

# UMW OIL & GAS CORPORATION BERHAD

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

## Condensed Consolidated Statement of Comprehensive Income

Third Quarter Ended 30th September 2015

( The Figures Have Not Been Audited )

	Current Quarter Ended 30/09/2015 RM'000	Comparative Quarter Ended 30/09/2014 RM'000	9 Months Cumulative To Date 30/09/2015 RM'000	Comparative 9 Months Cumulative To Date 30/09/2014 RM'000
<b><u>Continuing Operations</u></b>				
Revenue	212,697	254,321	708,567	688,670
Operating Expenses	(224,668)	(180,983)	(662,165)	(503,457)
Other Operating Income	34,308	387	36,082	7,110
<b>Profit From Operations</b>	<b>22,337</b>	<b>73,725</b>	<b>82,484</b>	<b>192,323</b>
Finance Costs	(16,842)	(6,163)	(41,153)	(16,401)
Share Of Profits Of Associated Company	147	117	383	354
Investment Income	5,812	8,167	20,196	24,110
<b>Profit Before Tax From Continuing Operations</b>	<b>11,454</b>	<b>75,846</b>	<b>61,910</b>	<b>200,386</b>
Taxation	(9,142)	(9,190)	(22,845)	(18,832)
Profit From Continuing Operations, Net Of Tax	2,312	66,656	39,065	181,554
<b><u>Other Comprehensive Income:</u></b>				
Translation Of Foreign Operations	430,620	40,424	608,715	5,173
Other Comprehensive Income, Net Of Tax	430,620	40,424	608,715	5,173
<b>Total Comprehensive Income For The Period</b>	<b>432,932</b>	<b>107,080</b>	<b>647,780</b>	<b>186,727</b>
<b><u>Profit For The Period Attributable To:</u></b>				
Equity Holders Of The Company	218	66,061	36,824	180,050
Non-controlling Interests	2,094	595	2,241	1,504
	2,312	66,656	39,065	181,554
<b><u>Total Comprehensive Income Attributable To:</u></b>				
Equity Holders Of The Company	429,526	106,391	643,847	185,422
Non-controlling Interests	3,406	689	3,933	1,305
	432,932	107,080	647,780	186,727
<b>EPS Attributable To Equity Holders Of The Company:</b>				
Basic (Sen)	0.01	3.06	1.70	8.33

(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 30/09/2015 RM'000	(Audited) As At 31/12/2014 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	6,645,572	4,021,981
Land Use Rights	2,767	2,291
Intangible Assets	11,291	11,291
Investments In Associate	2,333	1,950
Deferred Tax Assets	1,105	880
	<u>6,663,068</u>	<u>4,038,393</u>
<b>Current Assets</b>		
Inventories	173,208	116,584
Other Investments	41,961	-
Trade Receivables	299,576	364,786
Other Receivables	82,289	54,636
Due From Related Companies	752	3,519
Deposits, Cash & Bank Balances	1,016,713	1,178,046
	<u>1,614,499</u>	<u>1,717,571</u>
	<u>8,277,567</u>	<u>5,755,964</u>
<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	839,503	232,480
Retained Profits	550,351	513,527
	<u>3,843,673</u>	<u>3,199,826</u>
Non-controlling Interests	11,933	8,000
<b>TOTAL EQUITY</b>	<u>3,855,606</u>	<u>3,207,826</u>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	3,709	3,702
Long Term Borrowings	1,114,322	1,010,978
	<u>1,118,031</u>	<u>1,014,680</u>
<b>Current Liabilities</b>		
Taxation	5,901	1,480
Short Term Borrowings	3,042,400	1,243,871
Trade Payables	190,349	181,076
Other Payables	62,435	82,007
Due To Related Companies	2,845	2,863
Derivative Liabilities	-	541
Dividend Payable	-	21,620
	<u>3,303,930</u>	<u>1,533,458</u>
<b>TOTAL LIABILITIES</b>	<u>4,421,961</u>	<u>2,548,138</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>8,277,567</u>	<u>5,755,964</u>
<b>Net Assets per share (RM)</b>	<b>1.7778</b>	<b>1.4800</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 2015

