

# UMW OIL & GAS CORPORATION BERHAD

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

## Condensed Consolidated Statement of Comprehensive Income for the Fourth Quarter Ended 31st December 2014

( The Figures Have Not Been Audited )

	Current Quarter Ended 31/12/2014 RM'000	Comparative Quarter Ended 31/12/2013 RM'000	12 Months Cumulative To Date 31/12/2014 RM'000	(Audited) Comparative 12 Months Cumulative To Date 31/12/2013 RM'000
<b><u>Continuing Operations</u></b>				
Revenue	327,660	207,130	1,016,330	737,752
Operating Expenses	(245,232)	(157,983)	(748,689)	(553,229)
Other Operating Income	4,548	494	11,658	37,891
<b>Profit From Operations</b>	<b>86,976</b>	<b>49,641</b>	<b>279,299</b>	<b>222,414</b>
Finance Costs	(9,234)	(653)	(25,635)	(23,740)
Share Of Profits Of Associated Company	127	120	481	485
Investment Income	7,929	6,886	32,039	7,690
<b>Profit Before Tax From Continuing Operations</b>	<b>85,798</b>	<b>55,994</b>	<b>286,184</b>	<b>206,849</b>
Taxation	(14,302)	(4,270)	(33,134)	(14,791)
Profit From Continued Operations, Net Of Tax	71,496	51,724	253,050	192,058
<b><u>Discontinued Operation</u></b>				
Loss From Discontinued Operation, Net Of Tax	-	-	-	(5,263)
<b>Profit Net Of Tax</b>	<b>71,496</b>	<b>51,724</b>	<b>253,050</b>	<b>186,795</b>
<b><u>Other Comprehensive Income:</u></b>				
Translation Of Foreign Operations	133,442	3,741	138,616	19,026
Other Comprehensive Income, Net Of Tax	133,442	3,741	138,616	19,026
<b>Total Comprehensive Income For The Period</b>	<b>204,938</b>	<b>55,465</b>	<b>391,666</b>	<b>205,821</b>
<b><u>Profit For The Period Attributable To:</u></b>				
Equity Holders Of The Company	71,257	51,461	251,307	189,147
Non-controlling Interests	239	263	1,743	(2,352)
	71,496	51,724	253,050	186,795
<b><u>Total Comprehensive Income Attributable To:</u></b>				
Equity Holders Of The Company	204,408	55,210	389,830	208,012
Non-controlling Interests	530	255	1,836	(2,191)
	204,938	55,465	391,666	205,821
<b>EPS Attributable To Equity Holders Of The Company:</b>				
Basic (Sen)	3.30	3.11	11.62	11.45
<b>EPS From Continuing Operations Attributable To Equity Holders of The Company:</b>				
Basic (Sen)	3.30	3.11	11.62	11.53
<b>Loss Per Share From Discontinued Operation Attributable To Equity Holders of The Company:</b>				
Basic (Sen)	-	-	-	(0.08)

(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 31/12/2014 RM'000	(Audited) As At 31/12/2013 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	4,013,859	2,247,177
Land Use Rights	2,291	2,248
Intangible Assets	11,291	11,291
Investments In Associate	1,747	2,392
Deferred Tax Assets	857	1,242
	<u>4,030,045</u>	<u>2,264,350</u>
<b>Current Assets</b>		
Inventories	106,981	64,354
Other Investments	-	1,061,581
Trade Receivables	381,886	292,272
Other Receivables	43,139	26,305
Derivative Assets	-	32
Due From Related Companies	3,521	6,827
Deposits, Cash & Bank Balances	1,179,171	174,948
	<u>1,714,698</u>	<u>1,626,319</u>
	<u>5,744,743</u>	<u>3,890,669</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	234,688	96,165
Retained Profits	512,838	283,151
	<u>3,201,345</u>	<u>2,833,135</u>
Non-controlling Interests	7,809	5,973
<b>Total Equity</b>	<u>3,209,154</u>	<u>2,839,108</u>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	4,834	4,834
Long Term Borrowings	1,010,966	548,335
	<u>1,015,800</u>	<u>553,169</u>
<b>Current Liabilities</b>		
Taxation	2,505	546
Short Term Borrowings	1,243,883	311,257
Trade Payables	188,442	143,850
Other Payables	59,935	37,992
Due To Related Companies	2,863	4,747
Derivative Liabilities	541	-
Dividend Payable	21,620	-
	<u>1,519,789</u>	<u>498,392</u>
	<u>2,535,589</u>	<u>1,051,561</u>
<b>TOTAL LIABILITIES</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>5,744,743</u>	<u>3,890,669</u>
<b>Net Assets per share (RM)</b>	<b>1.4807</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 Year Ended 31st December 2014**

