

UMW OIL & GAS CORPORATION BERHAD

(COMPANY NO : 878786-H)

(INCORPORATED IN MALAYSIA)

Condensed Consolidated Statement of Comprehensive Income for the First Quarter ended 31st March 2014

(The Figures Have Not Been Audited)

	Current Quarter Ended 31/03/2014 RM'000	3 Months Cumulative To Date 31/03/2014 RM'000
<u>Continuing Operations</u>		
Revenue	195,573	195,573
Operating Expenses	(143,353)	(143,353)
Other Operating Income	3,286	3,286
Profit From Operations	55,506	55,506
Finance Costs	(4,470)	(4,470)
Share Of Profits Of Associated Company	112	112
Investment Income	7,155	7,155
Profit Before Tax from continuing operations	58,303	58,303
Taxation	(4,145)	(4,145)
Profit Net Of Tax	54,158	54,158
<u>Other Comprehensive Income :</u>		
Translation Of Foreign Operations	(8,025)	(8,025)
Other Comprehensive Income Net of Tax	(8,025)	(8,025)
Total Comprehensive Income for the period	46,133	46,133
<u>Profit For The Period Attributable To:</u>		
Equity Holders Of The Company	53,684	53,684
Non-controlling Interests	474	474
	54,158	54,158
<u>Total Comprehensive Income Attributable To :</u>		
Equity Holders Of The Company	45,891	45,891
Non-controlling Interests	242	242
	46,133	46,133
EPS Attributable to Equity Holders of The Company:		
Basic (Sen)	2.48	2.48

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements)

UMW OIL & GAS CORPORATION BERHAD

Condensed Consolidated Statement of Financial Position

	(Unaudited) As At 31/03/2014 RM'000	(Audited) As At 31/12/2013 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	2,608,282	2,247,177
Land Use Rights	2,168	2,248
Intangible Assets	11,291	11,291
Investments In Associate	1,975	2,392
Deferred Tax Assets	1,240	1,242
	<u>2,624,956</u>	<u>2,264,350</u>
Current Assets		
Inventories	69,829	64,354
Other Investments	621,835	1,061,581
Trade Receivables	254,967	292,272
Other Receivables	36,463	26,305
Derivative Assets	92	32
Due From Related Companies	8,998	6,827
Deposits, Cash & Bank Balances	608,626	174,948
	<u>1,600,810</u>	<u>1,626,319</u>
TOTAL ASSETS	<u>4,225,766</u>	<u>3,890,669</u>
EQUITY AND LIABILITIES		
Equity Attributable To The Equity Holders Of The Company		
Share Capital	1,081,000	1,081,000
Share Premium	1,372,819	1,372,819
Other Reserves	88,372	96,165
Retained Profits	336,835	283,151
	<u>2,879,026</u>	<u>2,833,135</u>
Non-controlling Interests	6,215	5,973
Total Equity	<u>2,885,241</u>	<u>2,839,108</u>
Non-Current Liabilities		
Deferred Tax Liabilities	4,834	4,834
Long Term Borrowings	514,804	548,335
	<u>519,638</u>	<u>553,169</u>
Current Liabilities		
Taxation	461	546
Short Term Borrowings	648,766	311,257
Trade Payables	116,618	143,850
Other Payables	50,248	37,992
Due To Related Companies	4,794	4,747
	<u>820,887</u>	<u>498,392</u>
TOTAL LIABILITIES	<u>1,340,525</u>	<u>1,051,561</u>
TOTAL EQUITY AND LIABILITIES	<u>4,225,766</u>	<u>3,890,669</u>
Net Assets per share (RM)	1.3316	1.3104

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements)

UMW OIL & GAS CORPORATION BERHAD

Condensed Consolidated Statement of Changes in Equity for the Period Ended 31st March 2014

	Share Capital RM'000	Share Premium RM'000	Share Option Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition Of Interco Financial Liabilities RM'000	Retained Profits RM'000	Total RM'000	Non - Controlling Interests RM'000	Total Equity RM'000
	Non - Distributable				Distributable					
3 MONTHS ENDED 31ST MARCH 2014										
At 1st January 2014	1,081,000	1,372,819	3,243	698	14,079	78,145	283,151	2,833,135	5,973	2,839,108
Total comprehensive income	-	-	-	-	(7,793)	-	53,684	45,891	242	46,133
At 31st March 2014	1,081,000	1,372,819	3,243	698	6,286	78,145	336,835	2,879,026	6,215	2,885,241