	← Non - Distributable					→ Distributable		Total RM'000	Non - Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Share Options Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition of Intercompany Financial Liabilities RM'000	Retained Profits RM'000			
<b>9 MONTHS ENDED 30TH SEPTEMBER 2015</b>										
At 1st January 2015	1,081,000	1,372,819	3,243	698	150,394	78,145	513,527	3,199,826	8,000	3,207,826
Total Comprehensive Income	-	-	-	-	607,023	-	36,824	643,847	3,933	647,780
At 30th September 2015	1,081,000	1,372,819	3,243	698	757,417	78,145	550,351	3,843,673	11,933	3,855,606

### Condensed Consolidated Statement of Changes in Equity for the Period Ended 30th September 2014

	← Non - Distributable					→ Distributable		Total RM'000	Non - Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Share Options Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition of Intercompany Financial Liabilities RM'000	Retained Profits 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

(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 2015

	<b>9 Months Ended 30/09/2015 RM'000</b>	<b>9 Months Ended 30/09/2014 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	61,910	200,386
Adjustments For:		
Depreciation, Impairment & Amortisation	168,264	90,108
Net Gain On Disposal Of Property, Plant & Equipment	-	(522)
Net Inventories Written Down	9,470	263
Interest Expense	41,153	16,401
Share Of Results Of Associate	(383)	(354)
Impairment Losses / (Reversal of Impairment Losses) On Receivables	3,070	(2,449)
Net Fair Value (Gain) / Loss On Derivatives	(585)	98
Net Unrealised Foreign Exchange Gain	(32,874)	(290)
Net Fair Value (Gain) / Loss On Cashplans	(34)	323
Net Gain On Disposal Of Cashplans	-	(721)
Interest Income	(20,196)	(24,110)
Property, Plant & Equipment Written Off	218	120
Operating Profit Before Working Capital Changes	230,013	279,253
Decrease / (Increase) In Receivables	39,338	(28,558)
Increase In Inventories	(66,094)	(25,454)
Net Changes In Related Companies Balances	(321)	4,025
Increase In Payables	20,422	29,868
Cash Generated From Operating Activities	223,358	259,134
Interest Paid	(39,001)	(16,052)
Taxes Paid	(13,806)	(17,927)
Net Cash Generated From Operating Activities	170,551	225,155
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase Of Property, Plant & Equipment	(1,624,664)	(1,560,815)
Proceeds From Disposal Of Property, Plant & Equipment	-	847
Interest Received	13,579	24,110
Investment In Cashplans	(251,781)	(9,050)
Proceeds From Disposal Of Cashplans	209,854	946,828
Net Cash Used In Investing Activities	(1,653,012)	(598,080)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment Of Long Term Borrowings	(157,274)	(94,754)
Drawdown Of Long Term Borrowings	-	557,855
Net Movement In Short Term Borrowings	1,444,763	808,638
Dividend Paid	(21,620)	-
Net Cash Generated From Financing Activities	1,265,869	1,271,739
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	(216,592)	898,814
<b>CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY</b>	1,178,046	174,948
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	55,259	(263)
<b>CASH AND CASH EQUIVALENTS AS AT 30TH SEPTEMBER</b>	1,016,713	1,073,499

(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. 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 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 (“OCTG”) 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 dependent on the level of activity of, and the corresponding capital spending by oil and gas companies, which are affected by volatile oil and natural gas prices and cyclicity in the offshore drilling and oilfield services industries.

### **NOTE 3 – Exceptional Items**

The significant strengthening of United States Dollar against Ringgit Malaysia during the nine-month period ended 30th September 2015, had affected assets and liabilities upon translation of our assets and liabilities denominated in USD to RM, the presentation currency of the Company. The net impact to equity as at 30th September was approximately a gain of RM609 million.

Other than the above, there were no material unusual items affecting assets, liabilities, equity, net income or cash flows during the period ended 30th September 2015.

### **NOTE 4 – Accounting Estimates**

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the period ended 30th September 2015.

### **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 2015.

### **NOTE 6 – Dividends Paid**

An interim single-tier dividend of 2% or 1 sen (2014 – Nil) per share of RM0.50 each, amounting to a net dividend of RM21.62 million (2014 – Nil) was paid on 15th January 2015.