	← Non - Distributable						→ Distributable					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	Merger Deficit RM'000	Other Reserve RM'000	Retained Profits RM'000	Total RM'000			
<b>12 MONTHS ENDED 31ST DECEMBER 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	
Transactions With Owners													
Dividends	-	-	-	-	-	-	-	-	(21,620)	(21,620)	-	(21,620)	
Total Comprehensive Income	-	-	-	-	138,523	-	-	-	251,307	389,830	1,836	391,666	
At 31st December 2014	1,081,000	1,372,819	3,243	698	152,602	78,145	-	-	512,838	3,201,345	7,809	3,209,154	

**Condensed Consolidated Statement of Changes in Equity for the Year Ended 31st December 2013**

	← Non - Distributable						→ Distributable					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	Merger Deficit RM'000	Other Reserve RM'000	Retained Profits RM'000	Total RM'000			
<b>12 MONTHS ENDED 31ST DECEMBER 2013 (AUDITED)</b>													
At 1st January 2013	*	-	3,243	1,647	(4,786)	-	-	149,929	94,004	244,037	7,078	251,115	
Transactions With Owners													
Acquisition of Combined Entities	-	-	-	-	-	-	(689,673)	689,673	-	-	-	-	
Merger Deficit Set Off Against Other Reserves	-	-	-	-	-	-	689,673	(689,673)	-	-	-	-	
Issue of Ordinary Shares Pursuant to:													
- Internal Reorganisation	775,100	-	-	-	-	-	-	(149,929)	-	625,171	-	625,171	
- Initial Public Offering ("IPO")	305,900	1,407,140	-	-	-	-	-	-	-	1,713,040	-	1,713,040	
IPO Expenses	-	(34,321)	-	-	-	-	-	-	-	(34,321)	-	(34,321)	
Settlement of Intercompany Financial Liabilities	-	-	-	-	-	78,145	-	-	-	78,145	-	78,145	
Disposal Of Subsidiaries	-	-	-	(949)	-	-	-	-	-	(949)	862	(87)	
Liquidation Of Subsidiaries	-	-	-	-	-	-	-	-	-	-	224	224	
Total Comprehensive Income	-	-	-	-	18,865	-	-	-	189,147	208,012	(2,191)	205,821	
At 31st December 2013	1,081,000	1,372,819	3,243	698	14,079	78,145	-	-	283,151	2,833,135	5,973	2,839,108	

\* The Group has an issued and paid-up capital of RM2 prior to financial year 2013.

(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 Year Ended  
31st December 2014**

