SAFE

We care for the safety of each other and lead by example. We aim to take a pro-active approach in protecting the environment, maintaining our assets and safeguarding information.
UNITED

We place a high importance on working as one team and want to pursue and achieve results together. We seek the participation of others in resolving problems, encourage mutual respect and always welcome feedback.
RESPONSIBLE

We take responsibility in always delivering on our promises and we commit ourselves personally in adding value to our stakeholders. We want to conduct our business with good governance and a strong moral compass.
EXCELLENT

We are driven by our ambition to continuously improve. We seek to learn from others, challenge others constructively and have the discipline to make the extra effort every time.
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Facts At A Glance

as at 31 December 2016

Total Number of Employees

- **Onshore**: 885 in 2016
- **Offshore**: 1,379 in 2016

Streamlined human capital strength to deliver on bottom line results.

Independent Directors on the Board

- 4 OUT OF 9

Minimum requirement: 3

Continuous commitment to apply best practices in corporate governance

Diversity

- **Employee Nationalities**: 39

- **2016**: 41.0% female employees
- **2015**: 28.4% female employees

Continuous commitment towards equal employment opportunities and diversity.

Total Individuals Trained

- **2016**: 69%
- **2015**: 68%

Sustained investments in our talents despite challenging market conditions.
CORPORATE PROFILE

Bumi Armada Berhad ("Bumi Armada") is a Malaysia-based international offshore energy facilities and services provider with a presence in over 17 countries spread across five continents, supported by over 2,000 people from over 35 nationalities.

Bumi Armada provides offshore services via two business units – Floating Production and Operation ("FPO")* of oil and gas solutions and Offshore Marine Services ("OMS") which comprises of Offshore Support Vessel ("OSV") and Subsea Construction ("SC") services.

Bumi Armada is the fifth largest FPSO player in the world and an established OSV owner and operator, with extensive experience across Asia, Europe, Africa and Latin America.

FLOATING PRODUCTION & OPERATION

The FPO business specialises in engineering, procurement, construction, commissioning, and the operations of floating oil and gas facilities as per the specific requirements of clients, the reservoir and the operational environment. The business unit is responsible for the offshore production facility and the overall integrity delivery of the infrastructure, processing equipment and operations. Bumi Armada currently operates one Liquified Natural Gas ("LNG") Floating Storage Unit ("FSU") and nine FPSOs worldwide.

OFFSHORE MARINE SERVICES

The OMS business runs a fleet of over 50 vessels, comprising 49 OSVs and four SC units. The OSVs currently operate in South East Asia, West Africa, Latin America, with three ice-class vessels operating in the Russian sector of the Caspian Sea. The main market for the SC units are in the Caspian Sea, where it executes installation of pipe lines and heavy lift operations. The OMS business is responsible for the chartering, scope planning, logistics and full operations of the vessels in its fleet.

* Previously referred to as Floating Production Storage and Offloading ("FPSO") and Floating Gas Solutions ("FGS").
GLOBAL PRESENCE

KEY MARKETS/OFFICES:

- ANGOLA
- BRAZIL
- INDIA
- INDONESIA
- MALAYSIA
- NIGERIA
- RUSSIA
- SINGAPORE
- TURKMENISTAN
- UNITED KINGDOM
- UNITED STATES
- VIETNAM
GLOBAL PRESENCE

MAIN ASSETS

Shore Bases/Offices
Floating Production Storage Offloadings Units
Floating Storage Units
Offshore Support Vessels
SC Units

12 9 1 49 4
CORPORATE INFORMATION
as at 10 April 2017

BOARD OF DIRECTORS

Tunku Ali Redhauddin ibni Tuanku Muhriz
Chairman
Independent Non-Executive Director

Saiful Aznir bin Shahabudin
Independent Non-Executive Director

Alexandra Elisabeth Johanna Maria Schaapveld (1)
Independent Non-Executive Director

Steven Leon Newman
Independent Non-Executive Director

Uthaya Kumar K Vivekananda (2)
Independent Non-Executive Director

Chan Chee Beng
Non-Independent Non-Executive Director

Maureen Toh Siew Guat
Non-Independent Non-Executive Director

Leon Andre Harland (3)
Executive Director/
Chief Executive Officer

Shaharul Rezza bin Hassan
Executive Director/
Head of Offshore Marine Services

AUDIT COMMITTEE
Saiful Aznir bin Shahabudin (Chairperson)
Alexandra Schaapveld
Steven Leon Newman
VU Kumar
Maureen Toh Siew Guat

REMUNERATION COMMITTEE
Alexandra Schaapveld (Chairperson)
Saiful Aznir bin Shahabudin
VU Kumar
Maureen Toh Siew Guat

NOMINATION & CORPORATE GOVERNANCE COMMITTEE
Tunku Ali Redhauddin ibni
Tuanku Muhriz (Chairperson)
Alexandra Schaapveld
Saiful Aznir bin Shahabudin
VU Kumar
Chan Chee Beng

EXECUTIVE COMMITTEE
Chan Chee Beng (Chairperson)
Maureen Toh Siew Guat
Leon Harland
Shaharul Rezza bin Hassan

RISK MANAGEMENT COMMITTEE
Steven Leon Newman (Chairperson)
Maureen Toh Siew Guat

COMPANY SECRETARIES
Noreen Melini binti Muzamli
(LS 0008290)
Noor Hamiza binti Abd Hamid
(MAICSA 7051227)

REGISTERED ADDRESS/HEAD OFFICE
Level 21, Menara Perak
24, Jalan Perak
50450 Kuala Lumpur, Malaysia
Tel : +603 2171 5799
Fax : +603 2163 5799
Website : www.bumiarmada.com
Email : enquiry@bumiarmada.com

SHARE REGISTRARS
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : +603 7849 0777
Fax : +603 7841 8151/8152

AUDITORS
PricewaterhouseCoopers
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur, Malaysia
Tel : +603 2173 1188
Fax : +603 2171 1288

STOCK EXCHANGE LISTING
Bursa Malaysia Securities Berhad
(Main Market)
Listed since 21 July 2011
Sector : Trading & Services
Stock Code : 5210

10 Annual Report 2016

Who We Are

In the other sections of the Annual Report:
(1) She is also referred to as Alexandra Schaapveld
(2) He is also referred to as VU Kumar
(3) He is also referred to as Leon Harland
# Details of Membership in Board Committees

As at 10 April 2017

<table>
<thead>
<tr>
<th>Directors</th>
<th>Audit Committee</th>
<th>Remuneration Committee</th>
<th>Nomination &amp; Corporate Governance Committee</th>
<th>Executive Committee</th>
<th>Risk Management Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tunku Ali Redhauddin ibni Tuanku Muhriz</td>
<td>-</td>
<td>-</td>
<td>Chairperson</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Saiful Aznir bin Shahbudin</td>
<td>Chairperson</td>
<td>Member</td>
<td>Member</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Alexandra Schaapveld</td>
<td>Member</td>
<td>Chairperson</td>
<td>Member</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Steven Leon Newman</td>
<td>Member</td>
<td>-</td>
<td>-</td>
<td>Chairperson</td>
<td>-</td>
</tr>
<tr>
<td>VU Kumar</td>
<td>Member</td>
<td>Member</td>
<td>Member</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Chan Chee Beng</td>
<td>-</td>
<td>-</td>
<td>Member</td>
<td>Chairperson</td>
<td>-</td>
</tr>
<tr>
<td>Maureen Toh Siew Guat</td>
<td>Member</td>
<td>Member</td>
<td>-</td>
<td>Member</td>
<td>Member</td>
</tr>
<tr>
<td>Leon Harland</td>
<td>-</td>
<td>-</td>
<td>Member</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shaharul Rezza bin Hassan</td>
<td>-</td>
<td>-</td>
<td>Member</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Who We Are
GROUP CORPORATE STRUCTURE
as at 31 December 2016

Notes:
(1) With effect from 25 March 2017, the name of the joint venture company is changed from Forbes Bumi Armada Offshore Limited to Shapoorji Pallonji Bumi Armada Offshore Limited.
(2) Notwithstanding the Group is holding less than 50% equity interest, the investment in Angoil Bumi JV, LDA is classified as a subsidiary (not a joint venture) due to the Group's control pursuant to the shareholders' agreement.

The full list of Bumi Armada Group of Companies are stated on pages 131 to 134 and 148 to 155 of the Notes to the Financial Statements.
GROUP CORPORATE STRUCTURE
as at 31 December 2016

100% Bumi Armada Nigeria Limited

49% less one share Armada C7 Pte. Ltd.

