

UMW OIL & GAS CORPORATION BERHAD

(COMPANY NO : 878786-H)
(INCORPORATED IN MALAYSIA)

Condensed Consolidated Statement of Comprehensive Income for the Second Quarter Ended 30th June 2014

(The Figures Have Not Been Audited)

	Current Quarter Ended 30/06/2014 RM'000	6 Months Cumulative To Date 30/06/2014 RM'000
<u>Continuing Operations</u>		
Revenue	238,776	434,349
Operating Expenses	(179,121)	(322,474)
Other Operating Income	3,437	6,723
Profit From Operations	63,092	118,598
Finance Costs	(5,768)	(10,238)
Share Of Profits Of Associated Company	125	237
Investment Income	8,788	15,943
Profit Before Tax From Continuing Operations	66,237	124,540
Taxation	(5,497)	(9,642)
Profit Net Of Tax	60,740	114,898
<u>Other Comprehensive Income :</u>		
Translation Of Foreign Operations	(27,225)	(35,251)
Other Comprehensive Income Net Of Tax	(27,225)	(35,251)
Total Comprehensive Income For The Period	33,515	79,647
<u>Profit For The Period Attributable To:</u>		
Equity Holders Of The Company	60,305	113,989
Non-controlling Interests	435	909
	60,740	114,898
<u>Total Comprehensive Income Attributable To :</u>		
Equity Holders Of The Company	33,140	79,031
Non-controlling Interests	375	616
	33,515	79,647
EPS Attributable To Equity Holders Of The Company:		
Basic (Sen)	2.79	5.27

(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 30/06/2014 RM'000	(Audited) As At 31/12/2013 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	3,060,168	2,247,177
Land Use Rights	2,126	2,248
Intangible Assets	11,291	11,291
Investments In Associate	2,101	2,392
Deferred Tax Assets	1,219	1,242
	<u>3,076,905</u>	<u>2,264,350</u>
Current Assets		
Inventories	74,863	64,354
Other Investments	133,064	1,061,581
Trade Receivables	261,720	292,272
Other Receivables	45,769	26,305
Derivative Assets	131	32
Due From Related Companies	3,208	6,827
Deposits, Cash & Bank Balances	1,078,422	174,948
	<u>1,597,177</u>	<u>1,626,319</u>
	<u>4,674,082</u>	<u>3,890,669</u>
TOTAL ASSETS		
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	61,207	96,165
Retained Profits	397,140	283,151
	<u>2,912,166</u>	<u>2,833,135</u>
Non-controlling Interests	6,589	5,973
Total Equity	<u>2,918,755</u>	<u>2,839,108</u>
Non-Current Liabilities		
Deferred Tax Liabilities	4,834	4,834
Long Term Borrowings	475,225	548,335
	<u>480,059</u>	<u>553,169</u>
Current Liabilities		
Taxation	848	546
Short Term Borrowings	1,096,975	311,257
Trade Payables	120,680	143,850
Other Payables	51,168	37,992
Due To Related Companies	5,597	4,747
	<u>1,275,268</u>	<u>498,392</u>
	<u>1,755,327</u>	<u>1,051,561</u>
TOTAL LIABILITIES		
TOTAL EQUITY AND LIABILITIES	<u>4,674,082</u>	<u>3,890,669</u>
Net Assets per share (RM)	1.3470	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 30th June 2014

	Non - Distributable					Distributable				
	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
6 MONTHS ENDED 30TH JUNE 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	-	-	-	-	(34,958)	-	113,989	79,031	616	79,647
At 30th June 2014	1,081,000	1,372,819	3,243	698	(20,879)	78,145	397,140	2,912,166	6,589	2,918,755