	<b>(Unaudited) 12 Months Ended 31/12/2014 RM'000</b>	<b>(Audited) 12 Months Ended 31/12/2013 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit Before Taxation From Continuing Operations	286,184	206,849
Loss From Discontinued Operations	-	(4,078)
	286,184	202,771
Adjustments For:		
Depreciation, Impairment & Amortisation	132,610	89,868
Net (Gain) / Loss On Disposal Of Property, Plant & Equipment	(697)	214
Net Inventories Written-Down	263	-
Interest Expense	25,635	23,740
Share Of Results Of Associate	(481)	(485)
Share Of Results Of Joint-Venture	-	354
(Reversal Of Impairment) / Impairment Loss On Receivables	(2,539)	3,542
Net Fair Value Loss / (Gain) On Derivatives	539	(574)
Net Unrealised Foreign Exchange Loss	1,702	5,840
Net Fair Value Loss / (Gain) On Mutual Funds	263	(262)
Net Gain On Disposal Of Mutual Funds	(747)	(34)
Net Gain On Disposal Of Subsidiaries	-	(6,448)
Loss On Disposal Of Joint-Venture	-	1,570
Gain On Disposal Of Non-Current Assets Held For Sale	-	(30,614)
Interest Income	(32,039)	(7,690)
Property, Plant & Equipment Written Off	104	7,841
Operating Profit Before Working Capital Changes	410,797	289,633
Increase In Receivables	(104,799)	(92,044)
Increase In Inventories	(42,890)	(8,625)
Net Changes In Related Companies Balances	1,422	124,285
Increase / (Decrease) In Payables	113,002	(165,965)
Cash Generated From Operating Activities	377,532	147,284
Interest Paid	(25,931)	(22,957)
Taxation Paid	(28,094)	(17,419)
Net Cash Generated From Operating Activities	323,507	106,908
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Cash Outflow On Acquisition Of Subsidiaries	-	(261,325)
Purchase Of Property, Plant & Equipment	(1,759,058)	(568,449)
Proceeds From Disposal Of Property, Plant & Equipment	903	1,313
Proceeds From Disposal Of Non-Current Assets Held For Sale	-	50,689
Proceeds From Disposal Of A Joint-Venture	-	19,150
Net Proceeds From Disposal Of Subsidiaries	-	10,473
Interest Received	30,233	7,690
Dividend Received From Associate	1,096	-
Investment In Mutual Funds	(9,558)	(1,093,360)
Proceeds From Disposal Of Mutual Funds	1,071,623	32,076
Net Cash Used In Investing Activities	(664,761)	(1,801,743)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds From Issuance Of Ordinary Shares	-	1,758,040
Cash Outflow On Listing Expenses Incurred	-	(37,979)
Advances From Holding Company	-	536,288
Repayment To Holding Company	-	(597,400)
Repayment Of Long Term Borrowings	(134,668)	(148,776)
Drawdown Of Long Term Borrowings	594,660	58,416
Net Movement In Short Term Borrowings	878,197	164,897
Net Cash Generated From Financing Activities	1,338,189	1,733,486
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	996,935	38,651
<b>CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY</b>	174,948	129,742
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	7,288	6,555
<b>CASH AND CASH EQUIVALENTS AS AT 31ST DECEMBER</b>	1,179,171	174,948

(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)**

The following revised MFRS that are effective and applicable to the Group and the Company on 1st January 2015 have not been early adopted:

- (a) Amendments to MFRS 13 Fair Value Measurement (Annual Improvements 2011-2013 Cycle)
- (b) Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- (c) Amendments to MFRS 124 Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
- (d) Amendments to MFRS 138 Intangible Assets (Annual Improvements 2010-2012 Cycle)

Adoption of the above revised standards is not expected to have a material impact on the financial statements of the Group and the Company for the financial year ending 31st December 2015.

### **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 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 flows during the financial year ended 31st December 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 financial year ended 31st December 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 year ended 31st December 2014.

## NOTE 6 – Dividends Paid

There were no dividends paid during the financial year ended 31st December 2014.

## NOTE 7 – Segmental Reporting

Business Segment	Financial Year Ended 31st December 2014		
	Revenue RM'000	Profit Before Taxation RM'000	Profit Attributable to Owners of the Company RM'000
Drilling Services	970,175	276,100	247,599
Oilfield Services	46,155	8,046	5,147
Others	-	2,038	(1,439)
<b>Total</b>	<b>1,016,330</b>	<b>286,184</b>	<b>251,307</b>

The increase in total assets for the financial year ended 31st December 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 (“HWU”). 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 31st December 2014 to the date of this announcement, which affects substantially the results of the Group for the financial year ended 31st December 2014.

