

## UMW RECORDED RM121.6M LOSS IN 3Q16



RM million	3Q16	3Q15	YoY(%)
Profit Before Taxation	(121.6)	72.2	>(100)

### EXECUTIVE SUMMARY

#### 3Q16 financial highlights

- The Group revenue decreased by 19.1% or RM676.4 million compared to the same quarter of last year. All business segments reported lower revenue.
- Consequently, the Group reported a loss before taxation of RM121.6 million against a profit of RM72.2 million in the previous year's corresponding quarter.
- As a result, net loss attributable to equity holders of the company was RM128.8 million.
- Consolidated cash and deposits stood at RM2.1 billion.

#### 3Q16 highlights

- UMW Toyota Motor launched the All-New Toyota Alphard and the All-New Toyota Vellfire on 4 August 2016 and All-New Toyota Sienta, the first passenger car-based 7-seater model on 18 August 2016.
- Perodua's first sedan, Perodua Bezza, was launched on 21 July 2016. This helped to increase Perodua sales by 6.6% quarter-on-quarter.
- Equipment sales was affected by the slowdown in the mining sector and stiff competition in the construction sector.
- Despite recording a lower revenue, the Manufacturing & Engineering segment registered improved profit.

#### Prospects for 2016

- The Group's combined automotive sales is forecasted to be 286,000 units. The weakening ringgit will add pressure to the profit margin of the segment.
- Demand for heavy equipment is expected to remain subdued in view of low activity levels in the mining and logging sectors. However, recent announcement of several infrastructure projects may provide demand opportunities for new heavy equipment.
- The Oil & Gas segment 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.
- For Manufacturing & Engineering, the segment is expected to contribute positively to the Group in the last quarter of the year.

#### Dividend

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

Dear fund managers and analysts,

The Group recorded revenue of RM2,856.8 million, 19.1% lower compared to the same period of 2015 and reported a loss before taxation of RM121.6 million against a profit of RM72.2 million in the same quarter last year.

The Automotive segment recorded a lower revenue of RM2,263.4 million for 3Q16, 12.8% lower compared to 3Q15. Nevertheless, profit before taxation improved by 17.7% to RM133.5 million due to the higher sales of Perodua Bezza.

The Equipment segment's revenue of RM342.8 million for 3Q16 was marginally lower than RM474.8 million recorded in 3Q15. In tandem with the lower revenue, profit before taxation decreased from RM64.4 million recorded in 3Q15 to RM33.6 million in the current quarter.

The Manufacturing & Engineering segment recorded a revenue of RM144.6 million in the current quarter, with its profit before taxation improved to RM2.5 million, mainly attributable to the better performance of shock absorber business.

The Oil & Gas (Listed) segment registered a revenue of RM49.7 million, a reduction of 76.7% from the quarter of 2015, mainly due to fewer income-generating assets and pressure on charter rates. The segment reported a loss before taxation of RM133.0 million.

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

# UMW HOLDINGS BERHAD

## Group Income Statement

	3Q16 RM'000	3Q15 RM'000	2Q16 RM'000	9 Months ended 30/9/2016 RM'000	FY 2015 RM'000 (Audited)	% change (YoY)
Revenue	<b>2,856,787</b>	3,533,179	2,846,806	7,902,757	14,441,583	(19.1)
Share of Profits of Associated Companies	<b>40,847</b>	(323)	26,528	89,444	134,438	>100
Profit Before Taxation	<b>(121,624)</b>	72,239	44,809	(55,743)	269,652	>(100)
Net Profit Attributable To Shareholders	<b>(128,828)</b>	13,523	(12,127)	(124,375)	(37,171)	>(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 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

	<b>3Q16 RM'000</b>	3Q15 RM'000	2Q16 RM'000	9 Months ended 30/9/2016 RM'000	FY 2015 RM'000	% change (YoY)
Revenue	<b>2,263,372</b>	2,596,144	2,177,135	5,996,492	10,721,917	(12.8)
Profit Before Taxation	<b>133,474</b>	113,393	133,290	349,497	860,938	17.7