## NOTE 7 – Segmental Reporting

	Nine Months Ended 30th September 2015		
Business Segment	Revenue RM'000	Profit Before Tax RM'000	Profit Attributable to Owners of the Company RM'000
Drilling Services	677,584	24,692	2,333
Oilfield Services	30,983	4,336	2,570
Others	-	32,882	31,921
<b>Consolidated Total</b>	<b>708,567</b>	<b>61,910</b>	<b>36,824</b>

The increase in total assets during the period ended 30th September 2015 was mainly due to capital expenditures incurred in relation to the acquisition of UMW NAGA 7 and UMW NAGA 8, both premium jack-up offshore drilling rig and translation gains from the strengthening of United States Dollar. 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 2015 to the date of this announcement, which affects substantially the results of the Group for the period ended 30th September 2015.

## NOTE 9 – Changes in Composition / Group

On 4th September 2015, UMW Deepnautic Sdn. Bhd., a wholly-owned subsidiary of UMW Oil & Gas Corporation Berhad, which was under members' voluntary winding-up as announced on 29th April 2013, was dissolved effective on the same date.

On 16th September 2015, UMW Offshore Drilling Sdn. Bhd., a wholly-owned subsidiary of UMW Oil & Gas Corporation Berhad, incorporated a wholly-owned subsidiary in Cayman Islands known as UMW Offshore Drilling Ltd ("UODL"). The intended principal activities of UODL are to carry out contract drilling operations and other engineering services for oil and gas exploration, development and production. The initial issued and paid-up capital of UODL is USD100,000 divided into 100,000 ordinary shares of par value of USD1 each.

Other than the above, there were no changes in the composition of the Group during the period ended 30th September 2015.

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

These are in respect of capital commitments:

	<b>RM'000</b>	<b>RM'000</b>
<b>Approved and contracted for:</b>		
Land and buildings	558	
Equipment, plant and machinery	85,470	
Others	<u>1,868</u>	87,896
<b>Approved but not contracted for:</b>		
Land and buildings	942	
Equipment, plant and machinery	186,807	
Others	<u>8,394</u>	<u>196,143</u>
<b>Total</b>		<u><u>284,039</u></u>

**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.	UMW Pennzoil Distributors Sdn. Bhd.	Subsidiary of holding company	Purchase of Goods	94
2.	UMW Oilpipe Services Sdn. Bhd.	UMW Industries (1985) Sdn. Bhd.	Subsidiary of holding company	Purchase of Goods and Services	267
3.	UMW Offshore Drilling Sdn. Bhd.	U-TravelWide Sdn. Bhd.	Subsidiary of holding company	Purchase of Services	175
4.	UMW Oil & Gas Corporation Berhad	U-TravelWide Sdn. Bhd.	Subsidiary of holding company	Purchase of Services	176
5.	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	15,320
				Bareboat Charter	12,977
6.	UMW Oil & Gas Corporation Berhad	UMW Corporation Sdn. Bhd.	Subsidiary of holding company	Rental & Other expenses	1,912
				Management fee	1,050
7.	UMW Oil & Gas Corporation Berhad and its subsidiaries	Toyota Capital Malaysia Sdn. Bhd.	Associate of holding Company	Operating lease expense	1,028

## 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 2015.

## NOTE 14 – Review of Performance

### Current Quarter Ended 30th September 2015

	Revenue		Profit / (Loss) Before Tax	
	3rd Quarter ended 30/09/2015 RM'000	3rd Quarter ended 30/09/2014 RM'000	3rd Quarter ended 30/09/2015 RM'000	3rd Quarter ended 30/09/2014 RM'000
<b>Business Segment</b>				
Drilling Services	203,737	242,325	(18,954)	72,758
Oilfield Services	8,960	11,996	734	1,197
Others	-	-	29,674	1,891
<b>Total</b>	<b>212,697</b>	<b>254,321</b>	<b>11,454</b>	<b>75,846</b>

### Group

Group revenue of RM212.7 million for the third quarter ended 30th September 2015 was lower than the RM254.3 million registered in the same quarter of 2014 by RM41.6 million or 16.4%. The revenue reduction was the result of lower revenue contributions from both the Drilling Services segment and the Oilfield Services segment in the third quarter of 2015. Overseas operations contributed approximately 51.5% of the Group revenue in the third quarter of 2015.

Group profit before tax for the third quarter ended 30th September 2015 dropped to RM11.5 million from the RM75.8 million achieved in the same quarter of 2014, a reduction of RM64.3 million or 84.8%. Lower profit from the Oilfield Services segment coupled with a loss registered by the Drilling Services segment contributed to the fall in profit for the third quarter of 2015. This profit shortfall was however, partly mitigated by the foreign exchange gains from favourable United States Dollar exchange rate on cash reserve denominated in USD held by the Company.