49% Angoil Bumi JV, LDA (2)

49% PT. Armada Gema Nusantara

49% Armada Madura EPC Limited

100% Armada Balnaves Pte. Ltd.

100% Bumi Armada Australia Pty Ltd

100% Armada Kraken Pte. Ltd.

100% Bumi Armada UK Limited

100% Armada Cabaca Ltd.

100% Armada Floating Gas Services Malta Ltd.

100% Armada Floating Gas Storage Malta Ltd.

100% Armada Offshore OSV Limited

100% Armada Offshore MPSV Limited

60% Bumi Armada Ghana Limited

100% Bumi Armada Offshore Contractor Limited

100% Bumi Armada Ship Management Sdn. Bhd.

100% Bumi Armada Navigation Labuan Limited

100% Bumi Armada Navigation Labuan International Limited

99% Bumi Armada Marine LLC

99% Bumi Armada Caspian LLC

100% Bumi Armada (Labuan) Ltd.

100% Bumi Armada Marine Naryan Mar Pte. Ltd.

100% Bumi Armada Marine Pokachi Pte. Ltd.

100% Bumi Armada Marine Uray Pte. Ltd.

100% Armada Constructor Pte. Ltd.

100% Offshore Marine Ventures Sdn. Bhd.

100% Armada Ship Management (S) Pte. Ltd.

100% Armada Mahakam Limited

100% Armada Marine Contractors Caspian Ltd.

100% Armada Marine Contractors Caspian Pte. Ltd.
VISION, MISSION AND CORE VALUES

VISION
To be the preferred provider of offshore production and support services to our clients.

MISSION
- To operate and deliver on our commitments to the satisfaction of our stakeholders, safely, on time and within budget.
- To add value by effectively managing risks through a hands-on approach.
- To continuously improve our capabilities and to apply the lessons learnt to the way we work.
- To ensure good governance in all our practices, reduce our environmental footprint, support our local communities and promote social sustainability awareness wherever we operate.

CORE VALUES
SAFE
UNITED
RESPONSIBLE
EXCELLENT
EVENT HIGHLIGHTS 2016

26 FEB
Announcement of Bumi Armada’s Q4 2015 financial results.

2 MAR
Bumi Armada held its 1st Townhall for the year in Kuala Lumpur and on the 3rd of March in Singapore.

4 APR
Sustainability Committee participated in the first Pertiwi Soup Kitchen event.

12 APR
Sustainability Committee organised the “Forest Conservation & Awareness Programme” at the Forest Research Institute of Malaysia (FRIM).

16 MAY
Mr Leon Harland took office as Executive Director/ Chief Executive Officer.

17 MAY
Bumi Armada teamed up with Biosphere Foundation to protect the marine environment around Menjangan Island in Indonesia.

23 MAY
Bumi Armada held its 20th Annual General Meeting.
EVENT HIGHLIGHTS 2016

31 MAY
Bumi Armada announced its Q1 2016 financial results.

10 JUNE
Armada Olombendo FPSO celebrated 7 million man hours Loss Time Injury (‘LTI’) free at Keppel Shipyard.

18 JUL
Lukoil Operational sail away ceremony.

1 AUG
Sail away for Armada LNG Mediterrana.

5 AUG
Merdeka & Raya open house celebration.

26 AUG
Announcement of Bumi Armada’s Q2 2016 financial results.

27 AUG
Naming ceremony for Armada Kraken FPSO.

8 SEPT
Formation of COMPASS Project to define and implement our business management system.

Enlisted in the Dow Jones Sustainability Index for the 5th consecutive year.
EVENT HIGHLIGHTS 2016

8 OCT
A futsal tournament was organised internally to foster and strengthen the spirit of unity through sports.

14 OCT
Naming ceremony for Armada Olombendo FPSO.

15 OCT
Naming ceremony for Karapan Armada Sterling III FPSO.

19 OCT
Introduction of new employee self-service portal, an online platform to facilitate and manage all HR related needs.

1 NOV
Management offsite gathering at Pullman Hotel, Kuala Lumpur.

23 NOV
Bumi Armada launched Sustainability Vision & Mission statements.
Bumi Armada announced its Q3 2016 financial results.

6 DEC
Bumi Armada teamed up with Stop Hunger Now Charitable Association for 2nd meal packing event.

31 DEC
Goal Zero Award from Shell.
Offshore Marine Services
- Winner of Shell’s Goal Zero Award for achieving 365 days in 2015 without any incident

**FPSO Armada TGT 1**
- Five years without LTI

**FPSO Armada Sterling**
- Three years without Lost Work Case Incident

**FPSO Armada Perdana**
- Three years without LTI

**FPSO Armada Sterling II**
- One year without LTI

**FPSO Armada Perkasa**
- One year without Lost Work Case Incident
BOARD OF DIRECTORS

from left to right:

Steven Leon Newman, Maureen Toh Siew Guat, Tunku Ali Redhauddin ibni Tuanku Muhriz, Shaharul Reza bin Hassan
Our Leadership

BOARD OF DIRECTORS

from left to right:

Chan Chee Beng, Leon Harland, Saiful Aznir bin Shahabudin, Alexandra Schaapveld
TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ

Chairman/ Independent Non-Executive Director/ Chairperson of Nomination & Corporate Governance Committee

COUNTRY
Malaysia

AGED
39

GENDER
Male

DATE OF APPOINTMENT:
Director - 17 January 2013
Chairman - 18 June 2013

QUALIFICATIONS:
• BA (Hons) in History and Social and Political Sciences from the University of Cambridge
• Masters in Public Administration from the John F Kennedy School of Government, Harvard University

PRESENT DIRECTORSHIPS:
Listed Companies:
Nil
Other Public Companies:
• Bangkok Bank Berhad
• Sun Life Malaysia Assurance Berhad

Tunku Ali Redhauddin ibni Tuanku Muhriz (“Tunku Ali”) brings with him significant experience and knowledge in the global investment field, having been with Khazanah Nasional Berhad (“Khazanah”) from 2004 to 2010, where he was a Director in the Investments Division.

There, he worked on a number of transformational projects and new investments in Malaysia and throughout Asia. Prior to Khazanah, Tunku Ali gained international client service experience while serving in McKinsey & Company as a management consultant from 1998 to 2004 where he worked on corporate strategy, organisational and governance projects in Europe, North America, and Asia. In addition to Bumi Armada Berhad and other public companies, Tunku Ali sits on the boards of several companies including Themed Attractions, Resorts and Hotels Sdn Bhd and Iskandar Malaysia Studios Sdn Bhd. He is also a Senior Advisor to TPG Capital, a global Private Equity firm. He is Chairman of the Board of Trustees of the Munarah Foundation, Chairman and Founding Trustee of Teach For Malaysia, Chairman of the Board of Governors of Marlborough College Malaysia, Pro-Chancellor of Universiti Sains Islam Malaysia and Patron of Enactus Malaysia Foundation.

Tunku Ali has no family relationship with any Director and/or major shareholder of the Company and he has no conflict of interest with the Company.

He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.
SAIFUL AZNIR BIN SHAHABUDIN

Independent Non-Executive Director/
Chairperson of Audit Committee/
Member of Remuneration and Nomination &
Corporate Governance Committees

COUNTRY

Malaysia

AGED

57

DATE OF APPOINTMENT:

1 December 2006

QUALIFICATIONS:

• Member of The Malaysian Institute of Certified Public Accountants
• Qualified as a Member of the American Institute of Certified Public Accountants
• Master of Business Administration from the University of Chicago
• Bachelor of Business Administration from Western Michigan University, in the United States of America

PRESENT DIRECTORSHIPS:

Listed Companies:
Nil

Other Public Companies:
Nil

Saiful Aznir bin Shahabudin (“Saiful Aznir”) has wide general management experience, having served as the Chief Executive Officer of two companies for an aggregate of more than 10 years.

Currently, he is the Group Chief Executive Officer of Sharikat Permodalan Kebangsaan Berhad which he joined in 2002. Prior to that, he was the Chief Executive Officer of Encorp Group, a company involved in property development and media and a partner of Andersen Worldwide where he specialised in privatisation and corporate finance.

Saiful Aznir has no family relationship with any Director and/or major shareholder of the Company and he has no conflict of interest with the Company.

He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.
ALEXANDRA Schaapveld

Independent Non-Executive Director/ Chairperson of Remuneration Committee/ Member of Audit and Nomination & Corporate Governance Committees

COUNTRY
Netherlands

AGED
58

GENDER
Female

DATE OF APPOINTMENT:
8 June 2011

QUALIFICATIONS:
• Degree in Politics, Philosophy and Economics from Oxford University in the United Kingdom
• Master in Development Economics at Erasmus University in The Netherlands

PRESENT DIRECTORSHIPS:

Listed Companies:
• Vallourec S.A.
• Société Générale S.A.