(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 30th June 2014

	6 Months Ended 30/06/2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit Before Taxation	124,540
Adjustments For:	
Depreciation & Amortisation	56,877
Net Gain On Disposal Of Property, Plant & Equipment	(594)
Net Inventories Written-Down	263
Interest Expense	10,238
Share Of Results Of Associate	(237)
Reversal of Impairment Loss On Receivables	(2,449)
Net Fair Value Gain On Derivatives	(101)
Net Unrealised Foreign Exchange Gain	(392)
Net Fair Value Loss On Cashplans	295
Net Gain On Disposal Of Cashplan	(699)
Interest Income	(15,943)
Property, Plant & Equipment Written-Off	92
Operating Profit Before Working Capital Changes	171,890
Decrease In Receivables	15,762
Increase In Inventories	(10,772)
Net Changes In Related Companies Balances	4,469
Decrease In Payables	(11,587)
Cash Generated From Operating Activities	169,762
Interest Paid	(10,291)
Taxation Paid	(11,542)
Net Cash Generated From Operating Activities	147,929
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase Of Properties, Plant & Equipment	(913,966)
Proceeds From Disposal Of Properties, Plant & Equipment	616
Interest Income	15,943
Purchase Of Cashplans	(7,907)
Proceeds From Disposal Of Cashplan	936,828
Net Cash Generated From Investing Activities	31,514
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment Of Long-Term Borrowings	(61,853)
Net Movement In Short-Term Borrowings	788,316
Net Cash Generated From Financing Activities	726,463
NET INCREASE IN CASH AND CASH EQUIVALENTS	905,906
CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY	174,948
EFFECTS OF EXCHANGE RATE CHANGES	(2,432)
CASH AND CASH EQUIVALENTS AS AT 30TH JUNE	1,078,422

(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.

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 cyclical 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 interim period ended 30th June 2014.

NOTE 4 – Accounting Estimates

There were no changes in estimates of amounts reported in prior interim period of the current financial year or changes in estimates of amounts reported in prior financial 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 interim period ended 30th June 2014.

NOTE 6 – Dividends Paid

There were no dividends paid during the interim period ended 30th June 2014.

NOTE 7 – Segmental Reporting

Business Segment	Six Months Ended 30th June 2014		
	Revenue RM'000	Profit Before Taxation RM'000	Profit Attributable to Owners of the Company RM'000
Drilling Services	412,313	119,803	110,974
Oilfield Services	22,036	4,550	2,836
Others	-	187	179
Consolidated Total	434,349	124,540	113,989

The increase in total assets during the interim period ended 30th June 2014 was largely due to capital expenditures incurred in relation to the acquisitions of UMW NAGA 5, UMW NAGA 6, UMW NAGA 7 and UMW NAGA 8 premium jack-up offshore drilling rigs. Other than the above, 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 30th June 2014 to the date of this announcement, which affects substantially the results of the Group for the interim period ended 30th June 2014.

NOTE 9 – Changes in Composition / Group

There were no changes in the composition of the Group during the interim period ended 30th June 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	320	
Equipment, plant and machinery	1,814,874	
Others	1,382	1,816,576
Approved but not contracted for:		
Land and buildings	530	
Equipment, plant and machinery	329,127	
Others	3,018	332,675
Total		2,149,251

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	231
2.	UMW Workover Sdn Bhd formerly known as UMW Petrodril (Malaysia) Sdn Bhd	U-Travelwide Sdn Bhd	Subsidiary of holding company	Purchase of Services	825
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	8,727
				Bareboat Charter	21,496
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	1,354
				Management fee	700

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 30th June 2014.

NOTE 14 – Review of Performance

	Revenue			Profit Before Taxation		
	2nd Quarter ended 30/06/2014 RM'000	Six months ended 30/06/2014 RM'000	2013 Quarterly average RM'000	2nd Quarter ended 30/06/2014 RM'000	Six months ended 30/06/2014 RM'000	2013 Quarterly average RM'000
Business Segment :						
Drilling Services	227,228	412,313	173,430	63,424	119,803	47,752
Oilfield Services	11,548	22,036	10,906	2,701	4,550	1,859
Others	-	-	102	112	187	2,101
Total	238,776	434,349	184,438	66,237	124,540	51,712

Group

For the second quarter and six-month period ended 30th June 2014, the Group recorded total revenue of RM238.8 million and RM434.3 million, respectively. Our overseas operations contributed approximately 46.9% and 38.7% of the Group revenue for the second quarter and first half of 2014, respectively. Group revenue of RM238.8 million for the second quarter of 2014 outperformed the quarterly average of RM184.4 million by RM54.4 million or 29.5%. Higher revenue contributions from both the Drilling & Oilfield Services segments resulted in the revenue improvement in the second quarter of 2014.

The Group achieved profit before taxation of RM66.2 million and RM124.5 million for the second quarter and six-month period ended 30th June 2014, respectively. Group profit before taxation for the second quarter of 2014 surpassed the 2013 quarterly average of RM51.7 million by RM14.5 million or 28.0%. Likewise, significant increase in profit contributions by the Drilling Services segment mainly contributed to the profit improvement despite a lower profit recorded by the Others segment in the absence of a one-time gain from a property sale in 2013.

