

# UMW OIL & GAS CORPORATION BERHAD

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

## Condensed Consolidated Statement of Comprehensive Income for the Third Quarter Ended 30th September 2014

( The Figures Have Not Been Audited )

	Current Quarter Ended 30/09/2014 RM'000	Comparative Quarter Ended 30/09/2013 RM'000	9 Months Cumulative To Date 30/09/2014 RM'000	Comparative 9 Months Cumulative To Date 30/09/2013 RM'000
<b><u>Continuing Operations</u></b>				
Revenue	254,321	205,342	688,670	530,622
Operating Expenses	(180,983)	(145,626)	(503,457)	(395,246)
Other Operating Income	387	318	7,110	37,397
<b>Profit From Operations</b>	<b>73,725</b>	<b>60,034</b>	<b>192,323</b>	<b>172,773</b>
Finance Costs	(6,163)	(5,942)	(16,401)	(23,087)
Share Of Profits Of Associated Company	117	47	354	365
Investment Income	8,167	313	24,110	804
<b>Profit Before Tax From Continuing Operations</b>	<b>75,846</b>	<b>54,452</b>	<b>200,386</b>	<b>150,855</b>
Taxation	(9,190)	(2,970)	(18,832)	(10,521)
Profit From Continued Operations, Net Of Tax	66,656	51,482	181,554	140,334
<b><u>Discontinued Operation</u></b>				
Gain / (Loss) From Discontinued Operation, Net Of Tax	-	5,820	-	(1,400)
<b>Profit Net Of Tax</b>	<b>66,656</b>	<b>57,302</b>	<b>181,554</b>	<b>138,934</b>
<b><u>Other Comprehensive Income :</u></b>				
Translation Of Foreign Operations	40,424	12,219	5,173	15,285
Gain From Derecognition Of Financial Liabilities	-	35,509	-	35,509
Other Comprehensive Income Net Of Tax	40,424	47,728	5,173	50,794
<b>Total Comprehensive Income For The Period</b>	<b>107,080</b>	<b>105,030</b>	<b>186,727</b>	<b>189,728</b>
<b><u>Profit For The Period Attributable To:</u></b>				
Equity Holders Of The Company	66,061	56,951	180,050	137,686
Non-controlling Interests	595	351	1,504	1,248
	<b>66,656</b>	<b>57,302</b>	<b>181,554</b>	<b>138,934</b>
<b><u>Total Comprehensive Income Attributable To :</u></b>				
Equity Holders Of The Company	106,391	104,596	185,422	188,311
Non-controlling Interests	689	434	1,305	1,417
	<b>107,080</b>	<b>105,030</b>	<b>186,727</b>	<b>189,728</b>
<b>EPS Attributable To Equity Holders Of The Company:</b>				
Basic (Sen)	3.06	3.68	8.33	8.88
<b>EPS From Continuing Operations Attributable To Equity Holders of The Company:</b>				
Basic (Sen)	3.06	3.30	8.33	8.97
<b>Earning or (Loss) Per Share From Discontinued Operation Attributable To Equity Holders of The Company:</b>				
Basic (Sen)	-	0.38	-	(0.09)

(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 30/09/2014 RM'000	( Audited ) As At 31/12/2013 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	3,718,758	2,247,177
Land Use Rights	2,184	2,248
Intangible Assets	11,291	11,291
Investments In Associate	2,217	2,392
Deferred Tax Assets	1,246	1,242
	3,735,696	2,264,350
<b>Current Assets</b>		
Inventories	89,545	64,354
Other Investments	124,201	1,061,581
Trade Receivables	301,217	292,272
Other Receivables	49,096	26,305
Derivative Assets	-	32
Due From Related Companies	3,217	6,827
Deposits, Cash & Bank Balances	1,073,499	174,948
	1,640,775	1,626,319
	5,376,471	3,890,669
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To The Equity Holders Of The Company</b>		
Share Capital	1,081,000	1,081,000
Share Premium	1,372,819	1,372,819
Other Reserves	101,537	96,165
Retained Profits	463,201	283,151
	3,018,557	2,833,135
Non-controlling Interests	7,278	5,973
<b>Total Equity</b>	3,025,835	2,839,108
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	4,834	4,834
Long Term Borrowings	979,968	548,335
	984,802	553,169
<b>Current Liabilities</b>		
Taxation	2,184	546
Short Term Borrowings	1,151,877	311,257
Trade Payables	155,824	143,850
Other Payables	50,721	37,992
Due To Related Companies	5,162	4,747
Derivative Liabilities	66	-
	1,365,834	498,392
	2,350,636	1,051,561
<b>TOTAL LIABILITIES</b>	2,350,636	1,051,561
<b>TOTAL EQUITY AND LIABILITIES</b>	5,376,471	3,890,669
<b>Net Assets per share (RM)</b>	<b>1.3962</b>	<b>1.3104</b>

