

UMW OIL & GAS CORPORATION BERHAD

Quarterly Investor Updates 2Q2016



MESSAGE FROM THE PRESIDENT

Dear fund managers and analysts,

Group revenue of RM130.0 million for 2Q2016 was lower than the RM183.4 million reported in 2Q2015, by RM53.4 million or 29.1%. The Group registered a loss after tax of RM65.1 million for 2Q2016 as opposed to the RM4.1 million of profit after tax achieved in 2Q2015.

The lack of investment in capital and operating expenditures due to prolonged low oil prices resulted in low levels of exploration, development and production activities in the oil and gas industry. This in turn resulted in low demand for the company's service. In addition, excess supply of drilling rigs also adversely impacted time charter rates of new contracts secured.

The Brent benchmark oil price has been hovering above USD40 per barrel for more than four months lately. There is also an increase in tendering activities in the upstream space during the first half of 2016. These trends indicate potential upturn in the medium term. However, the current oversupply of offshore drilling rigs continues to put pressure on charter rates until such time the supply and demand reach equilibrium.

Despite this difficult environment, UMW Naga 6 secured a contract from PETRONAS Carigali Sdn. Bhd. in May 2016 for a two-year firm contract with one year extension option. In addition, the Group is currently in various stages of tendering for a number of contracts both locally and overseas.

Financial performance of the Group for the remaining period of the year is dependent upon the outcome of potential contracts the Group is currently working on. If the Group succeeds in securing some of these potential contracts, asset utilization in the last quarter of 2016 is expected to improve.



Rohaizad Darus
President
UMW Oil & Gas Corporation Berhad

UMW-OG PRETAX LOSS OF RM64 M IN 2Q2016

RM million	2Q16	1Q16	Change (%)
(Loss) Before Taxation	(63,996)	(68,423)	6.5%

EXECUTIVE SUMMARY

2Q16 Financial Highlights

- Group revenue of RM130 million improved by RM42.3 million compared to the previous quarter.
- The Group recorded a lower loss before tax of RM64 million compared to the RM68.4 million loss before tax registered in the previous quarter.
- Unlike the previous quarter, more assets of the Group were income-generating in the second quarter, hence the revenue improvement.

Prospects for 2016

- Brent oil price has the potential for recovery with it stabilising at above USD40 per barrel recently.
- Potential upturn can be indicated from the increase in tendering activities in the upstream during first half of 2016.
- Current oversupply of offshore rigs continues to put pressure on charter rates.
- The Drilling Services segment received encouraging number of invitations to participate in tender activities for the last few months.

Dividend

- No dividend has been recommended for the quarter ended 30 June 2016.

UMW OIL & GAS CORPORATION BERHAD

Group Income Statement

	2Q16 RM'000	1Q16 RM'000	2Q15 RM'000	FY 2015 RM'000	FY 2014 RM'000	% change (Q-o-Q)
Revenue	130,010	87,679	183,374	839,877	1,014,903	-29%
Share of Profits of Associated Companies	82	91	106	521	550	-23%
(Loss) Profit Before Taxation	(63,996)	(68,423)	7,995	(348,426)	284,156	-900%
Net (Loss) Profit Attributable To Shareholders	(67,247)	(65,076)	4,456	(369,277)	251,996	-1609%

Prospects for 2016

Drilling Services Segment

- Oil price has the potential for recovery in the medium term with the Brent benchmark oil price stabilising at above USD40 per barrel for more than four months recently. Increase in tendering activities in the upstream space during the first half of 2016 also indicates potential upturn in the medium term though these tenders may take months to translate into rig utilisation. The current oversupply of offshore rigs continues to put pressure on charter rates until such time supply and demand reach equilibrium.
- During the last few months, the Group's Drilling Services segment had received encouraging number of invitations to participate in tender activities. In May 2016, UMW NAGA 6 secured a contract for the provision of drilling services to Petronas Carigali Sdn. Bhd. The contract is for a duration of two years with an option to extend for another year.

