

# Group Managing Director's Review of Operations



## Overview

**B**umi Armada Group has another pleasant year in 2001 and I am very pleased to report our continued growth and good performance.

For the financial year ended 31 December 2001, the Group registered a pre-tax profit of RM63.5 million, compared to RM54.8 in year 2000 representing an increase of about 16%. The turnover has also increased to RM426 million compared to RM231 million in 2000.

The consolidated effort by our management and personnel at every level in focussing our effectiveness has enabled us to strengthen our position in our core business as well as making further inroads into the oil and gas industry services. This is reflected in the substantial increase in our turnover by RM195 million, more than 80% quantum jump. Our new inroads into offshore construction, installation, hook-up and commissioning has contributed significantly to the increase in the turnover.



While this has meant our ability in expanding our services, it also showed that we are not as efficient in maintaining the margin as we have been achieving in our core business. However, this is normal as we begin to move into new and more competitive areas. We now know that we have more rooms to improve so that the margin will move in tandem with our core business. I am confident that we will be able to quickly acquire the necessary know how and focus on our efficiency to improve our profitability in the new services sector that we had moved into.

#### **Bumi Armada Navigation (BAN)**

BAN continued to have a busy and successful year in 2001 where again all its vessels were fully employed during the year. We delivered two new vessels, Armada Tuah 7 and Armada Manis, for charter to the oil and gas industry. We also had an additional three vessels under construction. Our total fleet size in 2001 expanded to 35 vessels including the three that are now being constructed. We expect to deliver and start earning revenue from them in 2002.

BAN's initiative to participate in offshore structures and pipeline installation availed itself to a joint venture with a highly reputable partner of international standing and established worldwide experience, J. Ray McDermott (JRM). Due to immediate requirement of projects, it was decided to allow its sister organization Haven Engineering, to perform the 2001 installation works through JRM while waiting for the formation of the joint venture, the licensing and other formalities. The opportunity allowed BAN and the Group to jump-start into a

new service sector that is strongly related to its core-business of marine support, construction and maintenance services. Therefore the support of Haven Engineering allowed BAN to expand into a new horizon with relative ease. This synergistic approach will continue to be our strength and our hallmark, bringing us closer to achieving our goal of becoming a comprehensive one stop provider of operation and maintenance services for the oil and gas industry.

BAN also continued to expand its accommodation workboat service and secured another contract in Brunei. In order to meet this requirement BAN embarked on building a new accommodation workboat to be named Armada Salman in 2001. We expect to deliver it for charter to our customer in Brunei around mid-2002. So, together with the three existing accommodation workboats Armada Goodman, Armada Topman, and Armada Iman, we will now have a fleet of four accommodation workboats.

Our FPSO, the Armada Perkasa, had a good year with more than 99% production uptime. Since it's start of operation in mid 1997, Armada Perkasa has successfully performed oil production and offloading operation from the Bunga Kekwa PM3 field. As of 31 December 2001, Armada Perkasa has helped to produce and export more than 21 million barrels of oil from the Bunga Kekwa field. This is an excellent track record that speaks for itself on our capability to assist Petronas in the



development and production from small and marginal oil fields that are numerous scattered throughout the Malaysian waters.

In view of the above long term potential of Armada Perkasa, BAN has continued to put special effort on preventive maintenance of Armada Perkasa to ensure its integrity and a longer operational life-time.

While ensuring integrity of its asset through continuous maintenance, BAN has also been vigilant in ensuring integrity of its operation through compliance with ISM as well as customers' safety and environmental requirements. In this regard, BAN was again awarded Gold Star safety award by EPMI Production Division for an injury free year and zero loss time accident in year 2001.

### Haven Automation (HAVEN)

Haven's performance for the year 2001 has shown signs of improvement. The hook-up and commissioning works started to pickup by middle of the year. However, the full impact of this activity will only be realized in 2002.

In view of the fact that most of the oil and gas facilities are ageing and requires retrofit and maintenance, we believe that offshore hook-up and commissioning activities will continue to be an important part of oil and gas annual work program and budget. Haven is therefore using this opportunity to build a strong team that can propel the Group to greater heights in this sector.

We also see an upturn in other sectors such as maintenance work, valve repair, liferaft maintenance, electrical and instrumentation, and

construction. As we continue to generate higher momentum, we expect to see a more significant contribution from these sectors in 2002.

Together with our joint venture partner, McDermott, Haven also had a successful year in performing the offshore installation works for EPMI on behalf of the Bumi Armada-McDermott Joint Venture. It completed a massive integrated offshore construction program amounting to almost 1.2 million man-hours to install 3,450-tonne eight-legged jacket structure, 5 satellite platforms and more than 300 km of pipelines without any loss time accident. In recognition of this achievement, EPMI Project Development Division presented Haven-McDermott with a Gold Star Safety Award for 2001. Therefore, the joint venture has not only brought in commercial benefits to the Group, but also new technology and higher standard of operations. I am confident that with our added dimension and strength in this sector, we are now better positioned to capture future installation opportunities in the Malaysian waters.

### Business Outlook

It is a well-known fact that Malaysian oil and gas production from the existing fields are declining while consumption and demand, both for domestic and export, are increasing. Therefore to meet the diverging trend, it would be necessary to maximize production from the existing fields as well as develop and produce from new fields. I believe Petronas are seriously addressing this issue, as a result of which, we are seeing a high level of activities in maintenance and retrofitting of the numerous facilities in existing fields, development of new fields, and exploration programs to discover new reserves.





*“While building our strength for the longer term, we are not losing sight of our near term performance. Based on the secured contracts and near term potentials, I am confident that we will again perform well in 2002.”*



The urgency to develop the small and marginal fields has also taken centre stage in various forums organized by Petronas. There are more than 100 small fields scattered around in the Malaysian waters with a total reserves of 500 million barrels. The development of these fields had been on low priority in the past due to unattractive economics. The challenge is therefore to find a low cost solution and technologically efficient production.



Due to the urgency and demanding economics, greater consideration are being given to service companies or groups that can provide total solution ranging from engineering, construction, installation, hook-up, commissioning, operation and maintenance. Bumi Armada Group is therefore well positioned to accept this challenge as it continues to demonstrate its capability to integrate its expanding range of services.

While building our strength for the longer term, we are not losing sight of our near term performance. Based on the secured contracts and near term potentials, I am confident that we will again perform well in 2002. There are also lessons that we have learned from events and performance in 2001 that would help us to manage our business and operation better. Therefore, I look forward to yet another successful year for 2002.

**Dr. Ahmad Fauzi Mustapha**  
Group Managing Director