(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 September 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
<b>9 MONTHS ENDED 30TH SEPTEMBER 2014</b>										
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	-	-	-	-	5,372	-	180,050	185,422	1,305	186,727
At 30th September 2014	1,081,000	1,372,819	3,243	698	19,451	78,145	463,201	3,018,557	7,278	3,025,835

### Condensed Consolidated Statement of Changes in Equity for the Period Ended 30th September 2013

	←----- 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
<b>9 MONTHS ENDED 30TH SEPTEMBER 2013</b>										
At 1st January 2013	-	-	3,243	822	(3,961)	-	94,004	94,108	7,078	101,186
Transactions with owners										
Issue of ordinary shares	775,100	-	-	-	-	-	-	775,100	-	775,100
Disposal of subsidiaries	-	-	-	(949)	-	-	-	(949)	(2,578)	(3,527)
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	(224)	(224)
Total Comprehensive Income	-	-	-	-	50,625	-	137,686	188,311	1,417	189,728
At 30th September 2013	775,100	-	3,243	(127)	46,664	-	231,690	1,056,570	5,693	1,062,263

(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 September 2014

	<b>9 Months Ended 30/09/2014 RM'000</b>	<b>9 Months Ended 30/09/2013 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit Before Taxation From Continuing Operations	200,386	150,855
Loss From Discontinued Operations	-	(1,400)
	200,386	149,455
Adjustments For:		
Depreciation & Amortisation	90,108	63,705
Net Gain On Disposal Of Property, Plant & Equipment	(522)	(30,417)
Net Inventories Written-Down	263	-
Interest Expense	16,401	23,087
Share Of Results Of Associate	(354)	(365)
(Reversal) / Impairment Loss On Receivables	(2,449)	741
Net Fair Value Loss / (Gain) On Derivatives	98	(238)
Net Unrealised Foreign Exchange (Gain) / Loss	(290)	6,860
Net Fair Value Loss On Cashplans	323	-
Net Gain On Disposal Of Cashplans	(721)	-
Interest Income	(24,110)	(804)
Property, Plant & Equipment Written-Off	120	7,680
Operating Profit Before Working Capital Changes	279,253	219,704
(Increase) / Decrease In Receivables	(28,558)	3,034
Increase In Inventories	(25,454)	(4,326)
Net Changes In Related Companies Balances	4,025	(18,295)
Increase / (Decrease) In Payables	29,868	(74,491)
Cash Generated From Operating Activities	259,134	125,626
Interest Paid	(16,052)	(18,112)
Taxation Paid	(17,927)	(13,341)
Net Cash Generated From Operating Activities	225,155	94,173
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Cash Inflow On Disposal Of Subsidiaries	-	12,812
Net Cash Inflow On Disposal Of Associate	-	19,150
Acquisition Of Subsidiaries	-	(261,275)
Purchase Of Properties, Plant & Equipment	(1,560,815)	(586,134)
Proceeds From Disposal Of Properties, Plant & Equipment	847	53,259
Interest Income	24,110	804
Purchase Of Cashplans	(9,050)	-
Proceeds From Disposal Of Cashplans	946,828	-
Net Cash Used In Investing Activities	(598,080)	(761,384)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds From Issuance Of Shares	-	45,000
Advances From Holding Company	-	536,288
Repayment Of Long-Term Borrowings	(94,754)	(106,981)
Drawdown of long-term borrowings	557,855	50,877
Net Movement In Short-Term Borrowings	808,638	227,668
Net Cash Generated From Financing Activities	1,271,739	752,852
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	898,814	85,641
<b>CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY</b>	174,948	131,107
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	(263)	5,965
<b>CASH AND CASH EQUIVALENTS AS AT 30TH SEPTEMBER</b>	1,073,499	222,713

(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 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 period ended 30th September 2014.