Company	UMW Toyota Motor Sdn. Bhd. (51% subsidiary company)	Perusahaan Otomobil Kedua Sdn. Bhd. (38% associated company)
<b>Vehicle sales</b>	<ul style="list-style-type: none"> <li>Toyota sold 17,271 units in 3Q16 compared with 23,301 units in 3Q15 (-25.9%) and 17,033 units in 2Q16 (+1.4%).</li> <li>For 3Q16, Lexus sold 334 units compared with 472 units in 3Q15 (-29.2%) and 359 units in 2Q16 (-7.0%).</li> <li>The marginally higher sales in 3Q16 compared with 2Q16 was due to the launch of three new models, namely, Toyota Alphard, Toyota Vellfire and Toyota Sienta.</li> </ul>	<ul style="list-style-type: none"> <li>Perodua registered sales of 53,519 units for 3Q16 compared to 49,025 units in 3Q15 (+9.2%) and 50,189 units in 2Q16 (+6.6%).</li> </ul>
<b>Market share of TIV</b>	<ul style="list-style-type: none"> <li>Market share for Toyota including Lexus for 3Q16 was at 12.3%.</li> <li>The total industry volume for 9M16 is down by 13.8% year-on-year.</li> </ul>	<ul style="list-style-type: none"> <li>Market share for Perodua for 3Q16 was at 37.5%</li> <li>Maintained the No. 1 position since 2006.</li> </ul>
<b>3Q16 Highlights</b>	<ul style="list-style-type: none"> <li>UMW Toyota Motor opened another full-fledged Toyota 3S dealership in Selangor, operated by Target Orion Corporation Sdn. Bhd.</li> <li>UMW Toyota Motor launched the All-New Toyota Alphard and the All-New Toyota Vellfire on the 4 August 2016.</li> <li>On 18 August 2016, UMW Toyota Motor launched the All-New Toyota Sienta, the first passenger car-based 7-seater model.</li> </ul>	<ul style="list-style-type: none"> <li>The Perodua Bezza was officially launched on 21 July 2016 and received 4,028 bookings by launch day with prices ranging from RM37k to RM50.8k.</li> </ul>
<b>Prospects for 2016</b>	<ul style="list-style-type: none"> <li>Sales forecast for Toyota including Lexus for 2016 is 70,000 units.</li> </ul>	<ul style="list-style-type: none"> <li>Sales forecast for Perodua is 216,000 units.</li> </ul>

# BUSINESS SEGMENT – EQUIPMENT

	3Q16 RM'000	3Q15 RM'000	2Q16 RM'000	9 Months ended 30/9/2016 RM'000	FY 2015 RM'000	% change (YoY)
Revenue	342,849	474,782	351,151	1,051,967	1,882,591	(27.8)
Profit Before Taxation	33,551	64,382	43,341	116,137	226,451	(47.9)