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements)

UMW OIL & GAS CORPORATION BERHAD

Condensed Consolidated Statement of Cash Flows for the Period Ended 31st March 2014

	3 Months Ended 31/03/2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	58,303
Adjustments For:	
Depreciation & Amortisation	26,209
Net gain on disposal of property, plant and equipment	(604)
Net inventories written down	303
Interest expense	4,470
Share of results of associate	(112)
Net fair value gain on derivatives	(60)
Net unrealised foreign exchange loss	1,298
Net fair value loss on cashplans	203
Net gain on disposal of cashplan	(652)
Interest income	(7,155)
Property, plant and equipment written-off	55
Operating Profit Before Working Capital Changes	82,258
Decrease in receivables	28,963
Increase in inventories	(5,778)
Decrease in amount due to related companies	(2,123)
Decrease in payables	(17,307)
Cash Generated From Operating Activities	86,013
Interest paid	(4,382)
Taxation paid	(6,029)
Net Cash Generated From Operating Activities	75,602
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of properties, plant & equipment	(395,912)
Proceeds from disposal of properties, plant & equipment	616
Interest income	7,155
Purchase of cashplans	(5,334)
Proceeds from disposal of cashplan	445,529
Net Cash Generated From Investing Activities	52,054
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of long-term borrowings	(31,446)
Net movement in short-term borrowings	337,995
Net Cash Generated From Financing Activities	306,549
NET INCREASE IN CASH AND CASH EQUIVALENTS	434,205
CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY	174,948
EFFECTS OF EXCHANGE RATE CHANGES	(527)
CASH AND CASH EQUIVALENTS AS AT 31ST MARCH	608,626

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements)

Explanatory Notes

NOTE 1 – Significant accounting policies

Basis of preparation

The interim financial statements have been prepared in accordance with the requirements of IAS 34, Interim Financial Reporting and MFRS 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). The significant accounting policies and methods of computation in the interim financial statements are consistent with those in the annual audited financial statements for the year ended 31st December 2013.

Revised Malaysian Financial Reporting Standards (MFRS) and Interpretation

The Group and the Company have adopted the following revised MFRS and Interpretation that are effective on 1st January 2014:

- a) Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
- b) Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
- c) Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- d) Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
- e) IC Interpretation 21: Levies

Adoption of the above revised standards and interpretation does not have a material impact on the financial statements of the Group and the Company for the financial year ending 31st December 2014.

NOTE 2 – Seasonal or Cyclical Factors

The Group is principally engaged in:

- a) the provision of drilling services for exploration, development and production wells and workover services to the upstream sector of the oil and gas industry;
- b) the provision of threading, inspection and repair services for Oil Country Tubular Goods in Malaysia and overseas, with a focus on premium connections used in high-end and complex wells; and
- c) acting as agent in Malaysia for international companies providing specialised drilling equipment and services.

The Group’s products and services are generally dependent on the level of activity of, and the corresponding capital spending by oil and gas companies, which may be affected by volatile oil and natural gas prices and cyclicalities in the offshore drilling and oilfield services industries.

NOTE 3 – Exceptional Items

There were no material unusual items affecting assets, liabilities, equity, net income or cash flow during the quarter ended 31st March 2014.

NOTE 4 – Accounting Estimates

There were no changes in estimates of amounts reported in prior years that have a material effect in the current interim period.

NOTE 5 – Issuance or Repayment of Debt and Equity Securities

There were no issuances and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter ended 31st March 2014.

NOTE 6 – Dividends Paid

There were no dividends paid during the quarter ended 31st March 2014.

NOTE 7 – Segmental Reporting

Business Segment	Three Months Ended 31st March 2014		
	Revenue RM'000	Profit Before Taxation RM'000	Profit Attributable to Owners of the Company RM'000
Drilling Services	185,085	56,379	52,753
Oilfield Services	10,488	1,849	856
Others	-	75	75
Consolidated Total	195,573	58,303	53,684

Total assets increased in the current quarter ended 31st March 2014 mainly due to capital expenditures incurred in relation to the acquisitions of additional three (3) units of premium jack-up offshore drilling rigs. Other than that, there has been no material increase in total assets as compared to the last annual financial statements.