Other Public Companies:
• FMO N.V. Development Bank

Alexandra Schaapveld started her career at ABN AMRO Bank in 1984 in corporate banking and subsequently in investment banking: equity capital markets and mergers and acquisitions.

She had always been a strong advocate of client relations at the Bank. In 2001, she was made Senior Executive Vice President responsible for sector expertise and in 2004 she became the head of the global clients and investment banking units. After the acquisition of ABN AMRO Bank by a consortium of banks, she became head of Europe for Royal Bank of Scotland in 2008.

Alexandra Schaapveld has no family relationship with any Director and/or major shareholder of the Company and she has no conflict of interest with the Company.

She has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.

More info at www.bumiarmada.com
STEVEN LEON NEWMAN

Independent Non-Executive Director/
Chairperson of Risk Management
Committee/ Member of Audit Committee

COUNTRY

United States of America

AGED

52

GENDER

Male

DATE OF APPOINTMENT:

1 July 2015

QUALIFICATIONS:

• Bachelor of Science, Magna Cum Laude, Petroleum Engineering from the Colorado School of Mines
• Master's degree in Business Administration from Harvard University, Graduate School of Business (Harvard Business School)

PRESENT DIRECTORSHIPS:

Listed Companies:

• Dril-Quip, Inc.
• SNC-Lavalin Group Inc.

Other Public Companies:

Nil

Steven Leon Newman (“Steven Newman”) was with Transocean Ltd. (“Transocean”) between 1994 to 2015 in various capacities and jurisdictions around the globe, including Switzerland, the United States of America, Europe, Indonesia and Brazil.

He was the President and Chief Executive Officer of Transocean from 2010, until his resignation in February 2015. Transocean is a leading global contractor in offshore drilling services with a fleet of approximately 60 rigs, serving all aspects of offshore drilling around the world. Transocean is headquartered in Switzerland, and listed on the New York Stock Exchange, with a market capitalisation of USD5.9 billion. Steven Newman brings with him more than 20 years of corporate experience in strategy development, crisis management, organisational turn-around, leadership team formation, mergers & acquisitions, capital markets transactions and board renewal and development. Prior to joining Transocean, between 1992 and 1994, Steven Newman was a financial analyst with Chevron, based in California. He also served with Mobil E&P, USA, based in Colorado, as a reservoir engineer.

Steven Newman has no family relationship with any Director and/or major shareholder of the Company and he has no conflict of interest with the Company.

He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.
CHAN CHEE BENG
Non-Independent Non-Executive Director/
Chairperson of Executive Committee/
Member of Nomination & Corporate
Governance Committee

COUNTRY
Malaysia

AGED
61

GENDER
Male

DATE OF APPOINTMENT:
2 June 2003

QUALIFICATIONS:
• He holds a Degree in Economics and
  Accounting from the University of
  Newcastle-upon-Tyne, United Kingdom
• Fellow of the Institute of Chartered
  Accountants in England and Wales

PRESENT DIRECTORSHIPS:
Listed Companies:
Nil

Other Public Companies:
• Maxis Communications Berhad Group
• Yu Cai Foundation

Chan Chee Beng has more than 37 years of experience in general
and financial management, investment banking and accounting
including stints with Ernst & Young and Morgan Grenfell & Co. Ltd
prior to joining the Usaha Tegas Sdn Bhd ("UTSB") Group in 1992
as Head of Corporate Finance.

He serves on the boards of several other
companies in which UTSB has significant
interests, such as Binariang GSM Sdn
Bhd and Maxis Communications Berhad
(holding company of Maxis Berhad), having
an operational base in Malaysia. He is also a
director of Yu Cai Foundation.

Chan Chee Beng has no family relationship
with any Director and/or major shareholder
of the Company and he has no conflict of
interest with the Company.

He has not been convicted of any offence
within the past 5 years nor been imposed
any penalty by the relevant regulatory
bodies during the financial year.

More info at
www.bumiarmada.com
Maureen Toh Siew Guat (“Maureen Toh”) has more than 20 years of legal experience, primarily in corporate, commercial and banking matters and equity/capital markets, including stints with law firms in Kuala Lumpur and Singapore.

Currently, she is the Group General Counsel of UTSB, a Malaysian based investment holding company which has significant interests in companies operating across diverse industries such as telecommunications, media and entertainment, energy and real estate and leisure, including the following companies which are listed on Bursa Malaysia Securities Berhad – Maxis Berhad (integrated communications services group) and Astro Malaysia Holdings Berhad (integrated consumer media entertainment group).

Maureen Toh has no family relationship with any Director and/or major shareholder of the Company and she has no conflict of interest with the Company.

She has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.
Leon Andre Harland ("Leon Harland") was appointed as an Executive Director and Chief Executive Officer of the Company with effect from 16 May 2016. Leon Harland is responsible for driving Bumi Armada’s short and long term growth plans, charting the strategic direction of the Company, leading the drive to operational excellence, allocating capital as well as forming strategic partnerships with clients and stakeholders.

He brings with him more than 20 years of diverse experience in the oil and gas sector, especially in FPSO, FLNG and T&I segments with proven track record at SBM Offshore and Heerema Marine Contractors. Prior to joining Bumi Armada, Leon Harland was the Executive Vice-President, Commercial & Technology at Heerema Marine Contractors where he was also a member of the Board of Directors, with joint responsibility of building the Company’s performance, and he was directly responsible for all commercial, contracting, engineering and innovation initiatives.

Before Heerema, he worked at SBM Offshore, one of the largest FPSO operators in the world where he held various positions in engineering, project management and business development. In 2004, he was tasked to start up and build their Floating-LNG business.

Leon Harland has no family relationship with any Director and/or major shareholder of the Company and he has no conflict of interest with the Company.

He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.

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**COUNTRY**

Netherlands

**AGED**

47

**GENDER**

Male

**DATE OF APPOINTMENT:**

16 May 2016

**QUALIFICATIONS:**

- Master of Science Degree - Civil (Offshore) Engineering from Delft University of Technology, Netherlands

**PRESENT DIRECTORSHIPS:**

- Listed Companies:
  - Nil
- Other Public Companies:
  - Nil

Leon Andre Harland ("Leon Harland") was appointed as an Executive Director and Chief Executive Officer of the Company with effect from 16 May 2016. Leon Harland is responsible for driving Bumi Armada’s short and long term growth plans, charting the strategic direction of the Company, leading the drive to operational excellence, allocating capital as well as forming strategic partnerships with clients and stakeholders.

Before Heerema, he worked at SBM Offshore, one of the largest FPSO operators in the world where he held various positions in engineering, project management and business development. In 2004, he was tasked to start up and build their Floating-LNG business.

Leon Harland has no family relationship with any Director and/or major shareholder of the Company and he has no conflict of interest with the Company.

He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.
Shaharul Rezza bin Hassan (“Shaharul Rezza”) has over 15 years of experience in corporate finance/fund raising and financial management. Prior to joining the Company in September 2005, he worked in the corporate finance department of UTSB for 10 years.

During his tenure with UTSB, he was involved in various corporate exercises such as mergers and acquisitions, restructurings, fund raising and equity public offerings, including the reverse take-over of Malaysian Tobacco Company Bhd (now known as MEASAT Global Berhad) and the acquisition and subsequent privatisation of the Company. He is an Executive Director of the company and heads the Offshore Marine Services business unit. He also sits on the boards of various subsidiaries and joint ventures of the Company.

Shaharul Rezza has no family relationship with any Director and/or major shareholder of the Company and he has no conflict of interest with the Company.

He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.
MANAGEMENT TEAM

LEON ANDRE HARLAND
Executive Director/ Chief Executive Officer
Please refer to his profile in the Board of Directors’ profiles section.

PIERRE SAVY
Acting Chief Financial Officer
Pierre Savy ("Pierre") is responsible for Corporate Finance, Treasury, Financial Reporting, Group Control, Investor Relations, Communication, Risk, Insurance Tax and IST. He has been an integral part of the finance and project organisation, bringing a wealth of industry experience particularly in financial controls.

Prior to joining the Company, Pierre was the Finance Director of SBM Offshore in Kuala Lumpur, where he contributed to the implementation and performance of this operating centre. Before SBM, Pierre was the CFO of Technip Asia Pacific and was highly involved in the setting up and further development of Technip in the APAC Region.

Pierre has no family relationship with any Director and/or major shareholder of the Company and he has no conflict of interest with the Company.

He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.