## NOTE 9 – Changes in Composition / Group

On 7th October 2014, UMW Pressure Control Sdn Bhd, a dormant wholly-owned subsidiary in the Group, was dissolved. Other than the above, there were no changes in the composition of the Group for the quarter and the year ended 31st December 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	1,370,321	
Others	2,047	1,372,721
	<hr/>	
<b>Approved but not contracted for:</b>		
Land and buildings	-	
Equipment, plant and machinery	436,436	
Others	8,142	444,578
<b>Total</b>	<hr/>	<hr/>
		1,817,299

**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	378
2.	UMW Workover Sdn Bhd, formerly known as UMW Petrodril (Malaysia) Sdn Bhd	U-Travelwide Sdn Bhd	Subsidiary of holding company	Purchase of services	1,660
3.	UMW Oil & Gas Corporation Berhad	U-Travelwide Sdn Bhd	Subsidiary of holding company	Purchase of services	564
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	18,588
				Bareboat charter	41,040
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	2,446
				Management fee	1,400

**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 December 2014.

## NOTE 14 – Review of Performance

### Current Quarter Ended 31st December 2014

	Revenue		Profit Before Tax	
	4th Quarter ended 31/12/2014 RM'000	4th Quarter ended 31/12/2013 RM'000	4th Quarter ended 31/12/2014 RM'000	4th Quarter ended 31/12/2013 RM'000
<b>Business Segment:</b>				
Drilling Services	315,537	196,926	83,539	63,544
Oilfield Services	12,123	10,336	2,299	327
Others	-	(132)	(40)	(7,877)
<b>Total</b>	<b>327,660</b>	<b>207,130</b>	<b>85,798</b>	<b>55,994</b>

### Group

Group revenue of RM327.7 million for the fourth quarter ended 31st December 2014 exceeded the RM207.1 million registered in the same quarter of 2013 by RM120.6 million or 58.2%. Improved revenue contributions from both the Drilling Services segment and the Oilfield Services segment resulted in the revenue increase in the fourth quarter of 2014. Overseas operations contributed approximately 65.6% of the Group revenue in the fourth quarter 2014.

Consequently, Group profit before taxation rose to RM85.8 million in the fourth quarter ended 31st December 2014 from the RM56.0 million recorded in the same quarter of 2013, an improvement of RM29.8 million or 53.2%. Higher profit contributions from both the Drilling Services and Oilfield Services segments as well as additional investment income from the Others segment, accounted for the profit improvement in the fourth quarter of 2014.

### Drilling Services Segment

The Drilling Services segment contributed revenue of RM315.5 million or 96.3% of the total revenue of RM327.7 million in the fourth quarter of 2014, an increase of RM118.6 million or 60.2% over the RM196.9 million recorded in the same quarter of 2013. The revenue improvement was mainly attributable to the following:

- (a) additional revenue contributions from our new offshore premium jack-up rigs, UMW NAGA 5 and UMW NAGA 6, which commenced operations in May and October 2014, respectively;
- (b) improved operating efficiency recorded by UMW NAGA 2, UMW NAGA 3 and UMW NAGA 4 in the fourth quarter of 2014 compared to the same quarter in 2013;
- (c) additional revenue contributions from our new hydraulic workover unit, UMW GAIT 6 as well as full quarter utilisation of UMW GAIT 3; and
- (d) translation gains from the appreciation of United States Dollar against Ringgit Malaysia.

However, lack of contributions from UMW GAIT 1 and UMW GAIT 5 partly reduced the revenue increase in the fourth quarter of 2014.

The Drilling Services segment contributed RM83.5 million or 97.3% of the Group profit before taxation of RM85.8 million in the fourth quarter of 2014, an improvement of RM20.0 million or 31.5% compared to the RM63.5 million achieved in the same quarter of 2013. Additional profit contributions from our new offshore rig, UMW NAGA 5, full-quarter utilisation of UMW NAGA 3 and the strengthening of United States Dollar mainly contributed to the profit increase. In the fourth quarter of 2013, UMW NAGA 3 suffered losses from downtime and repair costs due to damage to some of its ballast tanks.



