

UMW OIL & GAS CORPORATION BERHAD

# Quarterly Investor Updates 3Q2016



# MESSAGE FROM THE PRESIDENT

## Dear fund managers and analysts,

Group revenue of RM49.7 million for 3Q2016 was lower than the RM212.7 million reported in 3Q2015, by RM163 million or -77%. The Group registered a loss after tax of RM136 million for 3Q2016 as opposed to the RM2.3 million of profit after tax achieved in 3Q2015.

Most of our drilling rigs are idling in 3Q2016 while waiting for new potential contracts. This resulted in the reduction of the Group's revenue and higher loss in the third quarter.

The idling of the rigs are due to the generally lower levels of exploration, development and production activities in the oil and gas industry in 2016. Comparatively in 2015, the Group continued to receive income from existing unfinished contracts.

However, we are seeing an increased level of activities recently in Malaysia and Southeast Asia, resulting in a slightly improved demand in drilling rigs.



Amid current market, UMW NAGA 8 secured an eighteen months contract from Hess Exploration and Production B.V. in October 2016. Shortly after, in early November 2016, UMW NAGA 2 also secured another contract for three wells from Ophir Production SB. These new contracts added on to the new long term contract for UMW NAGA 6 awarded by PETRONAS Carigali in May 2016. Both UMW NAGA 6 and UMW NAGA 8 have since started work in Malaysian offshore locations. In addition to these, the Group is currently in various stages of tendering for a number of contracts both locally and overseas.

Higher asset utilisation is expected to contribute positively to the earnings of the Group. However, potential asset impairment loss is expected to adversely affect the 2016 financial performance of the Group.

With your continued support, we believe there are opportunities for recovery in the drilling business and we are working hard to secure contracts for as many rigs as possible.

**Rohaizad Darus**  
**President**  
**UMW Oil & Gas Corporation Berhad**

# UMW-OG PRETAX LOSS OF RM133 M IN 3Q2016

RM million	3Q16	2Q16	Change (%)
(Loss) Before Taxation	(133.0)	(64.0)	-108%

## EXECUTIVE SUMMARY

### **3Q16 Financial Highlights**

- Group revenue of RM49.7 million decreased by RM80.3 million or 61.8% compared to the previous quarter due to low asset utilisation.
- Consequently, the Group recorded a higher loss before tax of RM133.0 million compared to the RM64.0 million registered in the previous quarter.

### **3Q16 Operational Highlights**

- Most of the Group's assets were idle in third quarter of 2016, resulting in revenue reduction and higher loss.
- Asset utilisation has since improved with UMW NAGA 6 and UMW NAGA 8 commencing operations again in the fourth quarter of 2016. UMW NAGA 2 has also secured a contract that is expected to generate income in the first half of 2017

### **Prospects for 2016**

- The impending outcome of the OPEC's decision to cut oil production is critical for a sustained recovery.
- Despite global volatility, increase activities in domestic and regional fronts indicates sign of gradual recovery.
- Asset utilisation is expected to improve in the last quarter of 2016 with UMW NAGA 6 and UMW NAGA 8 commencing operation in early October and November, respectively.
- The Drilling Services segment also 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 30th September 2016.

# UMW OIL & GAS CORPORATION BERHAD

## Group Income Statement

	3Q16 RM'000	2Q16 RM'000	3Q15 RM'000	FY 2015 RM'000	FY 2014 RM'000	% change (Q-o-Q)
Revenue	49,653	130,010	212,697	839,877	1,014,903	-77%
Share of Profits of Associated Company	88	82	147	521	550	-40%
(Loss)/ Profit Before Taxation	(133,039)	(63,996)	11,454	(348,426)	284,156	> -100%
Net (Loss)/ Profit Attributable To Shareholders	(135,432)	(67,247)	218	(369,277)	251,996	> -100%

### Prospects for 2016 Drilling Services Segment

- The prospect of a sustained recovery for the oil and gas industry is highly dependent on the impending outcome of the OPEC's decision to cut oil production to ease supply glut that has weighed on prices for the last two years. In addition, uncertainties in global economy and geo-political environment following recent global events may impact the direction of the oil and gas industry.
- While there is volatility at global level, increase in activities in domestic and regional fronts does provide indication of a gradual recovery. The recent award of drilling contracts for UMW NAGA 8 and UMW NAGA 2 by Hess Exploration and Production B.V. and Ophir Production Sdn Bhd, respectively, in addition to the previously awarded long term contract for UMW NAGA 6 by Petronas Carigali Sdn Bhd, augurs well for our future prospects. The increase in the number of tenders being called by oil and gas companies in the region further illustrates a potential recovery in drilling activities both in Malaysia and Southeast Asia.
- UMW NAGA 6 mobilised to location end of September 2016 under a 2-year drilling contract and UMW NAGA 8 commenced operation in early November 2016 after securing a contract in October 2016 for a duration of eighteen (18) months with an option to extend for another year. As such, asset utilisation is expected to improve in the last quarter of 2016. The Group is currently in various stages of tendering a number of local and overseas contracts and is optimistic that asset utilisation will improve progressively over the next few quarters.