### Drilling Services Segment

In the third quarter of 2015, the Drilling Services segment contributed revenue of RM203.7 million or 95.8% of the total revenue of RM212.7 million, a decrease of RM38.6 million or 15.9% over the RM242.3 million recorded in the same quarter of 2014. The reduction in revenue was mainly due to lower time charter rates and lower utilisation of some of the assets in the Group during the third quarter of 2015. However, the following positive factors mitigated the revenue reduction:

- (a) additional revenue contribution from a new jack-up rig, UMW NAGA 6, which commenced operations in October 2014;
- (b) higher utilisation rate achieved by an offshore rig; and
- (c) translation gains from the appreciation of United States Dollar against Ringgit Malaysia.

Consequently, the Drilling Services segment incurred a loss of RM19.0 million in contrast with the profit before tax of RM72.8 million achieved in the third quarter of 2014, a reduction of RM91.8 million. Lower time charter rates and lower levels of asset utilisation recorded by some of the rigs mainly accounted for the loss in the third quarter of 2015.



## Oilfield Services Segment

In the third quarter of 2015, the Oilfield Services segment contributed revenue of RM9.0 million or 4.2% of the total revenue of RM212.7 million, a reduction of RM3.0 million or 25.0% over the RM12.0 million registered in the same quarter of 2014. Lower revenue recorded by the Group's operations in Labuan, Thailand and China resulted in the revenue decrease.

In line with lower revenue, the Oilfield Services segment reported a lower profit before tax of RM0.7 million in the third quarter of 2015 compared to the RM1.2 million recorded in the same quarter of 2014, a decrease of RM0.5 million or 41.7%.

### Nine Months Ended 30th September 2015

	Revenue		Profit Before Tax	
	Nine Months ended 30/09/2015 RM'000	Nine Months ended 30/09/2014 RM'000	Nine Months ended 30/09/2015 RM'000	Nine Months ended 30/09/2014 RM'000
<b>Business Segment</b>				
Drilling Services	677,584	654,638	24,692	192,561
Oilfield Services	30,983	34,032	4,336	5,747
Others	-	-	32,882	2,078
<b>Total</b>	<b>708,567</b>	<b>688,670</b>	<b>61,910</b>	<b>200,386</b>

## Group

For the nine-month period ended 30th September 2015, the Group recorded a total revenue of RM708.6 million, an increase of RM19.9 million or 2.9%, compared to the RM688.7 million reported in the preceding year's corresponding period. Additional revenue generated by new assets mainly contributed to the higher revenue. Overseas operations contributed approximately 56.5% of the Group revenue for the nine-month period ended 30th September 2015.

However, Group profit before tax declined to RM61.9 million for the nine-month period ended 30th September 2015, a reduction of RM138.5 million or 69.1%, compared to the RM200.4 million achieved in the same period of 2014. Lower profit contributions from both the Drilling Services and Oilfield Services segments that were however mitigated by translation gains from Others segment, resulted in the profit reduction.

## Drilling Services Segment

The Drilling Services segment contributed revenue of RM677.6 million or 95.6% of the total revenue of RM708.6 million for the nine-month period ended 30th September 2015, an increase of RM23.0 million or 3.5% over the RM654.6 million recorded in the same period of 2014. The revenue improvement was attributable to the following:

- (a) additional revenue contributions from three new assets, which commenced operations in the month of May, August and October 2014; and
- (b) translation gains from the appreciation of United States Dollar against Ringgit Malaysia.

However, the above revenue increase was partly offset by shortfall in revenue from reduced time charter rates as well as lower rig utilisation rates for some of the assets in the Group.

The Drilling Services segment contributed RM24.7 million or 39.9% of the Group profit before tax of RM61.9 million for the nine-month period of 2015, a decrease of RM167.9 million or 87.2% compared to the RM192.6 million achieved in the same corresponding period of 2014. The profit reduction was mainly due to:

- (a) softer time charter rates;
- (b) lower utilisation rates achieved by some of the assets in the Group due to 5-yearly special periodical survey or idling in between contracts; and
- (c) pre-operating expenses of two new rigs which commenced operation in September and November 2015.

### Oilfield Services Segment

For the nine-month period ended 30th September 2015, the Oilfield Services segment contributed revenue of RM31.0 million or 4.4% of the total revenue of RM708.6 million, a reduction of RM3.0 million or 8.8% over the RM34.0 million recorded in the same corresponding period of 2014. Softer demand for OCTG threading and repair services recorded by the Group's operations in Labuan and China, mainly contributed to the revenue decrease.