COUNTRY
France

AGED
58

GENDER
Male

DATE OF APPOINTMENT:
5 May 2015
(Joined Bumi Armada as Head - Cost Control, Risk & Insurance)
9 September 2016
(Appointed as Acting Chief Financial Officer)

QUALIFICATIONS:
• Master's Degree in Management from Dauphine University, Paris
• Bachelor of Economics from Dauphine University, Paris

SHAHARUL REZZA BIN HASSAN
Executive Director/ Head of Offshore Marine Services
Please refer to his profile in the Board of Directors’ profiles section.
James Oliver Ellis ("Jim") is responsible for the FPO, Fleet Asset Integrity and Commercial activities.

Prior to joining Bumi Armada, he was the Operations Director of SBM Offshore and was responsible for the day to day operations of the global production fleet of FPSOs, semi-subs, gas platform FSOs, and a trading tanker.

Before joining SBM Offshore, Jim worked at Excelerate Energy as Director of Floating Liquefaction and provided the technical and commercial guidance of Floating Liquefaction solutions and FEED execution plans for the company. He has held various positions in the past including approximately 6 years in BP as the President of BP Shipping (USA) as well as the Global Fleet Manager for BP Shipping.

Jim has no family relationship with any Director and/or major shareholder of the Company and he has no conflict of interest with the Company.

He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.

Soorya’s experience to date encompasses all aspects of the HR agenda: Talent Acquisition, Reward Strategy, Performance Management, Leadership Development, Organisational Design, Cultural Change, Business Transformation, HR Systems, Employee Relations and Stakeholder Engagement.

She has a proven track record in developing and implementing best practices, along with experience in successfully creating, implementing and sustaining leadership development programmes that attract and retain talent. In addition to her work, she also championed the Diversity Initiative at Eli Lilly and General Electric.

Prior to joining Bumi Armada, Soorya was the Regional HR Director at Petrofac where she managed the HR function for the SEA region.

Soorya has no family relationship with any Director and/or major shareholder of the Company and she has no conflict of interest with the Company.

She has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.
Mimi Binti Tahsin (“Mimi”) is responsible for and oversees the Legal, Insurance, Compliance and Contracts functions for the Bumi Armada Group.

Mimi has nearly 30 years of experience as in-house and external legal counsel in Malaysia and overseas in the areas of oil and gas, energy (power plants), defence, infrastructure, corporate and commercial law. She started her career as an Associate with Chapman Tripp Sheffield Young in New Zealand in the mid 1980s. She then joined Keppel Shipyard Limited, Singapore in 1993 before returning to Malaysia in 1995. Mimi was a partner with Zaid Ibrahim & Co for 10 years. Thereafter she was the General Counsel for the Pexco Group of companies, a Malaysian-based upstream oil and gas company.

Mimi has no family relationship with any Director and/or major shareholder of the Company and she has no conflict of interest with the Company.

She has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.

Roland Martland (“Roland”) is responsible for managing the Corporate HSSEQ function as well as providing governance and assurance on HSSEQ matters for the operational Business Units and FPSO projects.

In his early career, Roland was part of the Piper Alpha investigation team, and assisted in developing the Offshore Safety Case Regulations. Subsequently, Roland held various appointments with Shell, Maersk Oil, Dong Energy, and BP. He was a Director of Safety and Operational Risk in BP (UK) before joining Bumi Armada and has more than 30 years of experience in process safety, asset integrity, operational safety and risk management.

Roland has no family relationship with any Director and/or major shareholder of the Company and he has no conflict of interest with the Company.

He has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.
Noreen Melini Binti Muzamli ("Noreen") is responsible for ensuring the provision of effective corporate secretarial services at Bumi Armada and advising the Board and Management of Bumi Armada on the compliance with relevant regulations and best practices on corporate governance.

She has more than 15 years of corporate secretarial experience in various sectors which included property development and financial services. Prior to joining Bumi Armada, Noreen was attached to the Maybank Group for nine years and her last position was as the Company Secretary of Maybank Investment Bank Berhad and its group of companies, a position she held since November 2010. She was also Regional Head, Corporate Secretarial Services of Maybank Kim Eng Group ("Group"), the investment banking division of Maybank Group and was responsible for ensuring the adoption of group policies and best practices on corporate governance in the 10 countries in which the Group operated. Before Maybank Group, she was with a public listed property developer for more than 5 years and was assigned to its Legal and Secretarial Department.

Noreen has no family relationship with any Director and/or major shareholder of the Company and she has no conflict of interest with the Company.

She has not been convicted of any offence within the past 5 years nor been imposed any penalty by the relevant regulatory bodies during the financial year.
CORPORATE STRATEGY

Strategic Objectives

- Be the preferred provider of offshore production and support services.
- Increase long-term shareholder value.
- Enhance core capabilities in engineering, project management and operations.
- Maintain financial flexibility and strength.
--- | --- | --- | --- | --- | ---
Revenue | 1,317,389 | 2,179,734 | 2,397,339 | 2,073,004 | 1,659,184
EBITDA | 470,438 | 981,014 | 914,044 | 994,184 | 954,819
(Loss)/Profit for the financial year | (2,005,036) | (241,777) | 224,365 | 435,098 | 388,018
(Loss)/Profit attributable to the Owners of the Company | (1,967,651) | (234,566) | 218,690 | 431,191 | 385,828
Total assets | 22,090,129 | 18,072,639 | 14,451,890 | 8,809,665 | 6,929,759
Total equity | 5,590,077 | 7,295,772 | 6,717,525 | 4,380,235 | 3,767,011

More info at www.bumiarmada.com
SHARE PERFORMANCE

Malaysian Stock Market

The Malaysian stock market struggled with a series of local and global events during 2016 that took the leading FBM Composite Index through several highs and lows throughout the year. Locally, the weakening economy and the fluctuations of the Ringgit against world currencies had a significant impact as did commodity prices, as Malaysia remains a significant net exporter of commodities. Globally, there were a number of geo-political events that occurred that moved global markets, including the UK’s Brexit vote to leave the European Union, the easing of sanctions for Iran, the election victory by Donald Trump in the US elections in November and continued instability in the Middle East. All of these, as well as several local events and other factors, saw the FBM KLCI trade across a range from a high of 1,727.99 to a low of 1,600.92 during the year.

For Bumi Armada, generally weaker oil prices continued to pressure the stock price and the unlawful purported termination of Armada Claire contract as well as supplementary payments on the Armada Kraken FPSO, pushed the stock price to reach a low of RM0.510, before recovering at the end of the year to close 2016 at RM0.605.

<table>
<thead>
<tr>
<th>Bumi Armada Share Price</th>
<th>2016 (RM)</th>
<th>2015 (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year High</td>
<td>1.040</td>
<td>1.300</td>
</tr>
<tr>
<td>Year Low</td>
<td>0.510</td>
<td>0.790</td>
</tr>
<tr>
<td>Year Close</td>
<td>0.605</td>
<td>1.020</td>
</tr>
<tr>
<td>Market Capitalisation (at year end closing)</td>
<td>3.5 bil</td>
<td>6.0 bil</td>
</tr>
</tbody>
</table>

FBM KLCI Price & Volume Performance

![Graph showing FBM KLCI Price & Volume Performance]

BAB Share Price & Volume Performance

![Graph showing BAB Share Price & Volume Performance]
Dear Shareholders,

On behalf of Bumi Armada Berhad, I present to you the Annual Report for 2016.

I would like to start by officially welcoming Leon Harland as Executive Director and CEO of the Company. Leon took on his role in May 2016 and some of you will have seen and met him at our Annual General Meeting last year. I would also like to officially thank Chan Chee Beng for his stewardship of the Company as Acting CEO, prior to Leon joining us. Chee Beng now remains as a Non-Independent Director on our Board.

2016 was one of the toughest years in the oil and gas industry. Brent oil prices started the year weak and continued to fall to the year’s lowest level of below USD28/barrel in late January 2016. Since then, Brent oil prices have recovered on expectations of medium term supply/demand rebalancing as well as steps by Organisation of Petroleum Exporting Countries (“OPEC”) to control production levels. As a result prices stabilised to close the year at the USD50-60 per barrel range, where it continues to trade at the time of writing.
CHAIRMAN’S MESSAGE

Due to weak oil prices, oil companies continued to limit their spending, and many either delayed or cancelled new activities in relation to exploration, development and new production. Without any new exploration or development drilling, the number of drill-rigs that were “stacked” or laid-up increased, and orders for new drill-rigs at yards were either cancelled or postponed.

