

UMW-OG PRETAX LOSS OF RM68.4M IN 1Q16

RM million	1Q16	4Q15 (restated)	Change (%)
(Loss) Before Taxation	(68,423)	(410,336)	83%

EXECUTIVE SUMMARY

1Q16 financial highlights

- Group revenue of RM87.7 million was lower by RM43.6 million compared to the previous quarter.
- The Group recorded a lower loss before tax of RM68.4 million compared to the RM410.3 million loss before tax registered in the previous quarter.
- More assets of the Group were not income-generating due to the lack of available wells and new drilling contracts.
- Net loss attributable to equity holders of the Company is RM65.1 million

1Q16 operational highlights

- The after-effect of significant cuts in capital and operating expenditures by oil majors due to low oil prices resulted in the low utilisation of some of the assets in the Group.
- Both our Drilling Services and Oilfield Services segments were adversely affected by the lower levels of exploration, development and production activities in the oil and gas industry.

Prospects for 2016

- The outlook for the oil price is expected to continue to be volatile in the near future.
- There are minor signs of recovery with increased tendering activities, however the present rig utilisation remains challenging as oil majors are taking a cautious approach with regards to their exploration and development programmes.
- With day rates which are expected to remain low in line with global market, and the lower rig utilisation, the business is expected to remain challenging in the near and medium term.

Dividend

- No dividend has been recommended for the quarter ended 31 March 2016.

Dear fund managers and analysts,
Group revenue of RM87.7 million for 1Q2016 was lower than the RM312.5 million reported in 1Q2015, by RM224.8 million or 71.9%. The Group registered an operating loss after tax of RM68.5 million for 1Q2016 as opposed to the RM32.7 million of profit after tax achieved in 1Q2015.

Low rig utilisation of some of the assets in the Group and weak demand for our oilfield services due to the low oil prices resulted in the drop in both revenue and resultant loss of the Group.

1Q2016 saw the Brent oil price dipped to US\$ 27.76 in January 2016, the lowest in the past near-13 years. Despite the collapse of a deal to freeze output to ease an oil glut which has depressed prices for nearly 2 years, the Brent has gradually gained momentum and has been hovering above US\$40 for the past one month. Some positive signs can be seen with gradual flow of surveys/tenders with us participating in 22 bids as at to date, more than doubled as compared to year end 2015. Though the oil price has seen some stability, we remain cautious and mindful as there is a lagging effect between the oil price and the commencement of drilling activities.

To address the challenges, we continue to aggressively market our rigs in the Southeast Asia and Middle East regions and new frontiers, where there are opportunities. Improving our rig utilisation remains priority with market competitive rates. We will continue with our cost rationalisation programmes which include vendor renegotiation, process improvements, manpower rationalisation amongst other cost optimisation initiatives.

Rohaizad Darus

President

UMW Oil & Gas Corporation Berhad

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Group Income Statement

	1Q16 RM'000	4Q15 RM'000 (restated)	1Q15 RM'000	FY 2015 RM'000 (audited)	FY 2014 RM'000 (audited)	% change (Q-o-Q)
Revenue	87,679	131,310	312,496	839,877	1,014,903	-72%
Share of Profits of Associated Companies	91	89	130	521	550	-30%
Profit Before Taxation	(68,423)	(410,336)	42,461	(348,426)	284,156	-261%
Net Profit Attributable To Shareholders	(65,076)	(406,101)	32,150	(369,277)	251,996	-302%

Prospects for 2016

Drilling Services Segment

- Despite gradual improvement recently, oil price is expected to continue to be volatile in the near future.
- Offshore drilling activities remain low but are showing minor signs of recovery with increased tendering activities.
- However, present rig utilisation remains challenging as oil and gas companies are taking a cautious approach with regards to their exploration and development programmes. As some of our existing contracts are expiring this year, we are expecting lower drilling and workover activities in the near future.
- While the day rates remain lower in line with global market, the reduction in utilisation is being cushioned with the support of Petronas and other regular clients.

Oilfield Services Segment

- The current state in the oil and gas industry has also affected the business of Oilfield Services segment as its activities are highly dependent on drilling activities.
- While the gradual improvement in the global market is providing prospect of recovery, the business is expected to remain challenging in the near and medium term.