The Oilfield Services segment contributed profit before tax of RM4.3 million or 6.9% of the total Group profit before tax of RM61.9 million for the nine-month period of 2015. This represented a reduction of RM1.4 million or 24.6% over the RM5.7 million recorded in the same corresponding period of 2014. Lower profit contributions from the Group's operations in Labuan, Thailand and China accounted for the profit reduction.

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

	Revenue		Profit / (Loss) Before Tax	
	3rd Quarter ended 30/09/2015 RM'000	2nd Quarter ended 30/06/2015 RM'000	3rd Quarter ended 30/09/2015 RM'000	2nd Quarter ended 30/06/2015 RM'000
<b>Business Segment</b>				
Drilling Services	203,737	173,802	(18,954)	5,084
Oilfield Services	8,960	9,572	734	939
Others	-	-	29,674	1,972
<b>Total</b>	<b>212,697</b>	<b>183,374</b>	<b>11,454</b>	<b>7,995</b>

Revenue of RM212.7 million for the third quarter of 2015 improved over the RM183.4 million registered in the second quarter of 2015 by RM29.3 million or 16.0%. Significantly higher revenue from some of the rigs with higher time charter rate or/and asset utilisation rate, contributed to the revenue increase. However, lower levels of asset utilisation registered by the other rigs, partly offset the revenue improvement.

Overall, the 3<sup>rd</sup> quarter of 2015 recorded a higher profit before tax of RM11.5 million, an increase of RM3.5 million or 43.8% compared to the RM8.0 million registered in the second quarter of 2015. Foreign exchange gains from the strengthening of United States Dollar against Ringgit Malaysia that was however, offset in part by the loss from the Drilling Services segment, gave rise to the profit improvement. In spite of the higher revenue recorded in the third quarter of 2015, the Drilling Services segment incurred a loss of RM19.0 million mainly due to downtime incurred by two of the rigs which underwent the 5-yearly special periodical survey.

## NOTE 16 – Current Prospect

### Drilling Services Segment

In September 2015, UMW NAGA 8, our latest addition of premium offshore jack-up rig was mobilised to offshore Sarawak to commence drilling services under the contract with SapuraKencana Energy Peninsula Malaysia Inc, SapuraKencana Energy Sarawak Inc and SapuraKencana Energy Sabah Inc (collectively referred to as “SKE”) for the provision of drilling rig services for SKE’s Drilling Programme for up to eighteen (18) wells with an extension option for three (3) additional wells. Then in October 2015, UMW NAGA 7 secured a contract with PETRONAS Carigali Sdn Bhd for the provision of drilling rig services for seven (7) firm wells with an extension option of one (1) plus one (1) well (estimated duration of minimum one (1) month for each well). UMW NAGA 7 was mobilised to offshore Sabah in early November 2015.

On the whole, the Drilling Services segment is expected to achieve lower levels of asset utilisation in the final quarter of 2015 as more rigs completed their contracts in the third quarter of 2015.

### Oilfield Services Segment

For the remaining quarter of 2015, unfavourable impact from low oil prices on demand for OCTG threading and repair services is expected to continue. As such, profitability of the Oilfield Services segment is likely to remain flat in the fourth quarter of 2015.

### Group

Overall, the financial performance of the Group is expected to be challenging for the financial year ending 31st December 2015.

## 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 30/09/2015 RM'000</b>	<b>Nine Months ended 30/09/2015 RM'000</b>
Provision for current period	9,421	23,188
Under/(Over) provision in prior periods	(120)	(125)
	9,301	23,063
Deferred taxation	(159)	(218)
Total	9,142	22,845

The effective tax rates for the current quarter and the nine-month period ended 30th September 2015 of 81.9% and 37.3%, respectively, were higher than the statutory tax rate of 25%. This is because under the deemed profit method of taxation in Myanmar and Vietnam, corporate income tax is payable based on a certain percentage of the contract value invoiced instead of net income of the tax entity.