Despite price recovery from below USD30/barrel to above USD50/barrel at the end of 2016, oil companies remain extremely cautious. Many are adopting a “wait and see” approach and the average capital expenditure by the oil companies for 2017 is likely to see only a very slight increase. As a result, we do not expect to see, and to date, have not seen, a significant increase in exploration or new project development activities in 2017. However, we do expect that projects which oil companies have already mandated and have achieved Final Investment Decisions (“FID”) are likely to proceed to development and production stages in the future.

In the FPSO market, there were only three projects awarded in 2016 globally, the lowest number of project awards in twenty years¹. These were all awarded in the fourth quarter of 2016 for developments in Brazil, Guyana and Malaysia. That said, we have recently seen an increase in activity for qualifications and surveys by oil companies looking at new FPSO projects, as they look to move approved developments to production, which is positive for potential project awards.

In order to carry the Company through this challenging oil price environment and to build a better base for the long-term, the Board and Management will focus on four key areas:

- Strengthening compliance and building resilience in the business;
- Prudence in a challenging environment;
- Enhancing efficiency in the Company and its structure; and
- Focusing on the way forward.

These key themes will be addressed throughout the rest of the Annual Report.

The Year in Review

2016 was a landmark year for our work in the shipyards. The Company worked hard to complete four major conversion projects (three FPSOs and one FSU), all of which sailed to their various operational locations before the end of the year. We have since had the start-up of the Armada LNG Mediterrana FSU in Malta, First Oil with the Armada Olombendo FPSO in Angola, and hook-up of the Karapan Armada Sterling III FPSO in Indonesia. Currently, we are working hard with our clients, Enquest Heather Limited, Enquest ENS Limited, and Nautical Petroleum Ltd, to bring the Armada Kraken FPSO, which has reached its operational location in the North Sea, on stream. Our existing operating FPSOs in Vietnam (Armada TGT) and two FPSOs in India (Armada Sterling and Armada Sterling II) have continued to perform well throughout the year, both in terms of operational uptime and safety performance.

During the year, our FPO business also faced some challenges. In March 2016, the contract for the Armada Claire FPSO received a purported notice of termination, for which we have instituted legal proceedings. No date for trial has been fixed as yet. Additionally, our two clients in Nigeria, representing our two smaller FPSOs, also face financial difficulties, resulting in irregular charter payments. Management has dedicated resources to work with our clients and advisors to resolve these issues as soon as possible.

Our OMS business was the most directly affected by weak oil prices, with lethargic demand for OSVs resulting in low utilisation of our current fleet. Without a significant increase in drilling activities, demand for OSVs will continue to be subdued. As a result, we cold-stacked a number of vessels during the year in order to best manage our costs in this segment. Despite these challenges, we had some positive activity in the Caspian Sea, as our pipe-laying barge, the Armada Installer, continued to work for both Petronas Turkmenistan and LukOil during the year and, in addition, the three purpose built new Ice-Class OSVs started their long-term charter with LukOil. Over the year, the Company looked at cost rationalisation and efficiency of the overall business. A new Business Management System (“BMS”) review of all the critical processes and systems, from engineering and procurement, through to operations, was launched, and we expect to see positive results from this initiative.

The Company’s continued focus on safety resulted in an improved performance in 2016. All the current operating FPSOs, OSVs and construction vessels were LTI-free during 2016, a testament to the focus on safe operations by the Company. We did

¹ FPSO award data from EMA 2017-2021 FPS Report.
have three LTIs during the mobilisation and commissioning of our projects during the year, but thankfully all personnel involved have fully recovered, and training, awareness and remedial steps have been taken where necessary. Safety of all people in our work areas and the environment must remain a key focus for the Company.

Financial Performance

In 2016, the Group saw a significant decline in revenue to RM1.3 billion, against RM2.2 billion in 2015. This was due to the lower contributions from Armada Claire, Armada Perkasa and Armada Perdana, as well as lower revenue from the four new major projects as they completed their conversion phase. Note that these four projects, once producing will contribute significantly more revenue compared to the end of the conversion phase. This decline in activity resulted in a 69.8% year-on-year fall in revenue from the FPO business segment.

On the back of this lower revenue, the Group’s EBITDA weakened by 52.0% to RM470.4 million, compared to RM981.0 million in 2015.

During the year, the Group took non-cash impairments of RM1.7 billion across its businesses. RM1.0 billion of its impairment related to the FPO business as well as significant declines in business prospects, while RM733.2 million related to vessels in the OMS business.

In totality, the Group registered a loss of RM2.0 billion for the full year. Excluding the impairment, the Group would have registered a loss of RM261.8 million. With the four new projects coming this year, we expect to see a much stronger financial performance in 2017.

All in all, we believe the work carried out, and steps taken in 2016 will strengthen the Company going forward. The major projects have been physically delivered and two of the four have started to contribute positively. We have good visibility of the pipeline of new FPSO leads in the short to medium term and feel that we are well positioned to participate in key strategic projects going forward.

The OMS business is likely to see mixed fortunes. Generally, the OSV market is challenged and we have taken the steps deemed necessary to improve both our cost base and ability to secure new charters going forward.

It has been another testing year in 2016, following on from 2015, but we see some light at the end of the tunnel. The completion of major projects will significantly enhance our cash flows and underline our capability to undertake large, complex projects and deliver fit-for-purpose solutions for our clients. The new tenders and bids that we are currently involved in are all for large complex FPSOs, highlighting our ability to meet the stringent requirements of clients involved in these types of projects.

Closing

As we close out 2016 and look forward to a brighter future, I would like to thank my fellow Directors for their support, insight, advice and debates on both the Board and the various committees throughout the year. I would like to thank Shapoorji Pallonji Mistry, who resigned as a Director in February 2017, for his contribution during his time on the Board, and welcome VU Kumar who joined the board in April 2017. VU Kumar has over 35 years’ experience working for various blue chip and multinational companies as an established management consultant. His depth and breadth of experience in audit, consulting experience, and commercial expertise will be invaluable to the Board and Management of the Company.

Additionally, I would also like to thank Kenneth Murdoch who stepped down as Chief Financial Officer in September 2016 for his work in the three years he was with us, and Pierre Savy for stepping up into the Acting CFO role.

Finally, I would like to thank you, the shareholders and all our stakeholders, for your support and trust in the Board and Management or Bumi Armada, as we work to take the Company forward.

Tunku Ali Redhauddin ibni Tuanku Muhriz
Chairman
PRINCIPLE ACTIVITIES OF THE GROUP

Bumi Armada is a provider of floating production and support services to the offshore oil and gas industry. To conduct our activities we design, build, own and operate a large fleet of assets ranging from OSVs, SC units, FPSOs and a LNG FSU. We conduct our business on a global basis and with focus on two business segments.

Firstly, the OMS business segment manages a fleet of 49 OSVs and four SC units across Asia, the Caspian Sea, West Africa and Latin America, and has generated 70% of the Group revenue in 2016.

The FPO business segment generates the remaining 30% of the Group revenue and is projected to provide a larger part of the long term business results, accounting for 92% of the firm contracted order book and 90% of the total value of the potential optional extensions as at 31 December 2016. Bumi Armada currently owns one LNG FSU and nine FPSOs, of which three are operated under joint venture arrangements. As such, Bumi Armada qualifies as a global top five FPSO owner and operator.

In 2016, revenue generated in Asia (excluding Malaysia) accounted for 66%, Africa 17%, Malaysia 12% and Latin America 5%. However, this revenue mix will change significantly in 2017, as new FPO projects are coming on stream in Africa (one FPSO) and Europe (one FPSO and one LNG FSU).
VISION

Bumi Armada's vision is to be the preferred provider of offshore production and support services to our clients. In support of this vision, we have built-up the crucial and necessary capabilities to undertake large complex FPSO projects, including engineering, project management, risk management, financing, operational capabilities and as well as our own proprietary technologies. The Company needs to repeatedly deliver the facilities and services to our clients safely, at the right quality, on time and on budget, and in doing so, provide clients with value creating solutions. Combined with an open and decisive management style this will further build our reputation as the first name to call for clients looking for offshore facilities and services as well as becoming a preferred employer for oil and gas talents.

SHAREHOLDER VALUE CREATION

The oil and gas market is a cyclical business, driven by global demand and supply for the end products. The development and enhancement in shale oil and gas extraction has dramatically changed the supply side of the equation, with North America moving from a net importer of oil and gas products to a net exporter. This has undermined OPEC's ability to control supply of crude oil. With stagnating global demand, this has subsequently driven down oil and gas prices. In turn, the expenditures of oil and gas companies were being significantly reduced and impacting substantially the oil and gas service sector, including Bumi Armada.