### **NOTE 4 – Accounting Estimates**

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the period ended 30th September 2014.

### **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 period ended 30th September 2014.

### **NOTE 6 – Dividends Paid**

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

## NOTE 7 – Segmental Reporting

Business Segment	Nine Months Ended 30th September 2014		
	Revenue RM'000	Profit Before Taxation RM'000	Profit Attributable to Owners of the Company RM'000
Drilling Services	654,638	192,561	175,677
Oilfield Services	34,032	5,747	3,162
Others	-	2,078	1,211
<b>Consolidated Total</b>	<b>688,670</b>	<b>200,386</b>	<b>180,050</b>

The increase in total assets during the period ended 30th September 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 as well as the addition of UMW GAIT 6, a hydraulic workover unit. 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 September 2014 to the date of this announcement, which affects substantially the results of the Group for the nine months ended 30th September 2014.

## NOTE 9 – Changes in Composition / Group

There were no changes in the composition of the Group during the period ended 30th September 2014.

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

These are in respect of capital commitments:

	RM'000	RM'000
<b>Approved and contracted for:</b>		
Land and buildings	353	
Equipment, plant and machinery	1,313,040	
Others	1,510	1,314,903
		<hr/>
<b>Approved but not contracted for:</b>		
Land and buildings	497	
Equipment, plant and machinery	240,169	
Others	3,627	244,293
<b>Total</b>		<hr/> <hr/>

**NOTE 11 - Significant Related Party Transactions**

<b>No.</b>	<b>UMW-OG &amp; Its Subsidiaries</b>	<b>Transacting Parties</b>	<b>Relationship</b>	<b>Nature of Transaction</b>	<b>RM'000</b>
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	283
2.	UMW Workover Sdn Bhd, formerly known as UMW Petrodril (Malaysia) Sdn Bhd	U-Travelwide Sdn Bhd	Subsidiary of holding company	Purchase of Services	1,651
3.	UMW Oil & Gas Corporation Berhad	U-Travelwide Sdn Bhd	Subsidiary of holding company	Purchase of Services	471
4.	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	13,169
				Bareboat Charter	31,018
5.	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
6.	UMW Oil & Gas Corporation Berhad	UMW Corporation Sdn Bhd	Subsidiary of holding company	Rental & Other expenses	2,025
				Management fee	1,050

**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 September 2014.

## NOTE 14 – Review of Performance

### Current Quarter Ended 30th September 2014

	Revenue		Profit Before Tax	
	3rd Quarter ended 30/09/2014 RM'000	3rd Quarter ended 30/09/2013 RM'000	3rd Quarter ended 30/09/2014 RM'000	3rd Quarter ended 30/09/2013 RM'000
<b>Business Segment :</b>				
Drilling Services	242,325	193,775	72,758	58,402
Oilfield Services	11,996	11,526	1,197	2,049
Others	-	41	1,891	(5,999)
<b>Total</b>	<b>254,321</b>	<b>205,342</b>	<b>75,846</b>	<b>54,452</b>

### Group

For the third quarter ended 30th September 2014, the Group recorded revenue of RM254.3 million compared to the RM205.3 million registered in the same quarter of last year, an increase of RM49.0 million or 23.9%. Higher revenue contributions from the Drilling Services segment, mainly resulted in the revenue improvement in the third quarter of 2014. Overseas operations contributed approximately 64.0% of the Group revenue in the third quarter 2014.

The Group achieved a profit before taxation of RM75.8 million in the third quarter ended 30th September 2014 compared to the RM54.5 million recorded in the corresponding quarter in 2013, an improvement of RM21.3 million or 39.1%. Higher profit contributions from the Drilling Services segment as well as additional investment income from the Others segment, accounted for the profit improvement in the third quarter of 2014.

