

UMW ACHIEVES PRETAX PROFIT OF RM44.8 M IN 2Q16



RM million	2Q16	2Q15	YoY(%)
Profit Before Taxation	44.8	207.6	(78.4)

EXECUTIVE SUMMARY

2Q16 financial highlights

- The Group revenue decreased by 18.3% or RM638.5 million compared to the same quarter of last year.
- Profit before taxation of RM44.8 million is 78.4% lower compared to RM207.6 million recorded in the previous year's corresponding quarter.
- As a result, net loss attributable to equity holders of the company was RM12.1 million.
- Consolidated cash and deposits stood at RM1.9 billion.

2Q16 highlights

- UMW Toyota Motor launched the all-new generations of the Toyota Hilux and Toyota Fortuner on 5 May 2016. Hilux is Toyota's second top-selling model in Malaysia.
- UMW Toyota Motor announced that a second vehicle manufacturing plant will be built at Bukit Raja Industrial Estate in Klang and will start operation in early 2019.
- Despite the marginal reduction in revenue, the Equipment segment registered an increase of 28.7% in profit before taxation.
- 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.
- The fan case pre-production facility has been completed in June 2016 while main production building plan is on track for completion by end of December 2016.

Prospects for 2016

- The Group's combined automotive sales is forecasted to be 286,000 units.
- The Industrial Equipment segment is expected to sustain its performance but margin will be under pressure from competition in the market.
- The current gradual improvement in the oil prices provides prospect for potential recovery in the medium to long term. However, the near term volatility will continue to pose challenges to the segment in 2016.
- The slowdown in the automotive industry in 2016 is expected to affect the demand for auto-components business segment. Domestic REM market is expected to be stable in the following quarters with marginal growth.

Dividend

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

Dear fund managers and analysts,

The Group recorded revenue and profit before taxation of RM2,846.8 million and RM44.8 million in 2Q16 respectively, 18.3% and 78.4% lower than the previous corresponding quarter's results.

The Automotive segment recorded revenue of RM2,177.1 million for 2Q16, 20.3% lower compared to 2Q15. Subsequently, profit before taxation dropped by 49.4% to RM133.3 million. However, the segment registered much better results compared to 1Q16.

The Equipment segment's revenue of RM351.2 million for 2Q16 was marginally lower than RM353.6 million recorded in 2Q15. Nevertheless, the profit before taxation improved through better cost management.

The Oil & Gas segment recorded revenue and loss before taxation of RM130.0 million and RM64.0 million, respectively. Weak demand due to low oil prices had caused both the Drilling Services and Oilfield Services segments to incur losses.

The Manufacturing & Engineering segment recorded a revenue of RM157.0 million in the current quarter, with its profit before taxation showing an increase to RM10.9 million.

Badrul Feisal Bin Abdul Rahim
President & Group CEO
UMW Holdings Berhad

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Group Income Statement

	2Q16 RM'000	2Q15 RM'000	1Q16 RM'000	FY 2015 RM'000 (Audited)	FY 2014 RM'000 (Audited)	% change (YoY)
Revenue	2,846,806	3,485,294	2,199,164	14,441,583	14,932,490	(18.3)
Share of Profits of Associated Companies	26,528	29,544	22,069	134,438	139,648	(10.2)
Profit Before Taxation	44,809	207,624	21,072	269,652	1,621,460	(78.4)
Net Profit Attributable To Shareholders	(12,127)	68,438	16,580	(37,171)	651,970	>(100)

Prospects for 2016

Automotive Segment

- UMW Group's combined total sales is forecasted to be 286,000 units for 2016.
- The industry is expected to be challenging with the introduction of new models and aggressive marketing strategy to boost sales by all players in the market. Stringent lending guidelines by financial institutions has also affected sales.
- Softening consumer sentiment continues to affect demand. The Malaysian Automotive Association expects the total industry volume to decrease by 13% to 580,000 units in 2016.
- The persistent weakening of ringgit against major currencies will continue to contribute to the higher cost.

Equipment Segment

- Business communities generally are scaling down capital expenditure and very cautious in operating expenditure in the current low commodity prices.
- Operations in Myanmar would be affected by the restriction imposed on heavy equipment importation by the newly-elected government in Myanmar.
- Operations in Vietnam is expected to do reasonably well.
- Industrial Equipment will continue to focus on expanding the equipment rental business.

Oil & Gas Segment

- The oil prices are expected to remain low and continue to be volatile in the near future. This poses uncertainties to the Oil & Gas segment in 2016. However, any recovery in the oil price will positively affect and improve the segment's performance.

Manufacturing & Engineering Segment

- Slower growth in the automotive industry in 2016 will continue to affect the demand for lubricants and auto components.
- The segment will continue to focus more on products with higher profit margin through intensive trade, consumer promotions and brand awareness activities.