### Oilfield Services Segment

- While the Drilling Services segment is seeing an increase in contract awards and the number of tenders being called, the spill-over effect on Oilfield Services segment is slower as oil companies continue to clear up their inventories before placing new orders. As the recovery continues, more orders are expected under both existing and new contracts, especially for those secured in the previous quarter.

## BUSINESS SEGMENT – DRILLING SERVICES

### Segmental Reporting

	3Q16 RM'000	2Q16 RM'000	3Q15 RM'000	FY 2015 RM'000	FY 2014 RM'000	% change (Q-o-Q)
Revenue	46,304	125,008	203,737	802,363	968,619	-77%
(Loss)/ Profit Before Taxation	(125,299)	(47,994)	(18,954)	(385,329)	272,838	-561%

#### Results

- In the third quarter of 2016, the Drilling Services segment contributed revenue of RM46.3 million or 93.2% of the total revenue of RM49.7 million, a decrease of RM157.4 million or 77.3% over the RM203.7 million recorded in the same quarter of 2015. The fall in revenue was principally due to more assets were idling in the third quarter of 2016 as compared to the same quarter of 2015. Whilst demand for drilling rigs has improved slightly, the long lead time in translating capital and operating expenditures into drilling contracts has resulted in idling in between contracts in 2016.

#### Highlights

- Drilling Services segment incurred a higher loss of RM125.3 million in the third quarter of 2016 compared to the RM19.0 million of loss incurred in the same quarter of 2015.

#### Prospects for 2016

- The prospect of a sustained recovery for the oil and gas industry is highly dependent on the impending outcome of the OPEC's decision to cut oil production to ease supply glut that has weighed on prices for the last two years. In addition, uncertainties in global economy and geo-political environment following recent global events may impact the direction of the oil and gas industry.
- While there is volatility at global level, increase in activities in domestic and regional fronts does provide indication of a gradual recovery. The recent award of drilling contracts for UMW NAGA 8 and UMW NAGA 2 by Hess Exploration and Production B.V. and Ophir Production Sdn Bhd, respectively, in addition to the previously awarded long term contract for UMW NAGA 6 by Petronas Carigali Sdn Bhd, augurs well for our future prospects. The increase in the number of tenders being called by oil and gas companies in the region further illustrates a potential recovery in drilling activities both in Malaysia and Southeast Asia.
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## BUSINESS SEGMENT – OILFIELD SERVICES

### Segmental Reporting

	3Q16 RM'000	2Q16 RM'000	3Q15 RM'000	FY 2015 RM'000	FY 2014 RM'000	% change (Q-o-Q)
Revenue	3,349	5,002	8,960	37,412	46,284	-63%
(Loss)/ Profit Before Taxation	(2,549)	(10,111)	734	(5,030)	8,790	-447%

#### Results

- In the third quarter of 2016, the Oilfield Services segment contributed revenue of RM3.4 million or 6.8% of the total revenue of RM49.7 million. This represented a reduction of RM5.6 million or 62.2% over the RM9.0 million registered in the same quarter of 2015. Soft demand for oilfield services due to availability of existing new and used inventories resulted in the lower revenue.

#### Highlights

- Oilfield Services segment reported a loss before tax of RM2.5 million in the third quarter of 2016 compared to a profit of RM0.7 million recorded in the same quarter of 2015.

#### Prospects for 2016

- While the Drilling Services segment is seeing an increase in contract awards and the number of tenders being called, the spill-over effect on Oilfields Services segment is slower as oil companies continue to clear up their inventories before placing new orders. As the recovery continues, more orders are expected under both existing and new contracts, especially for those secured in the previous quarter.







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## Consolidated Statement of Financial Position

	At 30/9/2016 RM'000	At 30/6/2016 RM'000	At 31/12/2015 RM'000
<b>TOTAL ASSETS</b>	<b>7,022,130</b>	<b>6,965,993</b>	<b>7,646,983</b>
Property, Plant & Equipment	5,708,644	5,591,066	6,081,634
Deposits, Cash & Bank (with money market funds)	922,035	923,511	1,063,372
Receivables	168,142	230,852	286,027
Inventories	215,119	212,553	204,508
<b>TOTAL EQUITY</b>	<b>2,950,538</b>	<b>2,994,851</b>	<b>3,343,437</b>
Long Term Borrowings	2,176,870	2,108,507	1,746,965
Short Term Borrowings	1,346,565	1,319,673	2,257,330
<b>Net Assets Per Share (RM)</b>	<b>1.3609</b>	<b>1.3814</b>	<b>1.5416</b>

# OTHER KEY HIGHLIGHTS

## Recent Contract Awards

RIG	DATE	DURATION	CLIENT
 NAGA 6	May 2016	2 years + 1 year	
 NAGA 8	Sept 2016	18 months + 12 months	
 NAGA 2	Nov 2016	3 wells	

## QHSE

Total Recordable  
Case Frequency

**0.09**

YTD September  
2016

**0.61**

IADC Industry  
Standard

## UMW Drilling Academy (UDA) in 3Q2016

**7**

**trainings  
conducted**

**53**

**participants**



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



# THANK YOU



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