### Drilling Services Segment

The Drilling Services segment contributed revenue of RM242.3 million or 95.3% of the total revenue of RM254.3 million in the third quarter of 2014, an increase of RM48.5 million or 25.0% over the RM193.8 million recorded in the same quarter of 2013. The positive revenue variance was mainly attributable to the following:

- (a) additional revenue contributions by our new offshore premium jack-up rig, UMW NAGA 5, which commenced operation in May 2014;
- (b) UMW NAGA 3 achieved higher rig utilisation in the third quarter of 2014, whereas in the same quarter of 2013, it experienced some downtime caused by damage to a few of its many ballast tanks and underwent underwater inspection in lieu of dry-docking; and
- (c) additional revenue contributions from our newly-build hydraulic workover unit, UMW GAIT 6 as well as full-quarter utilisation of UMW GAIT 3.

The Drilling Services segment contributed profit before taxation of RM72.8 million or 96.0% of the total Group profit before taxation of RM75.8 million in the third quarter of 2014, an improvement of RM14.4 million or 24.7%, compared to the RM58.4 million achieved in the same quarter of 2013. Improved margins from higher utilisation of UMW NAGA 3 mainly contributed to the higher profit.



## Oilfield Services Segment

The Oilfield Services segment contributed revenue of RM12.0 million or 4.7% of the total revenue of RM254.3 million in the third quarter of 2014, an increase of RM0.5 million or 4.3% compared to the RM11.5 million registered in the same quarter of 2013. Improved revenue from OCTG threading and pipe repair services recorded by our Labuan operations, mainly contributed to the revenue increase.

In the third quarter of 2014, the Oilfield Services segment contributed profit before taxation of RM1.2 million or 1.6% of the total Group profit before tax of RM75.8 million compared to the RM2.0 million recorded in the same quarter of 2013, a reduction of RM0.8 million or 40.0%. Lower profit contributions from our operation in China mainly accounted for the profit reduction.

## Others Segment

For the third quarter ended 30th September 2014, this segment recorded a profit before taxation of RM1.9 million compared to a loss of RM6.0 million in the same quarter of 2013, mainly from investment income earned during the quarter.

### Nine Months Ended 30th September 2014

	Revenue		Profit Before Tax	
	9 Months ended 30/09/2014 RM'000	9 Months ended 30/09/2013 RM'000	9 Months ended 30/09/2014 RM'000	9 Months ended 30/09/2013 RM'000
<b>Business Segment :</b>				
Drilling Services	654,638	496,794	192,561	127,465
Oilfield Services	34,032	33,286	5,747	7,109
Others	-	542	2,078	16,281
<b>Total</b>	<b>688,670</b>	<b>530,622</b>	<b>200,386</b>	<b>150,855</b>

## Group

For the nine-month period ended 30th September 2014, the Group recorded total revenue of RM688.7 million, an increase of RM158.1 million or 29.8%, compared to the RM530.6 million recorded in the preceding year's corresponding period. Improved revenue contributions from both the Drilling Services and Oilfield Services segments, resulted in the higher revenue. Overseas operations contributed approximately 47.9% of the Group revenue for the nine-month period ended 30th September 2014.

The Group achieved profit before taxation of RM200.4 million for the nine-month period ended 30th September 2014, an increase of RM49.5 million or 32.8%, compared to RM150.9 million recorded in the same period of 2013. Significant increase in profit contributions by the Drilling Services segment offset partly by the lower profits from the Oilfield Services and Others segments, accounted for the profit improvement.

## **Drilling Services Segment**

The Drilling Services segment contributed revenue of RM654.6 million or 95.1% of the total Group revenue of RM688.7 million for the nine-month period ended 30th September 2014, a growth of RM157.8 million or 31.8% compared to the RM496.8 million recorded in the corresponding period of 2013. The following positive factors contributed to the revenue improvement:

- (a) additional revenue contributions by our new premium offshore jack-up rig, UMW NAGA 5 which has been income generating since May 2014;
- (b) nine months of revenue contribution in 2014 compared to only six months of operation in 2013 by our UMW NAGA 4, another newly-build premium offshore jack-up rig which commenced operation in April 2013;
- (c) UMW NAGA 3 achieved higher utilisation rate in the nine-month period ended 30th September 2014 in contrast with some downtime experienced due to underwater inspection in lieu of dry-docking and damage to a few of its many ballast tanks in the third quarter of 2013;
- (d) higher rig utilisation and time charter rates recorded by UMW NAGA 2 throughout the nine-month period in 2014 after moving to Vietnam in June 2013. Prior to this, UMW NAGA 2 underwent upgrading work at Batam after having completed its drilling services contract at a lower time charter rate in another overseas country; and
- (e) improved utilisation rate of UMW GAIT 3.