Oilfield Services Segment

- Oilfield Services segment is seeing slight increase in tender activities. The Segment's outfits in Labuan and Turkmenistan, recently secured a two-year contract each from their existing clients for the provision of machining or inspection services. Its operation in Tianjin also secured a six months service contract from Baoshan Iron & Steel Co Ltd for the provision of premium connection threading services. However, revenue contributions from these contracts for the remaining period of 2016 is dependent upon the level of services require by these customers.

BUSINESS SEGMENT – DRILLING SERVICES

Segmental Reporting

	2Q16 RM'000	1Q16 RM'000	2Q15 RM'000	FY 2015 RM'000	FY 2014 RM'000	% change (Q-o-Q)
Revenue	125,008	81,260	173,802	802,363	968,619	-28%
(Loss) Profit Before Taxation	(47,994)	(93,375)	5,084	(385,329)	272,838	-1044%

Results

- In the second quarter of 2016, the Drilling Services segment contributed revenue of RM125.0 million or 96.2% of the total revenue of RM130.0 million, a decrease of RM48.8 million or 28.1% over the RM173.8 million recorded in the same quarter of 2015. The drop in revenue was principally due to fewer assets were income generating in the second quarter of 2016 as compared to the same quarter of 2015. Lack of investments in capital and operating expenditures by oil majors due to prolonged low oil prices, resulted in the low demand for drilling services. In addition, excess supply of drilling rigs also adversely impacted time charter rates of new contracts secured.

Highlights

- Drilling Services segment incurred a loss of RM48.0 million in the second quarter of 2016 in contrast with the profit before tax of RM5.1 million achieved in the same quarter of 2015.

BUSINESS SEGMENT – OILFIELD SERVICES

Segmental Reporting

	2Q16 RM'000	1Q16 RM'000	2Q15 RM'000	FY 2015 RM'000	FY 2014 RM'000	% change (Q-o-Q)
Revenue	5,002	6,419	9,572	37,412	46,284	-48%
(Loss) Profit Before Taxation	(10,111)	(1,408)	939	(5,030)	8,790	-1177%

Results

- Oilfield Services segment contributed revenue of RM5.0 million or 3.8% of the total revenue of RM130.0 million. This represented a reduction of RM4.6 million or 47.9% over the RM9.6 million registered in the same quarter of 2015. Sluggish demand for oilfield services due to on-going cut in operating and capital expenditures by oil majors continued to affect the performance of the Group's operations in Malaysia, Thailand, China and Turkmenistan.

Highlights

- Oilfield Services segment reported a loss before tax of RM10.1 million in the second quarter of 2016 compared to a profit of RM0.9 million recorded in the same quarter of 2015.

UMW OIL & GAS CORPORATION BERHAD

Consolidated Statement of Financial Position

	At 30/06/2016 RM'000	At 31/12/2015 RM'000
TOTAL ASSETS	6,965,993	7,646,983
- Property, Plant & Equipment	5,591,066	6,081,634
- Deposits, Cash and Money Market Funds	923,511	1,063,372
- Receivables	230,852	286,027
- Inventories	212,553	204,508
TOTAL EQUITY	2,994,851	3,343,437
LONG TERM BORROWINGS	2,108,507	1,746,965
SHORT TERM BORROWINGS	1,319,673	2,257,330
Net Assets Per Share (RM)	1.3814	1.5416

UMW-OG KEY HIGHLIGHTS FOR 2Q2016

On 31 May 2016, UMW NAGA 6 was awarded a contract for a duration of two (2) years with one (1) year option by PETRONAS Carigali.

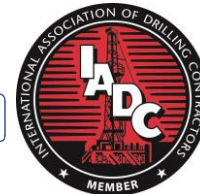


QHSE
Total Recordable
Case Frequency
0.06 **0.61**
as at June 2016 IADC Industry
Standard

UMW Drilling Academy (UDA) in 2Q2016

30
courses
offered

48
participants



Courses accredited by **International Well Control Forum [IWCF]** and **International Association of Drilling Contractors [IADC]**

THANK YOU



Rohaizad Darus
President



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