The impact on our Group activities is largest in the OMS business segment as the activity level of our vessels is closely linked to oil price movement. In the FPO business segment our production services are typically underpinned by long-term contracts generating long-term cash flows that are independent from movement in oil price.

We remain convinced of the future business potential of offshore oil and gas production and the continuing need for our services for the coming decades. Particularly in the fields of large and complex FPSOs there are very few players and Bumi Armada is uniquely placed given its track record of delivering fit-for-purpose solutions and ensuring production operations with excellent safety and uptime records.

By focusing strongly on risk management (including contracts) and by growing the capabilities of the organisation in consistently delivering our services safely, on budget, on time and with the right quality. We will ensure value creation for our clients, and this will ultimately deliver value for our stakeholders and shareholders.
Our Strategic Performance

THE YEAR IN REVIEW

Floating Production and Operation
At an operational level the FPO business has performed very well, with the existing FPSOs, both those owned directly, as well as those under joint venture arrangements, recording no incidents harming either man nor environment, while maintaining an average fleet uptime of almost 100%.

Armada TGT 1 FPSO in Vietnam
The Armada TGT 1 FPSO, operating in the Te Giac Trang field in Vietnam, continues to work at a high level of uptime, averaging over 99%, for our client, Hoang Long Joint Operating Company which is a joint venture between PetroVietnam Exploration and Production Ltd., Soco Vietnam Ltd., Opeco Vietnam Ltd., and PTTEP Hoang Long Company Limited. The FPSO has been operating since 2011 on a seven-year firm contract and the contract includes an option mechanism to address a possible maximum total extension of eight additional years.

Armada Sterling and Armada Sterling II FPSOs in India
The Armada Sterling and Armada Sterling II FPSOs are both being chartered by Oil and Natural Gas Corporation Ltd, the national oil company of India and operating off the west coast of India in the D1 and C7 blocks, respectively. Both FPSOs are owned and operated in a joint venture partnership with the Shapoorji Pallonji Group in India. The FPSOs have very successful safety and uptime performance records. Just recently, the Armada Sterling II was recognised by the British Safety Council with the International Safety Award for protecting its employees from injury and ill health.

Termination of the Armada Claire FPSO contract in Australia
The contract for the Armada Claire FPSO in the Balnaves Field in Australia remains the subject of a legal case, due to the unlawful purported termination of the contract by Woodside Energy Julimar Pty Ltd (“Woodside”). As we announced in April 2016, the Company is seeking damages of USD275.8 million for the purported repudiation of the contract by Woodside. We are waiting for a trial date to be set by the courts in Australia. Meanwhile, the Armada Claire FPSO has been demobilised from the field and iswarm-stacked in Batam, Indonesia, while we pursue redeployment opportunities for her.

Challenges in Nigeria
The lower oil price has had a negative financial impact on our two clients in Nigeria, resulting in irregular charter payments for both the Armada Perkasa FPSO and Armada Perdana FPSO. We have been working with these clients to find a solution to recover the outstanding charter amounts. In the case of Amni, this has resulted in the sale of the Armada Perkasa FPSO post year end 2016. For Erin, we are in discussion with the client in an effort to support their initiatives to increase the oil and gas production rates from their reservoirs.

First Gas Unit Goes on Charter
The Group’s first gas unit, the Armada LNG Mediterrana FSU, which was converted in 2016, is now operational in Malta at the Delimara LNG Regasification Terminal for our client ElectroGas Malta Ltd. The sail away ceremony for the unit, which was attended by Dr. Joseph Muscat, Prime Minister of the Republic of Malta, was held on 1 August 2016 prior to her departure from Singapore. The unit achieved first LNG on 16 January 2017 and has been in operation since.

Three New FPSOs Coming On Stream
In addition to the Armada LNG Mediterrana FSU, the Group has been extremely busy in delivering three other FPSO projects from the Keppel yard in Singapore.

Firstly, the Armada Olombendo FPSO which is chartered on a 12-year firm contract by Eni Angola S.p.A. This is a large and complex FPSO unit with ~19,000 tonnes of Topsides, featuring one of the world’s largest external turret mooring systems. This turret system has been developed fully in-house and has a range of provisions to cater for future field tie-ins.

The naming ceremony for the Armada Olombendo FPSO was held in the Keppel yard in Singapore on 14 October 2016 and she left Singapore on 1 November 2016 for Angola. After a 40-day voyage, the FPSO arrived in Angola and was hooked-up to the pre-installed anchor lines. Following a short riser connection and start-up preparation period, she delivered First Oil on 8 February 2017. Full commissioning of the FPSO is on-going and Armada Olombendo is expected to be fully operational in the second quarter of 2017. Secondly, the Armada Kraken FPSO is chartered for an eight year period to Enquest
Heather Limited, Enquest ENS Limited, and Nautical Petroleum Ltd (collectively Charterers) and will be operating in the harsh environment of the UK North Sea. The unit is specifically designed to suit the requirements for the production of heavy oil, and moreover, Bumi Armada will be the duty-holder of the offshore operations.

The Armada Kraken FPSO left the Keppel yard on 23 November 2016, arrived in the North Sea on 13 February 2017, where she was hooked-up to the preinstalled mooring buoy on 17 February 2017. At the time of writing, she is undergoing start-up and commissioning activities with a plan to achieve First Oil in mid 2017. From a schedule and budget viewpoint, the progress of the Armada Kraken conversion project has been very disappointing throughout the project period and with a resulting delay of more than one year in total. This has resulted in supplementary payments being committed than one year in total. This has resulted in supplementary payments being committed to the Charterers. At the time of writing, we are in process of finalising the contract amendments and have agreed in principal to redefine the final delivery date from 1 April 2017 to 15 July 2017.

Finally, the Karapan Armada Sterling III FPSO which is chartered to Husky CNOOC Madura Ltd (“HCML”) for a period of 10 years, will be operated on the Madura field in Indonesia. This FPSO is a unique gas production facility with the capability to extract and store the condensates as well as large volumes of molten sulphur. The construction and delivery of the FPSO was performed under a joint venture arrangement with the Shapoorji Pallonji Group from India. The FPSO conversion was conducted at the Keppel yard in Singapore, and she left Singapore on 20 December 2016. The unit was moored and all riser lines connected to the FPSO on 16 January 2017 and she is now waiting for our client HCML to provide first gas. HCML expects to complete the full ramp up of production in the second half of 2017.

These four new projects include the two largest FPSOs Bumi Armada has ever built, as well as our first sour gas and LNG project. We expect these four projects to contribute significantly to the financial performance of the Company from 2017 and onwards.

**Offshore Marine Services**

2016 continued to be a difficult year for the OSV business. The fleet managed an average utilisation rate of approximately 50% during for the year and closed full year 2016 with 19 OSVs cold-stacked as the market remains oversupplied. However, we did pick up some new short-term charters for vessels during the year, but rates remain low. As a result, we continue to be selective on charters and are persistent in seeking to remain cash flow positive on contracts.

On a positive note for the OSV business, we started operations of our three Ice-Class support vessels in the Caspian Sea, which are under long term contract with LukOil Nizhnevolszhskneft (“LukOil”). These three vessels have each a 10-year firm charter, with options for potentially 20 additional years.

Our two pipe-laying and construction barges in the Caspian sea under the SC business, the Armada Installer and Armada Constructor, were also kept busy working in the Turkmenistan and Russian sectors during the year. We expect work for the Armada Installer to be stable in 2017 on the back of work commitments with both Petronas Turkmenistan and LukOil.

**Refining the Internal Organisation**

During the year, we continued to look internally at efficiencies and streamlining the organisation to fit the needs of the market going forward. We have undertaken several significant organisational improvement initiatives which include implementing a BMS to refine and enhance our corporate processes and operational procedures as well as provide a platform for continuous improvement.

We have also focused on improving the procurement and supply chain management to ensure both integrity and effectiveness within the system. In the project and engineering departments we are dealing with a reduction in workload following the completion of the four large conversion projects. Hence we have reviewed the capability and capacity of the project and engineering units, to ensure we maintain critical skills as well as have the flexibility to take on both bidding and ultimately new projects, effectively.

**People**

At time of writing, we have rationalised our on-shore employees leading to an 19% reduction of on-shore staff.

Furthermore, we revisited our human capital practices and refocused our efforts on enhancing employee engagement with Talent Reviews, Succession Planning and overall employee interaction. The enhancements implemented take a more cohesive and streamlined approach to keep our employees engaged and striving towards our long-term goals. In parallel, we have achieved through 2016 some of
our objectives like a significant increase in our diversity ratios and maintaining similar percentage of training despite the downturn of the market.