BUSINESS SEGMENT – DRILLING SERVICES

Segmental Reporting

	1Q16 RM'000	4Q15 RM'000 (restated)	1Q15 RM'000	FY 2015 RM'000 (audited)	FY 2014 RM'000 (audited)	% change (Q-o-Q)
Revenue	81,260	124,779	300,045	802,363	968,619	-73%
Profit Before Taxation	(93,375)	(410,021)	38,562	(385,329)	272,838	-342%

- Results**
- In the first quarter of 2016, the Drilling Services segment contributed revenue of RM81.3 million or 92.7% of the total revenue of RM87.7 million, a decrease of RM218.7 million or 72.9% over the RM300.0 million recorded in the same quarter of 2015.
 - The drop in revenue was principally due to low utilisation of some of the assets in the Group during the first quarter of 2016, the after effect of significant cuts in capital and operating expenditures by oil majors due to low oil prices. However, the additional revenue contributions from two new jack-up rigs, UMW NAGA 8 and UMW NAGA 7, which commenced operations in September 2015 and November 2015, respectively, mitigated the revenue reduction.

- Highlights**
- Drilling Services segment incurred a loss of RM93.4 million in the first quarter of 2016 in contrast with the profit before tax of RM38.6 million achieved in the first quarter of 2015.

BUSINESS SEGMENT – OILFIELD SERVICES

Segmental Reporting

	1Q16 RM'000	4Q15 RM'000 (restated)	1Q15 RM'000	FY 2015 RM'000 (audited)	FY 2014 RM'000 (audited)	% change (Q-o-Q)
Revenue	6,419	6,429	12,451	37,412	46,284	-48%
Profit Before Taxation	(1,408)	(9,366)	2,663	(5,030)	8,790	-153%

Results

- In the first quarter of 2016, the Oilfield Services segment contributed revenue of RM6.4 million or 7.3% of the total revenue of RM87.7 million, a reduction of RM6.1 million or 48.8% over the RM12.5 million registered in the same quarter of 2015.
- Lower revenue recorded by the Group's operations in Labuan, Thailand, China and Turkmenistan resulted in the revenue decrease. Similarly, the business of Oilfield Services segment was also adversely affected by the cuts in operating and capital expenditures by oil majors.

Highlights

- Oilfield Services segment reported a loss before tax of RM1.4 million in the first quarter of 2016 compared to a profit of RM2.7 million recorded in the same quarter of 2015, a reduction of RM4.1 million.

UMW OIL & GAS CORPORATION BERHAD

Consolidated Statement of Financial Position

	At 31/03/2016 RM'000	At 31/12/2015 RM'000 (audited)
TOTAL ASSETS	6,896,684	7,646,983
Investment in Associates	2,164	2,073
Property, Plant & Equipment	5,524,267	6,081,634
Deposits, Cash with Mutual Funds & Banks	902,129	1,063,372
Inventories	204,992	204,508
TOTAL EQUITY	3,005,436	3,343,437
Long Term Borrowings	1,536,552	1,746,965
Short Term Borrowings (include ODs)	2,083,889	2,257,330
Net Assets Per Share (RM)	1.3871	1.5416

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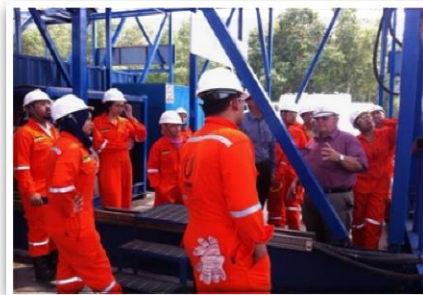
Key highlights for 1Q16

1 UMW Drilling Academy

- January – March 2016: Conducted course for PETRONAS with a total of 20 participants.



NO	COURSES TITLE	TOTAL PARTICIPANTS
1	Foundation of Drilling for Petroleum Engineering	20
TOTAL		20



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Key highlights for 1Q16

2 Corporate Social Responsibility

PINTAR programme for SMK Jeram
English Language Tuition Programme 2.0 kick off.

As a continuation from the 2015 initiative, UMW-OG extends its presence at its adopted school following the positive outcome of the previous edition and also feedback from the school itself.



Selected SPM candidates of SMK Jeram at the recent launch of the *English Language Tuition Programme 2.0*.

Rohaizad Darus, President, UMW-OG handing over an English dictionary to a representative from SMK Jeram to symbolically launch the 2nd edition of the programme.

Looking on are Salbiah Ibrahim, PK HEM, SMK Jeram (left) and Tuan Syed Rozhan Syed Hassan.



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Key highlights for 1Q16

3 Quality, Health, Safety & Environment

CANCER AWARENESS PROGRAMME



Think Safety
Act Safety



Nobody Gets Hurt
No Damage To The Environment



Total Recordable
Case Frequency

0.00	1.00
1Q2016	Industry average

GAIT 3 BARGE INSPECTION



1Q2016 Total Manhours

712,377

THANK YOU



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