NOTE 8 – Subsequent Material Events

In the opinion of the Directors, there has been no material event or transaction during the period from 31st March 2014 to the date of this announcement, which affects substantially the results of the Group for the period ended 31st March 2014.

NOTE 9 – Changes in Composition / Group

On 5th February 2014, UMW Rig Asset (L) Ltd, a wholly-owned subsidiary of the Company, incorporated UMW Drilling 7 (L) Ltd and UMW Drilling 8 (L) Ltd, with a paid-up capital of USD 1.00 for each company. The principal activities of the two wholly-owned companies are leasing, contract drilling and workover operations as well as other engineering services for oil and gas exploration, development and production.

Other than the above, there were no changes in the composition of the Group for the quarter ended 31st March 2014.

NOTE 10 – Commitments for the purchase of Property, Plant and Equipment

These are in respect of capital commitments:

	RM'000	RM'000
Approved and contracted for:		
Land and buildings	146	
Equipment, plant and machinery	2,317,343	
Others	1,172	2,318,661
Approved but not contracted for:		
Land and buildings	704	
Equipment, plant and machinery	381,721	
Others	4,299	386,724
Total		2,705,385

NOTE 11 - Significant Related Party Transactions

No.	UMW-OG & Its Subsidiaries	Transacting Parties	Relationship	Nature of Transaction	RM'000
1.	UMW Offshore Drilling Sdn Bhd formerly known as UMW Standard Drilling Sdn Bhd	UMW Pennzoil Distributors Sdn Bhd	Subsidiary of holding company	Purchase of Goods	188
2.	UMW Workover Sdn Bhd formerly known as UMW Petrodril (Malaysia) Sdn Bhd	U-Travelwide Sdn Bhd	Subsidiary of holding company	Purchase of Services	215
3.	UMW JDC Drilling Sdn Bhd	Japan Drilling Co Ltd and its subsidiaries	Corporate Shareholder of UMW JDC Drilling Sdn Bhd	Purchase of Goods and Services	3,307
				Bareboat Charter	10,796
4.	UMW Workover Sdn Bhd formerly known as UMW Petrodril (Malaysia) Sdn Bhd	UMW Industrial Power Sdn Bhd	Subsidiary of holding company	Purchase of goods	338
5.	UMW Oil & Gas Corporation Berhad	UMW Corporation Sdn Bhd	Subsidiary of holding company	Rental & Other expenses	392
				Management fee	350

NOTE 12 – Classification of Financial Assets

There were no changes in the classification of financial assets as a result of a change in the purpose or use of the asset.

NOTE 13 – Changes in Contingent Liabilities and Contingent Assets

There were no material contingent liabilities and contingent assets as at 31st March 2014.

NOTE 14 – Review of Performance

Current Quarter Ended 31st March 2014

	Revenue		Profit Before Taxation	
	1st Quarter ended 31/03/2014 RM'000	2013 Quarterly average RM'000	1st Quarter ended 31/03/2014 RM'000	2013 Quarterly average RM'000
Business Segment :				
Drilling Services	185,085	173,430	56,379	47,752
Oilfield Services	10,488	10,906	1,849	1,859
Others	-	102	75	2,101
Total	195,573	184,438	58,303	51,712

Group

In the first quarter of 2014, the Group registered total revenue of RM195.6 million or RM11.2 million above the 2013 quarterly average of RM184.4 million. Higher revenue from the Drilling Services segment resulted in the revenue improvement in the first quarter of 2014.

Group profit before taxation of RM58.3 million for the first quarter of 2014 exceeded the 2013 quarterly average of RM51.7 million by RM6.6 million or 12.8%. Similarly, the Drilling Services segment is the contributor of the profit increase.

Drilling Services Segment

The Drilling Services segment contributed revenue of RM185.1 million or 94.6% of the Group revenue of RM195.6 million in the first quarter ended 31st March 2014. Revenue for the first quarter of 2014 exceeded the 2013 quarterly average of RM173.4 million by RM11.7 million or 6.7%. Full-quarter revenue contributions by all four units of our offshore drilling rigs at higher utilisation and efficiency rates gave rise to the improved revenue. However, lower utilisation of our hydraulic workover units UMW GAIT 1, UMW GAIT 2 and UMW GAIT 5 offset part of the revenue improvement in the first quarter of 2014.