However, lower utilisation of our hydraulic workover units UMW GAIT 1, UMW GAIT 2 and UMW GAIT 5 as well as the cessation of revenue contribution from Hakuryu 5, a semi-submersible offshore rig since February 2013, offset part of the 2014 revenue improvement.

As a result of the above, profit before taxation of the Drilling Services segment escalated to RM192.6 million or 96.1% of the total Group profit before taxation of RM200.4 million for the nine-month period ended 30th September 2014, a surge of RM65.1 million or 51.1%, compared to the RM127.5 million recorded in the same period of 2013. Generally, improved margins from higher rig utilisation and efficiency rates of most of our offshore drilling rigs contributed to the higher profit.

## **Oilfield Services Segment**

For the nine-month period ended 30th September 2014, the Oilfield Services segment contributed revenue of RM34.0 million or 4.9% of the Group revenue of RM688.7 million, a marginal increase of RM0.7 million or 2.1% over the RM33.3 million recorded in the corresponding period of 2013. Improved revenue from OCTG threading and pipes repair services recorded by our Labuan and Turkmenistan operations, mainly accounted for the revenue increase.

The Oilfield Services segment contributed profit before taxation of RM5.7 million or 2.8% of the total Group profit before taxation of RM200.4 million for the nine-month period ended 30th September 2014, a reduction of RM1.4 million or 19.7% compared to the RM7.1 million recorded in the same period of 2013. Drop in profit contributions from our operation in Thailand due to lower revenue and smaller margins resulted in the profit decline.

## **Others Segment**

For the nine months ended 30th September 2014, this segment recorded a profit before taxation of RM2.1 million, mainly from investment income derived from funds placement. In the same period of 2013, a one-time gain of RM30.4 million from sale of a property was recorded.

## NOTE 15 – Comparison with Preceding Quarter's Results

	Revenue		Profit Before Taxation	
	3rd Quarter ended 30/09/2014 RM'000	2nd Quarter ended 30/06/2014 RM'000	3rd Quarter ended 30/09/2014 RM'000	2nd Quarter ended 30/06/2014 RM'000
<b>Business Segment :</b>				
Drilling Services	242,325	227,228	72,758	63,424
Oilfield Services	11,996	11,548	1,197	2,701
Others	-	-	1,891	112
<b>Total</b>	<b>254,321</b>	<b>238,776</b>	<b>75,846</b>	<b>66,237</b>

Revenue of RM254.3 million for the third quarter of 2014 was higher than the RM238.8 million registered in the second quarter of 2014 by RM15.5 million or 6.5%. The revenue increase was attributable to the following:

- (a) full-quarter utilisation of UMW NAGA 3 in the third quarter of 2014 whereas during the second quarter of 2014, it experienced some downtime while undertaking permanent repair work to a few ballast tanks; and
- (b) additional revenue contributions from our newly-build hydraulic workover unit, UMW GAIT 6 which commenced operation in August 2014 as well as higher utilisation of UMW GAIT 2.

Consequently, the third quarter of 2014 recorded a higher profit before taxation of RM75.8 million, an increase of RM9.6 million or 14.5% compared to RM66.2 million registered in the second quarter of 2014.

## NOTE 16 – Current Prospect

### Drilling Services Segment

In September 2014, UMW NAGA 6 was awarded a contract by Petrovietnam Drilling And Well Services Corporation to provide drilling services to its end clients, PC Vietnam Limited and Petronas Carigali Overseas Sdn Bhd. The contract is for four (4) firm wells (approximately 250 days), with three (3) optional wells (estimated 55 days) and thereafter, another extension Option of 3 wells (estimated at 277 days). UMW NAGA 6 was completed end of September 2014 and was mobilised to Vietnam in October 2014 to render drilling services under the above-stated contract.

Our other offshore drilling rigs, NAGA1, UMW NAGA 2, UMW NAGA 3, UMW NAGA 4 and UMW NAGA 5 as well as hydraulic workover units, UMW GAIT 3 and UMW GAIT 6, are expected to be fully utilised in the fourth quarter of 2014. However, UMW GAIT 1, UMW GAIT 2 and UMW GAIT 5 are expected to resume operation only in 2015.

