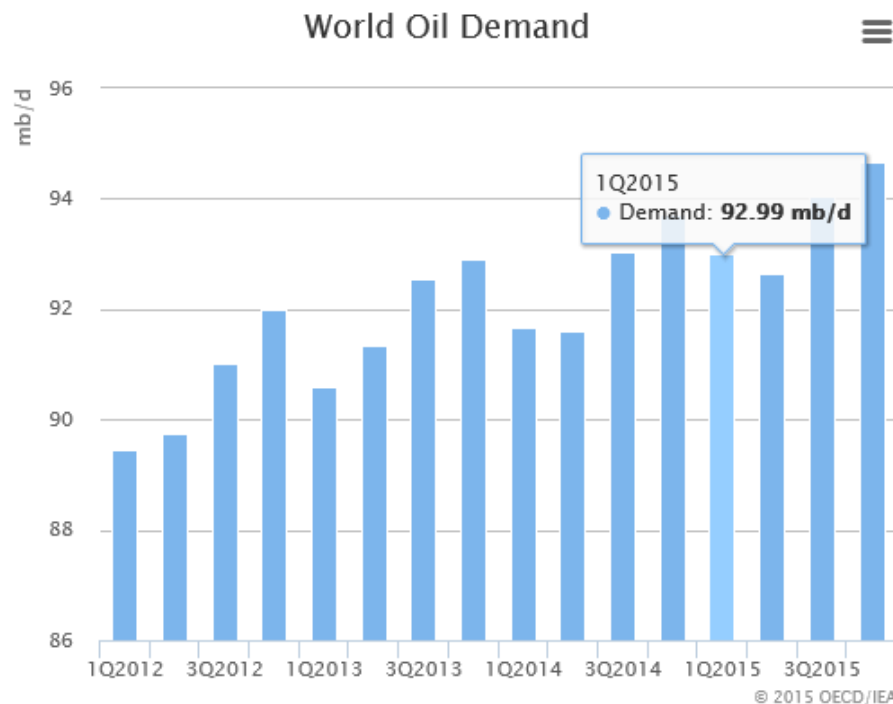


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# The oil outlook remains unclear

- In its “Oil Market Report for April”, the IEA raised 2015 oil demand forecast to 93.6 million b/day, a 1.1 million b/day increase over 2014.
- The drivers of this forecast increase the IEA notes, may not be sustainable, over the medium-term, which highlights that, while the IEA expects longer term demand for fossil fuels to remain strong, the medium-term outlook remains unclear.
- OPEC, negotiations with Iran and the general global economic growth outlook continue to appear as the main factors undermining oil prices.



# Cost rationalisation

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- Staff retrenchment exercise completed in April 2015 resulted in 155 reduction in headcount
- One-off charge of the retrenchment exercise was RM20.6 million in Q1 2015.
- Estimated annual cost savings of RM65.0 million

# FPSO Project Updates

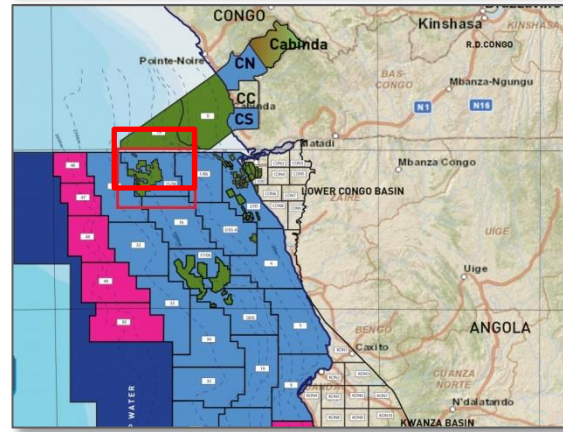
## KRAKEN PROJECT

- 5.3 million man-hours completed
- 0 lost time injuries (LTIs)
- Project completion currently at 52%.
- All major procurement packages orders have been completed.
- Estimated delivery Q3 2016.



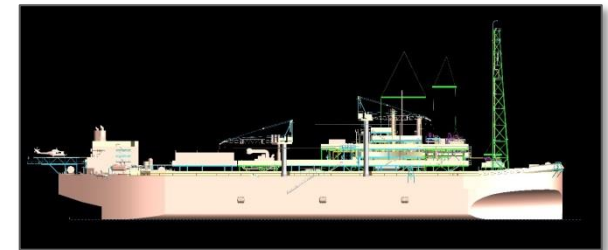
## 15-06 PROJECT

- 2.7 million man-hours completed
- 0 LTIs
- Project completion currently at 38%.
- Majority of major procurement packages have been placed.
- Estimated delivery Q4 2016.



## MADURA PROJECT

- 0.08 million man-hours completed
- 0 LTIs
- Project completion currently at 11%
- Estimated delivery Q4 2016.