BUSINESS SEGMENT – AUTOMOTIVE

	2Q16 RM'000	2Q15 RM'000	1Q16 RM'000	FY 2015 RM'000	FY 2014 RM'000	% change (YoY)
Revenue	2,177,135	2,732,671	1,555,985	10,721,917	10,766,009	(20.3)
Profit Before Taxation	133,290	263,370	82,733	860,938	1,475,266	(49.4)

Company	UMW Toyota Motor Sdn. Bhd. (51% subsidiary company)	Perusahaan Otomobil Kedua Sdn. Bhd. (38% associated company)
Vehicle sales	<ul style="list-style-type: none"> Toyota sold 17,033 units in 2Q16 compared with 22,555 units in 2Q15 (-24.5%) and 10,216 units in 1Q16 (+66.7%). For 2Q16, Lexus sold 359 units compared with 532 units in 2Q15 (-32.5%) and 272 units in 1Q16 (+32.0%). The higher sales was due to the new model launches in 2Q16. 	<ul style="list-style-type: none"> Perodua registered sales of 50,189 units for 2Q16 compared to 51,349 units in 2Q15 (-2.26%) and 47,181 units in 1Q16 (+6.38%).
Market share of TIV	<ul style="list-style-type: none"> Market share for Toyota including Lexus for 1H16 was at 10.1%. The total industry volume for 1H16 is down by 14.5% year-on-year. 	<ul style="list-style-type: none"> Market share for Perodua for 1H16 was at 35.3%. Maintained the No. 1 position since 2006.
2Q16 Highlights	<ul style="list-style-type: none"> UMW Toyota Motor has launched the all-new generations of the Toyota Hilux and Toyota Fortuner on 5 May 2016. UMW Toyota Motor has announced on 25 May 2016 that a second vehicle manufacturing plant will be built in Malaysia and will start operations in early 2019. The new plant will be located at the Bukit Raja Industrial Estate in Klang, Selangor with land size of approximately 670,000 square metres. The all-new premium MPVs, Toyota Alphard and Toyota Vellfire were launched on 4 August 2016. The Alphard comes in two variants - Alphard 3.5 (from RM419,900) and Alphard 3.5 Executive Lounge (from RM519,900). Toyota Vellfire 2.5 is priced from RM355,000. All-new compact MPV, Toyota Sienta was launched on 18 August 2016. It comes in two variants 1.5G AT and 1.5V AT, priced at RM92,900 and RM99,900 respectively. 	<ul style="list-style-type: none"> In an effort to further improve its export portfolio, Perodua is exporting a total of 310 units of its Myvi 1.5SE and Alza 1.5SE models to Brunei this year. Perodua Axia was awarded the Value-for-Money Car of the Year Award (1.3L and below) and received the Car of the Year Award on 14 April 2016. On 1 June 2016, Perodua Sales Sdn. Bhd. inked a RM355 million deal with Petronas Lubricants Marketing (M) Sdn Bhd for the latter to supply 17 million litres of engine oil to Perodua, an increase of 21% over the previous contract, for a period of five years.
Prospects for 2016	<ul style="list-style-type: none"> Sales forecast for Toyota including Lexus for 2016 is 70,000 units. 	<ul style="list-style-type: none"> Sales forecast for Perodua is 216,000 units.

BUSINESS SEGMENT – EQUIPMENT

	2Q16 RM'000	2Q15 RM'000	1Q16 RM'000	FY 2015 RM'000	FY 2014 RM'000	% change (YoY)
Revenue	351,151	353,644	357,967	1,882,591	1,767,166	(0.7)
Profit Before Taxation	43,341	33,681	39,245	226,451	218,231	28.7

Heavy Equipment	Industrial Equipment	Marine & Power Equipment
<p>Highlights – (Komatsu products covering Malaysia, Singapore, PNG and Myanmar)</p> <ul style="list-style-type: none"> The continued weak market sentiments in the construction, mining and logging sectors attributed to the equipment and parts sales for the Malaysian operations. The slowdown in economy due to weak global demand and pricing for commodities coupled by lack of funding from central government, contributed to the low and unfavourable performance of PNG operation. The restriction imposed on heavy equipment importation by the newly-elected government in Myanmar affected the operations. 	<p>Market share</p> <ul style="list-style-type: none"> Toyota forklift maintained its market leadership position in Malaysia's material handling equipment business. <p>Highlights</p> <ul style="list-style-type: none"> Delivered 40 units of Toyota forklift under renewal rental contracts with Continental Tyre Group. Delivered 22 units of Toyota forklift under new rental contracts with Malaysian Sheet Glass Sdn. Bhd. Delivered 9 units of Toyota forklift to Xinyi Sdn. Bhd. 	<p>Highlights</p> <ul style="list-style-type: none"> Secured a contract to supply and deliver an air compressor and dryer package to OceanMight Sdn. Bhd. for Kinabalu offshore development project.