Safety statistics in 2016 showed a marked improvement over 2015, with both a reduced LTI performance and an increase in the management visit ratio, which highlights more senior management involvement in projects and operations.

During the year, the we did register three LTIs during the delivery phase of our FPSO projects and our front-line OMS businesses. Fortunately, none of the incidents were life-threatening and all the people involved have recovered. These incidents however are a constant reminder of the need to be vigilant to the risks that our operations are exposed to. It is for this reason that we will continue to remain focused of our employee safety and safe operations on all our vessels and assets.

During the year, all our operating FPSOs recorded LTI-free performances for the year, with several of our units recording multi-year LTI-free performances:
- Armada TGT I FPSO – five years without any LTI
- Armada Sterling FPSO – three years without any LTI
- Armada Perdana FPSO – three years without any LTI
- Armada Perkasa FPSO – one year without any LTI
- Armada Sterling II FPSO – one year without any LTI (the units’ first full year of operations)

We also improved our performance in our plans to reduce greenhouse gas (“GHG”) emission levels. More details of this is captured in our Sustainability section.

FINANCIAL PERFORMANCE

For financial year ended 31 December 2016 (“FY2016”), Bumi Armada posted a revenue of RM1,317.4 million, a decrease of 39.6% compared to the financial year ended 31 December 2015 (“FY2015”). The decrease was mainly attributed to lower conversion activities from the Armada Olombendo and Armada Kraken FPSO projects, recognition of supplementary payments for Armada Kraken FPSO, reduced contribution from Armada Claire FPSO, Armada Perdana FPSO, Armada Perkasa FPSO and lower OSV vessel utilisation. However, these were offset by the higher contribution from the LukOil project in the Caspian Sea.

During the financial year, the Group made a non-cash impairment charge of RM1,743.2 million, comprising RM1,738.0 million for certain FPSO and OMS vessels, and RM5.2 million for available for sale financial assets. As a result of the impairment, the Group reported a net loss of RM2,005.0 million for FY2016 (RM241.8 million net loss for FY2015). Excluding the impairment charge, the Group would have posted a net loss of RM261.8 million.

As at 31 December 2016, the property, plant and equipment of the Group increased to RM16,602.6 million as at 31 December 2015 due to capital expenditure (“CAPEX”) of RM4,048.0 million arising mainly from conversion activities for the Armada Olombendo and Armada Kraken FPSO projects which was offset by the impairment charge of RM1,738.0 million. The Group had authorised CAPEX amounting to RM1,971.3 million for property, plant and equipment which was not incurred as at 31 December 2016.

Deposits, cash and bank balances increased from RM1,525.7 million to RM3,015.9 million, comprising RM2,758.2 million deposits with licensed banks and RM257.7 million of cash and bank balances. The increase was mainly due to drawdown of the term loan for a conversion project which was initially funded using the Group’s internally generated funds.

The increase in the Group’s borrowings from RM8,029.6 million in FY2015 to RM13,046.1 million in FY2016 is attributable to the drawdown of loan facilities as well as revolving credit facilities. The Group maintains sufficient cash and availability of funding through an adequate amount of committed credit facilities from financial institutions to support its daily operations.

RISK FACTORS

Bumi Armada’s key risks revolve around three main areas; the state of the oil and gas industry, the contracts that Company undertakes and the funding requirements to undertake large new projects.

Oil Price Risk

The fall in oil prices has resulted in oil companies significantly reducing their capital expenditure investment in new projects, which resulted in a reduction of their required demand for our services. As we have seen over the last two years, the downturn in the oil and gas market has resulted in lower demand for our vessels and well as lower charter rates, which has had a significant negative impact of the performance of our OSV business. The lower oil price has also had an impact on some of our clients in the FPSO businesses, where the clients’ field economics are affected, resulting in the inability to service all their costs, including the charter payments on our FPSO.

Contractual Risk

As a business, we are exposed to risks inherent in the contracts that we undertake. Some of the terms of the contracts include key milestones on the construction and delivery schedules as well as the operational performance of the facilities. Failure to meet any of the key terms or conditions of the contracts that we have entered into, will expose the Company
to potential penalty payments, liquidated damages or ultimately, termination of the contract. In 2016, we received a purported notice of termination of the contract for the Armada Claire FPSO, for which we have instituted legal proceedings in Australia against the client, Woodside. Additionally, we have also incurred supplementary payments on the Armada Kraken FPSO contract.

**Funding of New Projects**

FPSOs are by the nature of the business, capital intensive projects. The projects that are currently up for bidding are all large in scale, driven by the types of fields that the clients are looking to develop and where project economics for the clients make the most sense going forward. The FPSOs for these developments are likely to entail capital investments in excess of USD1 billion. The scale of these capital commitments will require the Group to provide significant amounts of equity, which will only generate cash flows two to three years after the contracts have been signed. As a result, the Group will need to be selective in the projects that it undertakes in the future or will need to find alternative strategies to take on new projects in the future. Limitations in the Group’s ability to fund new projects or restrictions in raising sufficient funding in certain situations, may restrict the Group’s ability to grow.

For further details on the risks and the other risks our Group is exposed to, please refer to the Statement on Risk Management and Internal Control section of this Annual Report (Page 69).

**OUTLOOK**

Oil prices going forward are expected to be relatively stable in the medium term, but are likely to be relatively volatile over the short-term. The anticipated stability in the outlook for oil prices is also expected to provide confidence for oil companies to start investing in selected identified and approved projects. Exploration activity for oil in new areas however, is not expected to see a significant increase in 2017.

There are signs of improving sentiment in the floating production business, with an increase in new tenders and enquiries in the latter half of 2016. At the time of this report, the Company was heavily involved in a handful of potential new projects, of which we hope to secure at least one new FPSO project in 2017. Due to the ongoing over supply of OSVs in the market and the outlook for limited new exploration by the oil companies, we do not expect to see a significant improvement in the OSV business in 2017. The SC business in the Caspian Sea will continue to be underpinned by the current activities with Petronas Turkmenistan and LukOil in 2017 and we expect to secure more work for the Armada Installer and Armada Constructor in the region.

**CLOSING**

Finally, I would like to add a few personal observations. Since my arrival on 16 May 2016, it has been a very dynamic period as the Group had to navigate through stormy weather with the purported termination of the Armada Claire FPSO, delays on completion of Armada Kraken FPSO, challenged cash collections in Nigeria and the heavy underutilisation in the OSV sector, which have put a big strain on the Group, on our people and on our financial results. At the same time there have been many highlights: we delivered four complex FPSO projects, each featuring unique technologies, we have achieved an impressive operational performance throughout our OSV, SC and FPSO fleets and recorded good safety performances across all our operational assets.

I would like to thank the shareholders and the Board for the trust that has been put in me to lead the Company through this trying time. It is not a responsibility that I take lightly and I hope to reward that trust by taking Bumi Armada into its next phase of growth. I would also like to thank Mr. Chan Chee Beng for his guidance and support in taking over the wheel of the Company, one which he steered before I came on board.

My gratitude also goes to our Chairman Tunku Ali, the other Directors and my colleagues, whom have been working with me, all pulling in the same direction, to bring the Company forward.

I believe that our Company has built a real competence in the Floating Production business. We are now on the verge of making a step change in our capability to deliver large scale projects to our clients. The OMS business has struggled due to the market conditions, but our services are still chosen ahead of others, based on our experience and capability to operate for our clients, and not necessarily at the lowest charter rates. Given these key ingredients, I look forward to working with all our stakeholders to develop the potential that will allow Bumi Armada to emerge from this trying period, stronger.

**Leon Harland**

Executive Director/ Chief Executive Officer
Bumi Armada is a Malaysia-based international offshore energy facilities and services provider with a responsibility to build a sustainable business model based on the Environmental, Social and Governance (“ESG”) platform, balancing our impact on the environment, the safety of people, and creating ethical long-term stakeholder value.

In 2016, the formal role of Sustainability in Bumi Armada has been consolidated under the Investor Relations, Communications and Sustainability Department (“IRCSD”). While the budget for Sustainability is held under this department, the sustainability initiatives are now led by the Sustainability Committee (“SComm”) which is guided by the IRCSD, and reports to the Board of Directors. The SComm is made up of employees from different departments who have volunteered to take on the responsibility of selecting, participating in and monitoring the initiatives that have been identified to be supported.
While the Company looks at formal sustainability initiatives under the SComm, aspects of sustainability under the ESG platform are apparent in the day to day way that Bumi Armada operates. Clear examples of these are the operational focus on safety to people, facilities and the environment and awareness of potential risks in working in the construction of huge facilities under strict timelines, as well as the hazards inherent in working in the offshore environment. The detailed focus on these areas is the reason that the Company has clear policies and procedures regarding all areas of safety, employee behaviour, compliance, quality assurance and enterprise risk management, amongst others.