## Oilfield Services Segment

In the fourth quarter of 2014, the Oilfield Services segment contributed revenue of RM12.1 million or 3.7% of the total revenue of RM327.7 million, an increase of RM1.8 million or 17.5% over the RM10.3 million registered in the same quarter of 2013. Improved revenue from OCTG threading and pipe repair services recorded by our Labuan operation, mainly contributed to the revenue increase.

The Oilfield Services segment contributed profit before taxation of RM2.3 million or 2.7% of the total Group profit before tax of RM85.8 million in the fourth quarter of 2014. This represented an increase of RM2.0 million over the RM0.3 million recorded in the same quarter of 2013. Higher profit contributions from our operations in Labuan and Turkmenistan mainly accounted for the increase in profit.

### Financial Year Ended 31st December 2014

	Revenue		Profit Before Tax	
	Financial Year ended 31/12/2014 RM'000	Financial Year ended 31/12/2013 RM'000	Financial Year ended 31/12/2014 RM'000	Financial Year ended 31/12/2013 RM'000
<b>Business Segment:</b>				
Drilling Services	970,175	693,720	276,100	191,009
Oilfield Services	46,155	43,622	8,046	7,436
Others	-	410	2,038	8,404
<b>Total</b>	<b>1,016,330</b>	<b>737,752</b>	<b>286,184</b>	<b>206,849</b>

## Group

For the financial year ended 31st December 2014, the Group recorded total revenue of RM1,016.3 million compared to the RM737.8 million recorded in 2013, an increase of RM278.5 million or 37.7%. Improved revenue contributions from both the Drilling Services and Oilfield Services segments, resulted in the higher revenue. Overseas operations contributed approximately 53.6% of the Group revenue for the financial year ended 31st December 2014.

The Group achieved profit before taxation of RM286.2 million for the financial year ended 31st December 2014, an increase of RM79.4 million or 38.4%, compared to the RM206.8 million recorded in 2013. Significant increase in profit contributions by the Drilling Services segment, offset partly by the lower profit from the Others segment, accounted for the profit improvement.

## Drilling Services Segment

The Drilling Services segment contributed revenue of RM970.2 million or 95.5% of the total Group revenue of RM1,016.3 million for the financial year ended 31st December 2014, a growth of RM276.5 million or 39.9% compared to the RM693.7 million recorded in the year of 2013. The following positive factors contributed to the revenue improvement:

- (a) additional revenue contributions from our new premium offshore jack-up rigs, UMW NAGA 5 and UMW NAGA 6 from May 2014 and October 2014, respectively;
- (b) full year revenue contribution in 2014 compared to only nine months of operation in 2013 by UMW NAGA 4, a new premium offshore jack-up rig which commenced operation in April 2013;
- (c) higher rig utilisation and favourable time charter rates recorded by both UMW NAGA 2 and UMW NAGA 3 in 2014 after moving to Vietnam. In 2013, UMW NAGA 2 underwent upgrading work at Batam upon completion of its drilling services contract at a lower time charter rate in another overseas country whereas UMW NAGA 3 experienced some downtime due to underwater inspection in lieu of dry-docking and damage to some of its ballast tanks; and
- (d) improved revenue contributions from UMW GAIT 3 in the year 2014 from higher utilisation rate as well as barge and equipment rental.

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.

In line with higher revenue, profit before taxation of the Drilling Services segment escalated to RM276.1 million or 96.5% of the total Group profit before taxation of RM286.2 million for the financial year ended 31st December 2014, a surge of RM85.1 million or 44.6%, compared to the RM191.0 million recorded in 2013. Currency appreciation in United States Dollar and 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 financial year ended 31st December 2014, the Oilfield Services segment contributed revenue of RM46.2 million or 4.5% of the Group revenue of RM1,016.3 million, an increase of RM2.6 million or 6.0% over the RM43.6 million recorded in the corresponding year 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 RM8.0 million or 2.8% of the total Group profit before taxation of RM286.2 million for the financial year ended 31st December 2014, an increase of RM0.6 million or 8.1% compared to the RM7.4 million recorded in 2013. Improved profit contributions from our operations in Labuan and Turkmenistan resulted in the higher profit.