## 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 initial public offering (“IPO”) proceeds as at 17th November 2015

Purpose	Proposed utilisation	Actual utilisation to date	Deviation in amount & %	Explanation	Timeframe for utilisation after extension
	RM'million	RM'million			Month
Acquisition of rigs & HWU	986.6	673.5	n/a	n/a	36
Upgrading of rigs & HWU	20.1	20.1	nil	n/a	18
Acquisition / upgrading of machineries for Oilfield Services	10.4	10.4	nil	n/a	30
Mobilisation / demobilisation costs for drilling rigs	50.0	42.1	n/a	n/a	30
Repayment to UMW Holdings Berhad	597.4	597.4	nil	n/a	6
IPO / Listing expenses *	48.5	41.2	RM7.3 million or 15.1%	Actual was lower than the budget	6
<b>Total</b>	<b>1,713.0</b>	<b>1,384.7</b>			

Date of listing: 1st November 2013

\* The unutilised listing expenses of RM7.3 million will be used to meet mobilisation and demobilisation costs for rigs.

## NOTE 21 – Group Borrowings and Debt Securities

	RM'000	RM'000	USD'000
(a) Short term borrowings			
- Unsecured			
Short term loans and revolving credits	2,813,530		632,100
Portion of long term loans payable within 12 months	228,860		51,435
		3,042,390	
- Secured			
Finance lease payable		10	
		3,042,400	683,535
(b) Long term borrowings			
- Unsecured			
Long term loans	1,343,173		301,871
Portion of long term loans payable within 12 months	(228,860)		(51,435)
		1,114,313	
- Secured			
Finance lease payable		9	
		1,114,322	250,436

Approximately RM756 million of short term bridging loans were refinanced by a 10-year term loan in October 2015.

#### **NOTE 22 – Material Litigation**

Reference is made to the previous announcement dated 10th April 2015, and information in relation to the arbitration between UMW Offshore Drilling Sdn. Bhd. (“Claimant” or “UOD”) and Frontier Oil Corporation (“Respondent”) under the arbitration rules of Singapore International Arbitration Centre (“SIAC”) disclosed in the Circular to Shareholders in relation to Proposed Renewal of the Existing Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature dated 27th April 2015. The Company will make further announcement if there are any material developments in respect of the arbitral proceedings.

Other than the above, there was no material litigation pending on the date of this announcement.

#### **NOTE 23 – Dividend**

No dividend has been recommended for the quarter ended 30th September 2015 (2014 – 1.0 sen).

#### **NOTE 24 – Earnings Per Share**

Basic earnings per share for the current quarter and the nine-month period ended 30th September 2015 are calculated by dividing the net profit attributable to equity holders of the Company of RM218,000 and RM36,824,000, respectively, by the weighted average number of ordinary shares in issue as at 30th September 2015 of 2,162,000,000 shares of RM0.50 each.

The Company has no dilutive potential ordinary shares as at 30th September 2015.

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

The breakdown of retained profits of the Group as at 30th June 2015 and 30th September 2015, pursuant to the format prescribed by Bursa Securities, are as follows:

	<b>As at 30/06/2015 RM'000</b>	<b>As at 30/09/2015 RM'000</b>
Total retained profits of the Company and its subsidiaries:		
- Realised	761,362	769,023
- Unrealised	(5,569)	30,270
	755,793	799,293
Total share of retained profits from associated company:		
- Realised	2,004	2,151
- Unrealised	-	-
	757,797	801,444
Less : Consolidation adjustments	(207,664)	(251,093)
Total Group retained profits as per consolidated accounts	550,133	550,351

**NOTE 26 – Audit Qualification**

The audit report in respect of the annual financial statements of the Company for the financial year ended 31st December 2014 was not qualified.

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

	<b>3rd Quarter ended 30/09/2015 RM'000</b>	<b>Nine Months ended 30/09/2015 RM'000</b>
(a) Interest income	5,436	19,814
(b) Other investment income	376	382
(c) Depreciation and amortisation	(68,497)	(168,264)
(d) Impairment losses of receivables	(3,070)	(3,070)
(e) Provision for write down of inventories	(9,470)	(9,470)
(f) (Loss) / gain on disposal of quoted or unquoted investment	-	-
(g) (Loss) / gain on disposal of properties	-	-
(h) Reversal / (Impairment) of assets/investments (net)	-	-
(i) Net foreign exchange gain	36,380	33,971
(j) Net gain on derivatives	232	585
(k) Property, plant and equipment written off	(17)	(218)

**By Order Of The Board**

**LEE MI RYOUNG**  
**Secretary**  
**(MAICSA 7058423)**

Kuala Lumpur  
24th November 2015