For the first quarter of 2014, the Drilling Services segment contributed profit before taxation of RM56.4 million or 96.7% of the Group profit before taxation of RM58.3 million. Improved margins from higher utilisation and efficiency rates of our offshore drilling rigs resulted in the higher profit that was however, reduced partly by the loss from the low utilisation of our hydraulic workover units.

Oilfield Services Segment

The Oilfield Services segment contributed revenue of RM10.5 million or 5.4% of the Group revenue of RM195.6 million in the first quarter of 2014. Revenue for the first quarter of 2014 was slightly lower than the 2013 quarterly average of RM10.9 million by RM0.4 million or 3.7%. Small dips in the Oil Country Tubular Goods threading and pipes repair services recorded by our operations at Labuan & Thailand, mainly contributed to the revenue slide.

In the first quarter of 2014, this segment contributed RM1.8 million or 3.2% of the Group Profit before taxation of RM58.3 million which was 0.5% lower than the quarterly average profit of RM1.9 million.

Others Segment

This segment is involved in investment holding, provision of management, corporate and financial support services. For the first quarter ended 31st March 2014, this segment recorded a profit before taxation of RM0.08 million mainly from investment income derived from the IPO proceeds that was however reduced by the corporate overhead of the segment. The 2013 quarterly average of RM2.1 million included part of the gain from the sale of a property.

NOTE 15 – Comparison with Preceding Quarter’s Results

	Revenue		Profit Before Taxation	
	1st Quarter ended 31/03/2014 RM'000	Restated 4th Quarter ended 31/12/2013 RM'000	1st Quarter ended 31/03/2014 RM'000	Restated 4th Quarter ended 31/12/2013 RM'000
Business Segment :				
Drilling Services	185,085	196,755	56,379	63,544
Oilfield Services	10,488	10,336	1,849	327
Others	-	39	75	(7,877)
Total	195,573	207,130	58,303	55,994

Revenue of RM195.6 million for the first quarter of 2014 was lower than the RM207.1 million registered in the fourth quarter of 2013, a decline of RM11.5 million or 5.6%. The revenue reduction was attributable to the following:

- a. lower utilisation of our hydraulic workover unit UMW GAIT 5 and lesser commission income from agency sale of specialised drilling equipment and services in the first quarter of 2014 compared to the fourth quarter of 2013; and
- b. amortisation of deferred income on UMW NAGA 2's mobilisation fees ended in the fourth quarter of 2013.

Despite the lower revenue, the first quarter of 2014 recorded a higher profit before taxation of RM58.3 million compared to the RM56.0 million achieved in the fourth quarter of 2013. The profit improvement of RM2.3 million or 4.1% was mainly the net result of the following:

- a. a RM7.3 million one-off initial public offering and listing expenses charged to the income statement in the fourth quarter of 2013 compared to none in the first quarter of 2014; and
- b. lower profit contribution from the Drilling Services segment in the first quarter of 2014 due to a drop in revenue caused by factors mentioned above.

NOTE 16 – Current Prospect**Drilling Services Segment**

UMW NAGA 5, a premium jack-up rig, sailed to the Philippines and started generating income under a contract with Nido Petroleum Philippines Pty Ltd just three days after we took delivery of her from Keppel FELS on 29th April 2014. UMW NAGA 6, another premium jack-up rig, is expected to be delivered for deployment in September 2014. Our hydraulic workover unit, UMW GAIT 3 has commenced a 2 years firm contract with 1 year option with Petronas Carigali in March 2014. UMW GAIT 2, UMW GAIT 5 and UMW GAIT 6 are also expected to be income generating during most part of the remaining period of 2014. In light of the above positive factors, the Drilling Services segment is expected to deliver another year of satisfactory financial performance in 2014.

Oilfield Services Segment

Revenue and profit contributions from the Oilfield Services Segment for the remaining period of 2014 are expected to be in line with internal targets.

Group

Barring unforeseen circumstances, Group financial performance for the year 2014 is expected to be satisfactory.

NOTE 17 – Statement on Revenue and Profit Forecast

This is not applicable to the Group.