Bumi Armada’s approach to Sustainability under the SComm has been to select several initiatives which have both a local and an international impact, as well as run on an annual and multi-year basis. The reason for selecting both local and international initiatives reflects the geographical coverage of the Company’s businesses and where possible, directly benefit the countries in which we operate.

Bumi Armada’s Sustainability Steering Committee

The following initiatives were selected in 2016:

**ENVIRONMENTAL**

**SComm Initiatives**

As part of the Company’s efforts on carbon offset, 2016 marked the fourth year of a five-year programme in support of the Forest Research Institute of Malaysia (“FRIM”). Bumi Armada continued to support FRIM in 2016 with the planting of indigenous jungle trees as well as supporting educational tours within the FRIM forest reserve.

Under Bumi Armada’s marine conservation initiatives, the Company continued to sponsor the Turtle Sanctuary and Information Centre in Cherating, Pahang. In 2016, the sponsorship covered improvements to the centre’s infrastructure and turtle hatchery, as well as electronic tagging and monitoring equipment for tracking adult turtles in the wild.
**SUSTAINABILITY STATEMENT**

With one of the Company’s joint venture companies involved in an FPSO project off Madura Island in Indonesia, the SComm selected a marine conservation programme run by the Biosphere Foundation called the Mooring Buoy Programme. The programme has installed 33 mooring buoys off the marine reserve of Menjangan Island to stop visiting vessels from dropping anchors, which destroy the marine coral. In addition to installing the buoys, the programme also cleans the beaches of trash that has washed up on the island as well as clear the coral of Crown of Thorns star fish and Drupella snails which destroy the live corals. Bumi Armada provided funding to Biosphere to replace and maintain the buoys, and several employees from both the KL and Jakarta offices took part in the beach clean-up.

In the UK, employees at the Company’s office in Aberdeen went on a beach clean-up organised by the Marine Conservation Society at Donmouth Beach along the River Don in Scotland. Apart from the benefit to the community of the clean-up there was also a presentation to emphasise the importance of sustaining the local beaches and marine wildlife.

**As part of the business operations**

As part of its corporate sustainability, Bumi Armada has made a commitment to reduce the level of fuel and electricity consumption across our operations with an overall target to see an annual reduction of 5%. The level of consumption in both these areas is influenced by a number of variables, such as level of business activity or the launch of new projects or operations.

<table>
<thead>
<tr>
<th></th>
<th>2015 (t.CO₂-e manhours)</th>
<th>2016 (t.CO₂-e/manhours)</th>
<th>% YTD difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel + Electricity</td>
<td>0.076121465 (7.6 x 10⁻²)</td>
<td>0.071001075 (7.10 x 10⁻²)</td>
<td>-6.7266</td>
</tr>
<tr>
<td>Fuel</td>
<td>0.1068403961 (1.1 x 10⁻¹)</td>
<td>0.099048347 (9.9 x 10⁻²)</td>
<td>-7.2932</td>
</tr>
<tr>
<td>Electricity</td>
<td>0.00044656 (4.47 x 10⁻⁴)</td>
<td>0.000397964 (3.98 x 10⁻⁴)</td>
<td>-10.882</td>
</tr>
</tbody>
</table>

As part of the operational standards under the International Maritime Organisation (“IMO”), all our vessels are required to collect and sort vessel waste materials and dispose them in accordance with the regulations. In addition to waste, the IMO has strict regulations regarding pollution levels of oil and chemical spillage. All these items must be monitored and reported to the IMO annually.

**SOCIAL**

**SComm Initiatives**

During the year, the SComm undertook a number of new societal support initiatives, which included supporting the Pertiwi Soup Kitchen, which provide free meals to the homeless and destitute in Kuala Lumpur, “Stop Hunger Now!”, which is a global food relief body that packs emergency relief meals and provides them in areas of natural, political or other disasters. Employees from the Company packed over 60,000 relief meals in two Stop Hunger Now! events in 2016.
In 2016, Bumi Armada also sponsored the provision of selected medical equipment for the terminally ill. The funds provided were to purchase new equipment for Malaysian Association Help for the Poor and Terminally Ill to ensure that terminally ill patients had some comfort and support.

Two of the biggest threats to children in developing countries is a lack of clean water and the spread of disease. As part of the international efforts towards helping society, the SComm supported UNICEF in two programmes during 2016. The first provides clean drinking water in areas where water is either scarce or highly polluted and the second, the immunisation of children against diseases such as measles, diphtheria and tetanus.

Bumi Armada also looks to take care of its employees and organised free health screenings for its employees in Kuala Lumpur in support of World Health Day. The screenings covered blood tests and general health checks and was carried out at the lobby of the head office in Kuala Lumpur. The Company also had a series of health and fitness events for its employees throughout the year.

As part of the business operations
The safety of people is a key focus area in the oil and gas industry and when working in the offshore environment, that focus must be even more diligent. The risk to safety is extremely high and it is for this reason that the Company, as a service provider with front line operations, monitor processes and procedures meticulously. In 2016, the Company had a strong safety performance, but the role and indoctrination of a safety culture is endless as new operations come on stream and new employees join the Company both on-shore and offshore.

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEADING INDICATORS – PER 200,000 MHIRS *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety Observation Frequency</td>
<td>284.4</td>
<td>560.5</td>
<td>720.8</td>
<td>902.0</td>
<td>599.0</td>
</tr>
<tr>
<td>Near Miss Reporting Frequency</td>
<td>1.26</td>
<td>1.34</td>
<td>1.66</td>
<td>1.69</td>
<td>1.19</td>
</tr>
<tr>
<td>Management Visit Ratio</td>
<td>7.52</td>
<td>5.20</td>
<td>5.83</td>
<td>4.78</td>
<td>8.33</td>
</tr>
<tr>
<td>HSE Training Man hours</td>
<td>12,836</td>
<td>22,710</td>
<td>30,365</td>
<td>23,850</td>
<td>28,627</td>
</tr>
</tbody>
</table>

| LAGGING INDICATORS – PER 1 MILLION MHIRS | | | | | |
| Lost Time Injury Frequency | 0.19 | 0.44 | 0.66 | 0.27 | 0.12 |
| Total Recordable Injury Frequency | 1.11 | 1.31 | 1.58 | 2.28 | 0.73 |
| First Aid Case Frequency | 3.34 | 2.32 | 2.76 | 2.69 | 1.46 |
| Total Man-Hours (BAB Only) | 5,396,481 | 6,883,405 | 7,608,765 | 7,445,199 | 8,239,342 |

* MHIRS - Man-hours
As the Company undertakes new projects and operations internationally, it is important to hire and train competent local employees to work in the offices and facilities that we operate. As a Company and as an industry, it is not only critical to develop local resources and content to benefit the people and businesses in the countries in which we operate, but also to increase the availability of talent, competence and capability of those resources going forward. While there is a financial benefit to hiring local talent in specific countries that we operate in, the development of international talent remains a critical ingredient to Bumi Armada’s success going forward.

Key milestones achieved during 2016 on our operations include:

- Zero LTI; and
- Total Recordable Incident Frequency Rate ("TRIFR") = 0.69 which is based on 1 Medical Treatment Case, and with a total man-hours of 1,451,775

The following safety performance records were recognised across the organisations:
- Armada Sterling II FPSO - 1st year of LTI free operations, 11 March 2016;
- Armada Perkasa FPSO - 1 year without LTI, 21 April 2016;
- Armada Sterling FPSO - 3 years without LTI, 21 April 2016;
- Armada Perdana FPSO - 3 years without LTI, 6 May 2016;
- Armada TGT 1 FPSO - 5 years without LTI, 18 July 2016

GOVERNANCE

In corporate governance, Bumi Armada strives to comply with the best practises in regulatory requirements and to be as transparent as possible without risking either the Company’s commerciality or competitiveness. To achieve the right balance, the Company works closely with the Internal Audit function and External Auditors to ensure compliance to the reporting regulations. For further details regarding our internal processes and procedures on employee ethics, internal audit, enterprise risk management and others, please refer to the Corporate Governance Statement in this report or please refer to the corporate governance section on our website at www.bumiarmada.com. Our efforts to manage our sustainability responsibilities have also been recognised through the Company’s inclusion in the FTSE4Good Bursa Malaysia Index, the Dow Jones Sustainability Emerging Market Index and the Morgan Stanley Composite Index ("MSCI") Global Sustainability Index.