Heavy Equipment	Industrial Equipment	Marine & Power Equipment
<p><b>Highlights – (Komatsu products covering Malaysia, Singapore, PNG and Myanmar)</b></p> <ul style="list-style-type: none"> <li>Decline in equipment sales resulted from the slowdown in the construction and mining sectors.</li> <li>Subdued global demand for natural resources affected demand for equipment.</li> <li>Weighed down by the continued restriction imposed on the importation of heavy equipment into the country by the government of Myanmar.</li> </ul>	<p><b>Market share</b></p> <ul style="list-style-type: none"> <li>Toyota forklift maintained its market leadership position in Malaysia's material handling equipment business.</li> </ul> <p><b>Highlights</b></p> <ul style="list-style-type: none"> <li>Delivered 18 units of Toyota forklift to Genting Malaysia Bhd.</li> <li>Delivered 15 units of Toyota forklift to Press Metal Group.</li> <li>Delivered 13 units of Toyota forklift to NSK Group.</li> <li>Delivered 12 units of Toyota forklift to TS Forklift Sdn. Bhd.</li> <li>Delivered 12 units of Toyota forklift to Syarikat Logistik Petikemas Sdn. Bhd.</li> <li>Delivered 12 units of Toyota forklift to LJ Machinery Sdn. Bhd.</li> </ul>	<p><b>Highlights</b></p> <ul style="list-style-type: none"> <li>Appointed as exclusive strategic partner by Coltraco Ultrasonics Ltd. of UK for fire safety market in Malaysia.</li> </ul>
<p><b>Prospects for 2016 -</b></p> <ul style="list-style-type: none"> <li>The business operations in Myanmar will continue to be affected by the restriction imposed on the importation of heavy equipment into the country by the government of Myanmar.</li> <li>The segment remains committed to managing cost and drive greater efficiency in operations to improve operating margins and capitalise on market opportunities.</li> <li>Industrial equipment is expected to sustain its performance amidst the challenging economic concerns. The company remains committed to managing cost base and drive greater efficiency in operations to improve operating margins.</li> <li>The market for oil and gas upstream and marine engines are expected to remain slow. After-market repairs and maintenance are expected to be stable.</li> </ul>		

## BUSINESS SEGMENT – MANUFACTURING & ENGINEERING

	3Q16 RM'000	3Q15 RM'000	2Q16 RM'000	9 Months ended 30/9/2016 RM'000	FY 2015 RM'000	% change (YoY)
Revenue	144,574	183,807	156,967	446,986	707,491	(21.3)
Profit Before Taxation	2,458	752	10,908	19,956	16,816	>(100)

<b>Results</b>	<ul style="list-style-type: none"> <li>The segment recorded 21% lower revenue in 3Q16 compared to the same period last year. However, profit before taxation increased from RM0.75 million to RM2.46 million during the same period, an increase of 227%.</li> <li>The improved result was mainly attributable to the better performance of shock absorber business.</li> </ul>
<b>General Performance</b>	<ul style="list-style-type: none"> <li>Sales in the auto-components business segment continues to be lesser due to lower production volume at OEMs and the delay in the start of production of their new models.</li> <li>Lubricants market segment displays a tight control on expenses by customers.</li> <li>For China operation, the export and manufacturing market are highly affected by the slowdown in domestic economy. Overall market continues to be competitive with dealers expecting lower prices from current oil prices.</li> <li>Machines and equipment for fan case manufacturing project in the pre-production facilities in Serendah have been installed.</li> </ul>
<b>Prospects for 2016</b>	<ul style="list-style-type: none"> <li>The reduced consumer spending will continue to impact the performance of the Manufacturing &amp; Engineering segment. However, the impact is expected to be cushioned by increase exports of shock absorbers to the European market and the increase of sales in the Original Equipment Market.</li> <li>Lubricant business remains challenging with the prudent spending by customers and price competition from other brands.</li> <li>The segment's venture in the aerospace business with Rolls-Royce is progressing as per schedule and expected to commence production in 2017.</li> <li>Overall, the segment is expected to contribute positively to the Group in 2016.</li> </ul>

## BUSINESS SEGMENT – OIL & GAS (LISTED)

	3Q16 RM'000	3Q15 RM'000	2Q16 RM'000	9 Months ended 30/9/2016 RM'000	FY 2015 RM'000	% change (YoY)
Revenue	49,653	212,697	130,010	267,342	839,877	(76.7)
Profit Before Taxation	(133,039)	11,454	(63,996)	(265,458)	(348,426)	>(100)