Prospects for 2016 -

- The business operations in Myanmar will be affected by the uncertainties concerning the policies of the new government that may cloud the jade mining activities in the country.
- The segment remains committed to managing cost and drive greater efficiency in operations to improve operating margins and capitalise on market opportunities.
- Industrial equipment is expected to sustain its performance but margin will be under pressure from competition in the market.
- The market for oil and gas upstream and marine engines are expected to remain low. After-market repairs and maintenance are expected to be stable.

BUSINESS SEGMENT – OIL & GAS

	2Q16 RM'000	2Q15 RM'000	1Q16 RM'000	FY 2015 RM'000	FY 2014 RM'000	% change (YoY)
Revenue	130,010	183,374	87,679	839,877	1,014,903	(29.1)
Profit Before Taxation	(63,996)	7,995	(68,423)	(348,426)	284,156	>(100)

- Results**
- Revenue of RM130.0 million for 2Q16 was lower than the RM183.4 million registered in the same quarter of 2015 by RM53.4 million or 29.1%. However, revenue increased by 48.3% compared to 1Q16.
 - Registered a loss before tax of RM64.0 million in the second quarter of 2016 against the RM8.0 million of profit before tax achieved in the same quarter of 2015. However, the losses have narrowed compared to 1Q16.
 - The continued weak demand due to low oil prices had caused both the Drilling Services and Oilfield Services segments to incur losses.
- Highlights**
- In 2Q16, 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.
 - 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 contributed revenue of RM5.0 million in 2Q16. 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.
- Prospects for 2016**
- The increase in tendering activities for drilling services indicates potential upturn in the medium term though these tenders may take months to translate into rig utilisation. The charter rates will continue to be under pressure from the oversupply of offshore rigs in the market. The segment is in various stages of tendering for both local and overseas contracts.
 - Oilfield Services segment is seeing a slight increase in tender activities with the segment's outfits in Labuan, Turkmenistan and Tianjin securing services contracts. However, revenue contributions from these contracts for the remaining period of 2016 are dependent upon the level of services required by these customers.

BUSINESS SEGMENT – MANUFACTURING & ENGINEERING

	2Q16 RM'000	2Q15 RM'000	1Q16 RM'000	FY 2015 RM'000	FY 2014 RM'000	% change (YoY)
Revenue	156,967	165,400	145,445	707,491	725,078	(5.1)
Profit Before Taxation	10,908	400	6,591	16,816	14,786	>100

Results

- The segment recorded 5.1% lower revenue in 2Q16 compared to the same period last year. However, the revenue increased by 7.9% compared to the first quarter of 2016.
- Despite the lower revenue, profit before taxation increased from RM0.4 million to RM10.9 million in the second quarter. The better performance of the segment was attributed to the successful disposal of the loss-making automotive components manufacturing companies in India in November 2015.

General Performance

- Sales in the auto-components business segment continue to be lower due to lower production volume at OEM and the delay in the start of production of their new models.
- Lubricants market segment displays a tight control on expenses by customers.
- For China operation, the export and manufacturing market are highly affected by the slowdown in domestic economy and the plummeting of 2016 GDP from 7% to 6.5%. Overall market continues to be competitive with dealers expecting lower prices from current oil prices.
- Machines for fan case manufacturing project started to arrive in May and June 2016. Currently, these machines are under installation process at the pre-production facility in Serendah.

Prospects for 2016

- Local demand for automotive component products will continue to be affected by the slowdown in the automotive industry. However, the exports of 4-wheeler products to the European market will help to mitigate this negative impact.
- Lubricant business will continue to be competitive especially with tight controls on spending by customers.
- Aerospace pre-production facility has been completed in June 2016 while main production building plan is on track for completion by the end of December 2016.

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Consolidated Balance Sheet

	At 30/06/2016 RM'000	At 31/03/2016 RM'000	Audited 31/12/2014 RM'000
Investment In Associates	1,911,422	1,944,170	1,797,456
Property, Plant & Equipment	8,020,523	7,899,111	5,669,692
Deposits, Cash & Bank Balances	1,926,874	1,999,373	3,370,710
Inventories	2,336,419	2,134,266	1,830,408
TOTAL ASSETS	16,637,743	16,698,998	16,519,674
Long Term Borrowings	3,063,037	2,479,670	1,803,038
Short Term Borrowings (include ODs)	2,267,493	3,008,263	2,386,737
TOTAL EQUITY	9,037,217	9,014,785	9,433,057
Net Assets Per Share (RM)	5.46	5.43	5.63



THANK YOU



Pn. Roza Shahnaz Omar
Director
Group Strategy
Email: roza@umw.com.my



S. Vikneshwaran
Head,
Investor, Media Relations & Sustainability
Email: vikneshwaran.s@umw.com.my
Telephone: +603 5163 5000

Corporate Portal www.umw.com.my

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