### Oilfield Services Segment

For the last quarter of 2014, financial performance of this segment is expected to improve over that of its previous quarter.

### Group

Barring unforeseen circumstances, the financial performance of the Group for the year 2014 is expected to surpass that of 2013.

**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**

	<b>3rd Quarter Ended 30/09/2014 RM'000</b>	<b>9 Months Ended 30/09/2014 RM'000</b>
Provision for current period	9,217	18,410
Under/(Over) provision in prior periods	-	426
	9,217	18,836
Deferred taxation	(27)	(4)
<b>Total</b>	<b>9,190</b>	<b>18,832</b>

The effective tax rates for the current quarter and nine months ended 30th September 2014 of 12.1% and 9.2%, 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 17th November 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	315.9	18	n/a	n/a
Upgrading of rigs & HWU	20.1	20.1	18	n/a	n/a
Acquisition / upgrading of machineries for Oilfield Services	10.4	5.7	18	n/a	n/a
Mobilisation and demobilisation costs for drilling rigs	50.0	26.1	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
<b>Total</b>	<b>1,713.0</b>	<b>1,006.2</b>			

\* 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	993,654		302,500
Portion of long term loans payable within 12 months	158,155		48,196
		1,151,809	
- Secured			
Finance lease payable		68	
		1,151,877	350,696
(b) Long term borrowings			
- Unsecured			
Long term loans	1,138,115		346,828
Portion of long term loans payable within 12 months	(158,155)		(48,196)
		979,960	
- Secured			
Finance lease payable		8	
		979,968	298,632

**NOTE 22 – Material Litigation**

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

**NOTE 23 – Dividend**

The Board of Directors is pleased to declare an interim single-tier dividend of 1.0 sen (2013 – Nil) per share of RM0.50 each, amounting to a net dividend payable of RM21.62 million (2013 – Nil) for the year ending 31st December 2014, to be paid on 15th January 2015 to all shareholders whose names appear on Record of Depositors at the close of business on 30th December 2014.

**NOTE 24 – Earnings Per Share**

Basic earnings per share for the current quarter and period ended 30th September 2014 are calculated by dividing the net profit attributable to equity holders of the Company of RM66,061,000 and RM180,050,000 respectively, by the weighted average number of ordinary shares in issue as at 30th September 2014 of 2,162,000,000 shares of RM0.50 each.

However, for the comparative corresponding quarter and period ended 30th September 2013, basic earnings per share were calculated by dividing net profit attributable to equity holders of the Company by the number of ordinary shares in issue of 1,550,200,000 shares of RM0.50 each.

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

**NOTE 25 – Realised and Unrealised Profits / (Losses)**

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

	<b>As at 30/06/2014 RM'000</b>	<b>As at 30/09/2014 RM'000</b>
Total retained profits of the Company and its subsidiaries:		
- Realised	435,631	540,678
- Unrealised	(3,223)	(3,324)
	432,408	537,354
Total share of retained profits from associated company:		
- Realised	2,101	2,184
- Unrealised	-	-
	434,509	539,538
Add / (Less) : Consolidation adjustments	(37,369)	(76,337)
Total Group retained profits as per consolidated accounts	397,140	463,201

**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**

	<b>3rd Quarter Ended 30/09/2014 RM'000</b>	<b>9 Months Ended 30/09/2014 RM'000</b>
(a) Interest income	7,024	15,060
(b) Other investment income	1,143	9,050
(c) Depreciation and amortisation	(33,231)	(90,108)
(d) Reversal of impairment/(impairment) losses of receivables	-	2,449
(e) (Provision for)/write back of inventories	-	(263)
(f) (Loss)/gain on disposal of quoted or unquoted investment	22	721
(g) (Loss)/gain on disposal of properties	-	-
(h) Reversal/(Impairment) of assets/investments (net)	-	-
(i) Net foreign exchange gain/(loss)	-	1,619
(j) (Loss)/gain on derivatives (net)	(199)	(98)
(k) Property, plant and equipment written off	(28)	(120)

**By Order Of The Board**

**MOHD NIZAMUDDIN BIN MOKHTAR**  
Secretary  
(LS006128)

Kuala Lumpur  
24th November 2014