NOTE 18 – Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

NOTE 19 – Taxation

	1st Quarter Ended 31/03/2014 RM'000
Provision for current period	3,717
Under/(Over) provision in prior periods	426
	4,143
Deferred taxation	2
Total	4,145

The effective tax rate for the current quarter ended 31st March 2014 of 6.4% was lower than the statutory tax rate of 25%. Lower effective tax rates applicable to income from our operations in Labuan and overseas countries mainly accounted for the difference.

NOTE 20 – Corporate Proposals**(a) Corporate Proposal**

There were no corporate proposals announced but not completed at the date of this announcement.

(b) Status of utilisation of IPO proceeds as at 12th May 2014

Purpose	Proposed utilisation	Actual utilisation to date	Intended timeframe for utilisation	Deviation in amount & %	Explanation
	RM'mil	RM'mil	Month		
Acquisition of rigs & HWU	986.6	157.7	18	n/a	n/a
Upgrading of rigs & HWU	20.1	15.7	18	n/a	n/a
Acquisition / upgrading of machineries for oilfield services	10.4	3.5	18	n/a	n/a
Mobilisation and demobilisation costs for drilling rigs	50.0	1.9	18	n/a	n/a
Repayment to UMWH	597.4	597.4	6	nil	n/a
IPO / Listing expenses	48.5	39.1	6	n/a	Note
Total	1,713.0	815.3			

Note : Certain amounts are still pending finalisation

NOTE 21 – Group Borrowings and Debt Securities

	RM'000	RM'000	'000
(a) Short term borrowings			
- Unsecured			
Short term loans and revolving credits	523,006		USD159,500
Portion of long term loans payable within 12 months	125,692		USD38,479
		648,698	
- Secured			
Finance lease payable		68	
		648,766	USD197,979
b) Long term borrowings			
- Unsecured			
Long term loans	640,453		USD196,067
Portion of long term loans payable within 12 months	(125,692)	514,761	(USD38,479)
- Secured			
Finance lease payable		43	
		514,804	USD157,588

NOTE 22 – Material Litigation

There was no material litigation pending on the date of this announcement.

NOTE 23 – Dividend

No interim dividend has been recommended for the quarter ended 31st March 2014.

NOTE 24 – Earnings Per Share

Basic earnings per share for the quarter ended 31st March 2014 is calculated by dividing the net profit attributable to equity holders of the Company of RM53,684,000 by the weighted average number of ordinary shares in issue during the quarter ended 31st March 2014 of 2,162,000,000 shares of RM0.50 each.

The Company has no dilutive potential ordinary shares as at 31st March 2014.

NOTE 25 – Realised and Unrealised Profits/(Losses)

The breakdown of retained profits of the Group as at 31st December 2013 and 31st March 2014, pursuant to the format prescribed by Bursa Securities, is as follows:

	As at 31/12/2013 RM'000	As at 31/03/2014 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
-Realised	261,480	306,523
-Unrealised	(9,431)	(5,009)
	252,049	301,514
Total share of retained profits from associated company:		
-Realised	2,392	1,975
-Unrealised	-	-
	254,441	303,489
Less: Consolidation adjustments	28,710	33,346
Total Group retained profits as per consolidated accounts	283,151	336,835

NOTE 26 – Audit Qualification

The audit report in respect of the annual financial statements of the Company for the financial year ended 31st December 2013 was not qualified.

NOTE 27 – Items to Disclose in the Statement of Comprehensive Income

	1st Quarter Ended 31/03/2014 RM'000
a) Interest income	1,821
b) Other investment income	5,334
c) Depreciation and amortisation	(26,209)
d) Reversal of impairment/(impairment) losses of receivables	-
e) (Provision for)/write back of inventories	(303)
f) (Loss)/gain on disposal of quoted or unquoted investment	652
g) (Loss)/gain on disposal of properties	-
h) Reversal/(Impairment) of assets/investments (net)	-
i) Net foreign exchange gain/(loss)	358
j) (Loss)/gain on derivatives (net)	60
k) Property, plant and equipment written off	(55)

By Order Of The Board

MOHD NIZAMUDDIN BIN MOKHTAR
Secretary
(LS006128)

Kuala Lumpur
19th May 2014