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

	Revenue		Profit Before Taxation	
	4th Quarter ended 31/12/2014 RM'000	3rd Quarter ended 30/09/2014 RM'000	4th Quarter ended 31/12/2014 RM'000	3rd Quarter ended 30/09/2014 RM'000
<b>Business Segment:</b>				
Drilling Services	315,537	242,325	83,539	72,758
Oilfield Services	12,123	11,996	2,299	1,197
Others	-	-	(40)	1,891
<b>Total</b>	<b>327,660</b>	<b>254,321</b>	<b>85,798</b>	<b>75,846</b>

Revenue of RM327.7 million for the fourth quarter of 2014 was higher than the RM254.3 million registered in the third quarter of 2014 by RM73.4 million or 28.9%. The revenue increase was attributable to the following:

- additional revenue contributions by our new assets, UMW GAIT 6 and UMW NAGA 6 which commenced operations in August and October 2014, respectively;
- full quarter revenue contribution by UMW NAGA 5 in the fourth quarter of 2014 whereas in the third quarter of 2014, it underwent installation of additional equipment to meet the specification of the new contract; and
- translation gains from the appreciation of United States Dollar.

Consequently, the fourth quarter of 2014 recorded a higher profit before taxation of RM85.8 million, an increase of RM10.0 million or 13.2% compared to RM75.8 million registered in the third quarter of 2014.

## NOTE 16 – Current Prospect

### Drilling Services Segment

The recent decline in oil price is a normal cyclical phenomenon in the oil and gas industry. Based on historical experience, oil price usually recovers within a period of time. Oil and gas exploration and production companies normally undertake measures to minimise financial impacts when the industry is going through a slowdown. These include cost-reduction initiatives on both operating and capital expenditures and postponement or cancellation of economically challenging projects.

In view of the above, the Drilling Services segment is expected to face challenges in securing favourable day rates for its drilling rigs in 2015. Rig utilisation rates are also expected to be lower than the high levels seen in 2014. However, the cyclical nature of the oil and gas industry has been taken into account when the Company executes its expansion plans that include penetrating into new markets over wider geographical areas and adding a number of new clients. Besides fostering faster growth, this strategy also reduces dependency on a single market. The Company is presently bidding aggressively in these expanded markets and working closely with our enlarged clientele to enhance rig utilisation. This mitigation measure is expected to reduce the impact of the industry slowdown on the Company.

Nevertheless, revenue from our existing firm contracts and potential future contracts together with various cost-cutting initiatives and available reserves, are expected to enable the Company to sail through this challenging time.

### Oilfield Services Segment

Revenue and profit contributions from the Oilfield Services segment are projected to maintain at 2014 levels.

### Group

Profitability of the Group for the year 2015 is expected to be affected by the slowdown in the oil and gas industry. However, the impact will reduce progressively as oil price recovers.

## 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>4th Quarter ended 31/12/2014 RM'000</b>	<b>Financial Year ended 31/12/2014 RM'000</b>
Provision for current period	13,577	31,987
Under/(Over) provision in prior periods	336	762
	13,913	32,749
Deferred taxation	389	385
Total	14,302	33,134

The effective tax rates for the current quarter and financial year ended 31st December 2014 of 16.3% and 11.3%, 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 initial public offering (“IPO”) proceeds as at 16th Feb 2015 and proposed extension of time for the utilisation of proceeds

Purpose	Proposed utilisation	Actual utilisation to date	Deviation in amount & %	Explanation	Initial timeframe for utilisation	Timeframe for utilisation after extension
	RM'mil	RM'mil			month	month
Acquisition of rigs & HWU	986.6	419.4	Note		18	36
Upgrading of rigs & HWU	20.1	20.1	nil	n/a	18	n/a
Acquisition / upgrading of machineries for Oilfield Services	10.4	8.1	Note		18	30
Mobilisation and demobilisation costs for drilling rigs	50.0	33.5	Note		18	30
Repayment to UMW Holdings Berhad	597.4	597.4	nil	n/a	6	n/a
IPO / Listing expenses	48.5	41.0	RM7.5m * or 15.5%	Actual was lower than the budget	6	n/a
Total	1,713.0	1,119.5				

Note: Timeframe for utilisation has been extended.