<b>Results</b>	<ul style="list-style-type: none"> <li>The company recorded low revenue in 3Q16 due to low asset utilisation. Revenue at RM49.7 million underperformed the RM212.7 million registered in the same quarter of 2015 by RM163.0 million or 76.6% as most of the company's assets were idled in the third quarter of 2016. Two of the company's seven jack-up rigs have since commenced operation again in the fourth quarter of 2016.</li> <li>Consequently, the company posted a loss before tax of RM133.0 million in the third quarter of 2016 against the RM11.5 million of profit before tax achieved in the same quarter of 2015.</li> </ul>
<b>Highlights</b>	<ul style="list-style-type: none"> <li>In 3Q16, 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.</li> <li>As a result, the 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.</li> <li>UMW NAGA 2 received a contract from Ophir Production Sdn. Bhd. on 10 November 2016. The Contract is to drill three firm wells for a minimum duration of fifty days, commencing in second quarter of 2017.</li> <li>In 3Q16, 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.</li> <li>Thus, the 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.</li> </ul>
<b>Prospects for 2016</b>	<ul style="list-style-type: none"> <li>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.</li> <li>For the final quarter of 2016, higher asset utilisation is expected to contribute positively to the earnings of the Group, however asset impairment loss is expected to adversely affect the 2016 financial performance of the company.</li> </ul>

## BUSINESS SEGMENT – OIL & GAS (UNLISTED)

	3Q16 RM'000	3Q15 RM'000	2Q16 RM'000	9 Months ended 30/9/2016 RM'000	% change (YoY)
Revenue	58,419	69,955	42,256	154,226	(16.5)
Profit Before Taxation	(36,137)	(65,171)	(45,272)	(116,964)	44.6

<b>Remarks</b>	<ul style="list-style-type: none"> <li>This segment is the result of the segregation of our oil &amp; gas assets prior to the IPO in 2013. The Oil &amp; Gas (Unlisted) segment consists of Oil Country Tubular Goods (OCTG) and pipe manufacturing assets in China, India and Indonesia; land rig assets in Oman and India, oilfield services business and international pipe trading companies.</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>The Oil &amp; Gas (Unlisted) segment registered a lower revenue of RM58.4 million in the current quarter, a drop of RM11.6 million compared to the RM70 million in the same quarter of 2015. The adverse performance of the segment was mainly due to the impact of continued low oil prices.</li> <li>Nevertheless, lower loss of RM36.1 million was reported compared to RM65.1 million in the same quarter of 2015, mainly attributable to lower operating costs from the onshore drilling operations in Oman.</li> </ul>
<b>Prospects for 2016</b>	<ul style="list-style-type: none"> <li>The current downturn of oil and gas industry globally and locally will further dampen the Group's initiatives to continue nurturing this non-core segment. Most of the overseas business operations will be further pressured by the uncertainties in the operating environment of the respective home countries.</li> <li>With the continued weak oil prices and uncertainties in the global economy, the prospect of new contracts for this segment remains uncertain. As such, this may lead to increase pressure to impair the under-utilised assets in the last quarter of the year.</li> </ul>

# UMW HOLDINGS BERHAD

## Consolidated Balance Sheet

	At 30/09/2016 RM'000	At 30/06/2016 RM'000	Audited 31/12/2015 RM'000
Investment In Associates	1,928,622	1,911,422	1,923,150
Property, Plant & Equipment	8,174,175	8,020,523	8,102,786
Deposits, Cash & Bank Balances	2,116,516	1,926,874	2,734,143
Inventories	2,204,682	2,336,419	1,889,963
<b>TOTAL ASSETS</b>	<b>16,333,893</b>	<b>16,637,743</b>	<b>18,225,301</b>
Long Term Borrowings	2,917,898	3,063,037	2,289,762
Short Term Borrowings (include ODs)	2,436,560	2,267,493	3,724,990
<b>TOTAL EQUITY</b>	<b>8,893,363</b>	<b>9,037,217</b>	<b>9,383,871</b>
Net Assets Per Share (RM)	5.35	5.46	5.64





# THANK YOU



Pn. Roza Shahnaz Omar  
Director, Group Strategy



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

Corporate Portal [www.umw.com.my](http://www.umw.com.my)

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