Drilling Services Segment

The Drilling Services segment contributed revenue of RM227.2 million or 95.2% of the total revenue of RM238.8 million in the second quarter of 2014, surpassing the quarterly average of RM173.4 million by RM53.8 million or 31.0%. The following positive factors contributed to the revenue improvement:

- (a) additional revenue contribution by UMW NAGA 5 which was mobilised to the Philippines on 2nd May 2014, three days after taking delivery from Keppel FELs on 29th April 2014; and
- (b) higher time charter rate earned by UMW NAGA 2 from its operation in Vietnam. In the first half of 2013, UMW NAGA 2 provided drilling services in Indonesia at a lower time charter rate.

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 second quarter of 2014.

As a result of the above, the Drilling Services segment contributed profit before taxation of RM63.4 million or 95.8% of the total Group profit before taxation of RM66.2 million in the second quarter of 2014, an increase of RM15.6 million or 32.6% over the 2013 quarterly average profit of RM47.8 million. Similarly, additional profit contributions by UMW NAGA 5 coupled with improved margins from higher utilisation and efficiency rates of most of our offshore drilling rigs, resulted in the higher profit.

For the six-month period ended 30th June 2014, this segment contributed revenue of RM412.3 million or 94.9% of the total Group revenue of RM434.3 million as well as profit before taxation of RM119.8 million or 96.2% of the total Group profit before taxation of RM124.5 million.

Oilfield Services Segment

The Oilfield Services segment contributed revenue of RM11.5 million or 4.8% of the total revenue of RM238.8 million in the second quarter of 2014, an increase of RM0.6 million or 5.5% over the quarterly average of RM10.9 million. Improved revenue from OCTG threading and pipes repair services recorded by our Labuan & Turkmenistan operations, mainly contributed to the revenue increase.

As a result, the Oilfield Services segment contributed profit before taxation of RM2.7 million or 4.1% of the total Group profit before taxation of RM66.2 million in the second quarter of 2014, an increase of RM0.8 million or 42.1% over the quarterly average of RM1.9 million.

For the six-month period ended 30th June 2014, this segment contributed revenue of RM22.0 million or 5.1% of the total Group revenue of RM434.3 million as well as profit before taxation of RM4.6 million or 3.7% of the total Group profit before taxation of RM124.5 million.

NOTE 15 – Comparison with Preceding Quarter's Results

	Revenue		Profit Before Taxation	
	2nd Quarter ended 30/06/2014 RM'000	1st Quarter ended 31/03/2014 RM'000	2nd Quarter ended 30/06/2014 RM'000	1st Quarter ended 31/03/2014 RM'000
Business Segment :				
Drilling Services	227,228	185,085	63,424	56,379
Oilfield Services	11,548	10,488	2,701	1,849
Others	-	-	112	75
Total	238,776	195,573	66,237	58,303

Revenue of RM238.8 million for the second quarter of 2014 was higher than the RM195.6 million registered in the first quarter of 2014 by RM43.2 million or 22.1%. The revenue increase was attributable to the following:

- (a) additional revenue from our new premium jack-up rig, UMW NAGA 5 which has been income generating since 2nd May 2014; and
- (b) improved utilisation of our hydraulic workover unit, UMW GAIT 3 and higher commission income from agency sale of specialised drilling equipment and services in the second quarter of 2014 compared to the first quarter of 2014.

Consequently, the second quarter of 2014 recorded a higher profit before taxation of RM66.2 million despite the low profit contribution from UMW NAGA 3 which underwent a scheduled repair to a few of its ballast tanks in May 2014. This represented a profit improvement of RM7.9 million or 13.6% over the RM58.3 million achieved in the first quarter of 2014.

NOTE 16 – Current Prospect

Drilling Services Segment

In August 2014, the options to extend the contracts of UMW NAGA 2 and UMW NAGA 3 until March 2015 were exercised. UMW NAGA 5 is now in Singapore preparing for mobilisation to Myanmar in September 2014 after successfully securing a contract from PTTEP International Limited that is expected to keep it busy until May 2015. Prior to this, UMW NAGA 5 provided drilling services to Nido Petroleum Philippines Pty Ltd in the Philippines. Currently, UMW NAGA 6 is in its final stage of completion for delivery in September 2014. The Company is now in active negotiations with potential customers to secure a contract for UMW NAGA 6 to commence operation in the fourth quarter of 2014.