\* The unutilised listing expenses of RM7.5 million will be used to meet mobilisation and demobilisation costs for drilling rigs.

The Board wishes to announce that the Company intends to extend the timeframe for the utilisation of its IPO proceeds by up to 18 months for those categories of expenditures that have yet to achieve full utilisation as at 16 February 2015, as shown in the table above.

The Board is of the opinion that the Proposed Extension of Time is in the best interest of the Company and its subsidiaries and will not have material adverse effect on the financial performance of the Group.

The Proposed Extension of Time is not subject to the approval of any regulatory authorities in Malaysia or the shareholders of the Company. In addition, none of the directors of the Company, substantial shareholders and persons connected to them, have any interest, direct or indirect, in the Proposed Extension of Time.

**NOTE 21 – Group Borrowings and Debt Securities**

	<b>RM'000</b>	<b>RM'000</b>	<b>USD'000</b>
(a) Short term borrowings			
- Unsecured			
Short term loans and revolving credits	1,075,236		307,100
Portion of long term loans payable within 12 months	168,590		48,196
	<hr/>	1,243,826	
- Secured			
Finance lease payable		57	
		<hr/>	<hr/>
		1,243,883	355,296
(b) Long term borrowings			
- Unsecured			
Long term loans	1,179,554		337,208
Portion of long term loans payable within 12 months	(168,590)		(48,196)
	<hr/>	1,010,964	
- Secured			
Finance lease payable		2	
		<hr/>	<hr/>
		1,010,966	289,012

**NOTE 22 – Material Litigation**

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

**NOTE 23 – Dividend**

No final dividend has been recommended for the quarter ended 31st December 2014.

**NOTE 24 – Earnings Per Share**

Basic earnings per share for the current quarter and financial year ended 31st December 2014 are calculated by dividing the net profit attributable to equity holders of the Company of RM71,257,000 and RM251,307,000, respectively by the weighted average number of ordinary shares in issue as at 31st December 2014 of 2,162,000,000 shares of RM0.50 each.

However, for the comparative corresponding quarter and financial year ended 31st December 2013, basic earnings per share were calculated by dividing net profit attributable to equity holders of the Company of RM51,461,000 and RM189,147,000, respectively by the number of ordinary shares in issue of 1,652,446,027 shares of RM0.50 each.

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

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

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

	<b>As at 30/09/2014 RM'000</b>	<b>As at 31/12/2014 RM'000</b>
Total retained profits of the Company and its subsidiaries:		
- Realised	540,678	726,559
- Unrealised	(3,324)	(5,678)
	537,354	720,881
Total share of retained profits from associated company:		
- Realised	2,184	1,747
- Unrealised	-	-
	539,538	722,628
Add / (Less): Consolidation adjustments	(76,337)	(209,790)
Total Group retained profits as per consolidated accounts	463,201	512,838

**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>4th Quarter ended 31/12/2014 RM'000</b>	<b>Financial Year ended 31/12/2014 RM'000</b>
(a) Interest income	7,412	22,472
(b) Other investment income	517	9,567
(c) Depreciation and amortisation	(42,502)	(132,610)
(d) Reversal of impairment / (impairment) losses of receivables	90	2,539
(e) (Provision for) / write back of inventories	-	(263)
(f) (Loss) / gain on disposal of quoted or unquoted investment	26	747
(g) (Loss) / gain on disposal of properties	-	-
(h) Reversal / (impairment) of assets / investments (net)	-	-
(i) Net foreign exchange gain / (loss)	1,179	2,798
(j) (Loss) / gain on derivatives (net)	(441)	(539)
(k) Property, plant and equipment written off	16	(104)

**By Order Of The Board**

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

Kuala Lumpur  
23rd February 2015