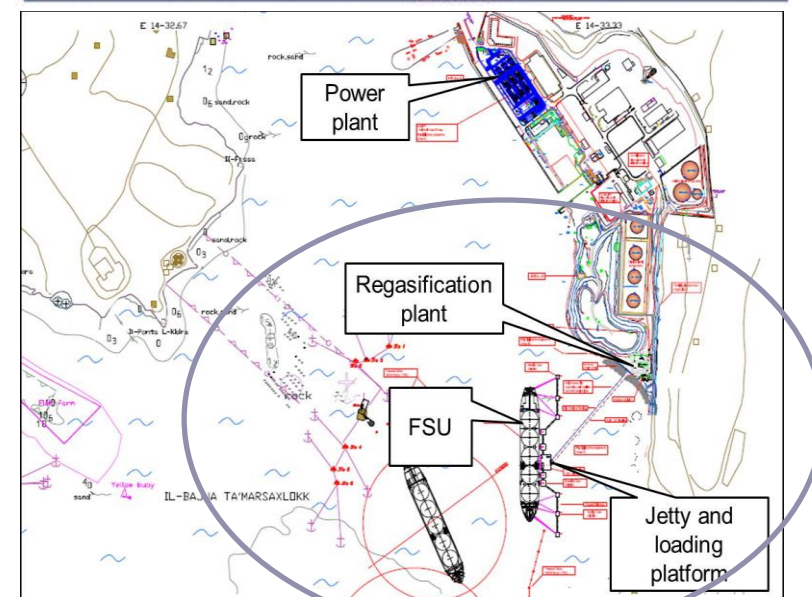


# FGS - Malta FSU overview

- Malta FSU project was announced 14<sup>th</sup> April 2015
- BAB subsidiaries Armada Floating Gas Storage Malta Ltd (“AFG Storage”) and Armada Floating Gas Services Malta Ltd (AFG Services) will own and operate the FSU respectively.
- Contract is for a fixed term of 18 years and 2 months
- Total contract value is USD300 million (approximated RM1.1 billion)
- The FSU is expected to begin operations in Malta in June 2016.



Donor Vessel - 1985 LNG Carrier Wakaba Maru



# OSV – Challenging times ahead

- Q1 2015 utilisation fell to 71% versus 79% in Q4 2014, highlighting the challenging market in the OSV business.
- The Group has identified vessels that are available for sale as well as plans to cold-stack selected unutilized vessels.
- Supply/demand imbalance expected to increase due to uncertainty of oil prices and the steep decline in rig demand, globally.
- OSV business to focus on managing costs over the short- to medium-term, while this environment persists.

RM' mil	Q1 2015	Q1 2014
REVENUE	164.52	156.22
SEGMENTAL RESULTS	0.30	18.67

	May-15	Apr-15	May-14
Total Rig Supply	860	859	843
Marketed Rig Supply	777	782	788
Market Rig Contracted	672	685	743
Supply/ Contracted Variance	188	174	100

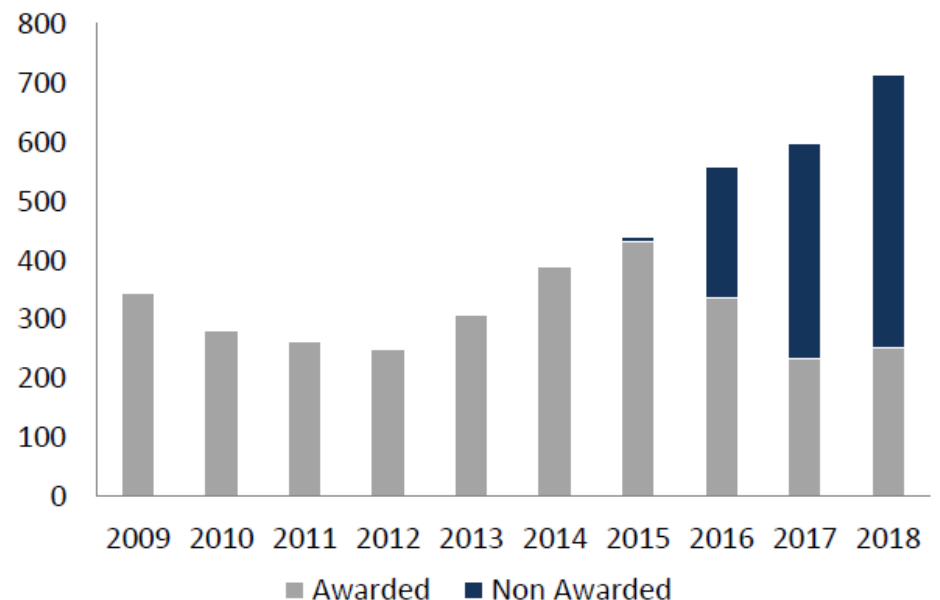
Data source: IHS Petrodata Weekly Rig Count

# T&I – Subsea demand expected to be weak

- Revenue was flat due to higher contribution from the Armada Hawk activity on the C7 field installation being offset by lower activity on the Condor in West Arica and lower activity on the LukOil project in the Caspian.
- T&I segmental results were higher, due to stronger results on the Installer and Hawk.
- The T&I business continues to bid on installation work for the Armada KP1 DLB in SE Asia.
- The decline in rig activity is however, expected to see and decline in subsea activity as there will be less well completion and installation activities going forward.

RM' mil	Q1 2015	Q1 2014
REVENUE	116.55	117.03
SEGMENTAL RESULTS	40.32	3.77

Subsea Tree Installation (units)



Source: Infield Systems

# Summary

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- As highlighted by the IEA outlook for oil, the short- to medium-term outlook remains unclear.
- This will continue to provide an environment of uncertainty for the oil companies, and as a result the O&G services sector, going forward.
- The Group will continue to focus on costs efficiency and productivity across the business and support functions.
- The Group now has three FPSOs and an FSU project in-hand and we will focus on the delivery of these critical projects.
- Firm order book of over RM26.7 billion (including the FSU project) continues to provide strong contracted earnings visibility across all our businesses units going forward.

**Thank You**



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