In July 2014, our hydraulic workover unit, UMW GAIT 2 was mobilised to offshore Vietnam under an existing called-out contract with PVD Trading and Technical Services Joint Stock Company. UMW GAIT 3 is currently serving Petronas Carigali Sdn Bhd in offshore Malaysia under a 2-year contract with an option to extend another year. UMW GAIT 5 is now in the final phase of securing a contract and is expected to commence operation in the fourth quarter of 2014. Our new addition, UMW GAIT 6 has been scheduled to embark on its maiden trip to Myanmar in late August 2014. UMW GAIT 6 secured a contract with PTTEP International Limited to provide workover services for a period of 300 days with an option to extend for another 200 days.

Oilfield Services Segment

Demand for threading services has softened and is expected to remain slow for the rest of the financial year as most of the end users change their stocking policy. Nevertheless, the financial impact to the Group is expected to be minimal in view of its small contributions in terms of revenue and profit.

Group

Barring unforeseen circumstances, the financial performance of the Group for the year 2014 is expected to be better than the financial year 2013 with additional new rigs in operation.

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

	2nd Quarter Ended 30/06/2014 RM'000	Six Months Ended 30/06/2014 RM'000
Provision for current period	5,476	9,193
Under/(Over) provision in prior periods	-	426
Deferred taxation	21	23
Total	5,497	9,642

The effective tax rates for the current quarter and six months ended 30th June 2014 of 7.4% and 8.3%, respectively, were 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 19 August 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	232.5	18	n/a	n/a
Upgrading of rigs & HWU	20.1	18.8	18	n/a	n/a
Acquisition / upgrading of machineries for oilfield services	10.4	4.1	18	n/a	n/a
Mobilisation and demobilisation costs for drilling rigs	50.0	4.5	18	n/a	n/a
Repayment to UMWH	597.4	597.4	6	nil	n/a
IPO / Listing expenses	48.5	41.0	6	RM7.5m * or 15.5%	Actual was lower than the budget
Total	1,713.0	898.3			

* The unutilised listing expenses of RM7.5m will be used to meet capital expenditure requirements.

NOTE 21 – Group Borrowings and Debt Securities

	RM'000	RM'000	USD'000
(a) Short term borrowings			
- Unsecured			
Short term loans and revolving credits	973,332		302,766
Portion of long term loans payable within 12 months	123,575		38,479
Finance lease payable		1,096,907 68	
		<u>1,096,975</u>	<u>341,245</u>
(b) Long term borrowings			
- Unsecured			
Long term loans	598,775		186,447
Portion of long term loans payable within 12 months	(123,575)		(38,479)
		475,200	
- Secured			
Finance lease payable		25	
		<u>475,225</u>	<u>147,968</u>

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 30th June 2014.

NOTE 24 – Earnings Per Share

Basic earnings per share for the quarter and period ended 30th June 2014 are calculated by dividing the net profit attributable to equity holders of the Company of RM60,305,000 and RM113,989,000 respectively, by the weighted average number of ordinary shares in issue as at 30th June 2014 of 2,162,000,000 shares of RM0.50 each.

The Company has no dilutive potential ordinary shares as at 30th June 2014.

NOTE 25 – Realised and Unrealised Profits / (Losses)

The breakdown of retained profits of the Group as at 31st March 2014 and 30th June 2014, pursuant to the format prescribed by Bursa Securities, are as follows:

	As at 31/03/2014 RM'000	As at 30/06/2014 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	306,523	435,631
- Unrealised	(5,009)	(3,223)
	301,514	432,408
Total share of retained profits from associated company:		
- Realised	1,975	2,101
- Unrealised	-	-
	303,489	434,509
Add / (Less) : Consolidation adjustments	33,346	(37,369)
Total Group retained profits as per consolidated accounts	336,835	397,140

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

	2nd Quarter Ended 30/06/2014 RM'000	Six Months Ended 30/06/2014 RM'000
(a) Interest income	6,215	8,036
(b) Other investment income	2,573	7,907
(c) Depreciation and amortisation	(30,668)	(56,877)
(d) Reversal of impairment/(impairment) losses of receivables	2,449	2,449
(e) (Provision for)/write back of inventories	40	(263)
(f) (Loss)/gain on disposal of quoted or unquoted investment	47	699
(g) (Loss)/gain on disposal of properties	-	-
(h) Reversal/(Impairment) of assets/investments (net)	-	-
(i) Net foreign exchange gain/(loss)	1,261	1,619
(j) (Loss)/gain on derivatives (net)	41	101
(k) Property, plant and equipment written off	(37)	(92)

By Order Of The Board

MOHD NIZAMUDDIN BIN MOKHTAR
Secretary
(LS006128)

Kuala Lumpur
25th August 2014