

UMW ACHIEVES PRETAX PROFIT OF RM207.6 M IN 2Q15



RM million	2Q15	2Q14	YoY
Profit Before Taxation	207.6	422.1	(50.8)%

EXECUTIVE SUMMARY

2Q15 financial highlights

- The Group revenue decreased by 12.1% or RM481.5 million compared to the same quarter last year.
- Consequently, the Group generated a lower profit before taxation of RM207.6 million against RM422.1 million in the previous year corresponding quarter.
- Net profit attributable to equity holders of the company was RM68.4 million.
- Consolidated cash and deposits stood at RM2.9 billion.

2Q15 highlights

- The locally-assembled new Toyota Camry (2.0E and 2.0G) and Camry Hybrid 2.5 were launched on 2 April 2015.
- The Toyota Vios won the coveted Car of the Year title at the 2015 Frost and Sullivan Malaysia Excellence Awards.
- Perodua increased its market share to 33.7% for the first half of 2015.
- Toyota forklift maintained its market leadership position in Malaysia's material handling equipment business.
- UMW Oil & Gas' overseas operations contributed approximately 51% to its revenue.
- The Manufacturing & Engineering Division was impacted by low demand for automotive components.

Prospects for 2015

- The automotive industry will continue to be tough with intense competition and stringent bank lending guidelines.
- Equipment Division's challenging outlook will persist if commodity prices continue to be at the current low level.
- UMW Oil & Gas' financial performance is expected to be adversely affected by the current low oil prices. Time charter rates remain under pressure and rigs utilisation is expected to decline further.
- The Manufacturing & Engineering segment's outlook remains uncertain and challenging.

Dividend

- The Board has declared an interim single-tier dividend of 20% or 10 sen (2014 - 20% or 10 sen) per share of RM0.50 each amounting to a net dividend payable of approximately RM116.8 million (2014 – RM116.8 million) for the year ending 31 December 2015, to be paid on 8 October 2015.

Dear fund managers and analysts,

In 2Q15, the Group's revenue decreased by 12.1% compared to 2Q14. All business segments recorded lower revenue. In line with the lower revenue, the Group generated a lower profit before taxation of RM207.6 million compared to RM422.1 million in 2Q14.

The Automotive Division's revenue and PBT decreased by 5.9% and 35.5% respectively, due to the intense competition and a slowdown in the automotive industry (-3.3% year-on-year).

Equipment Division registered 22.1% lower revenue due to the slower construction and mining sectors. Hence, PBT declined by 38.9%.

The Oil & Gas Division's revenue decreased by 23.2% due to lower time charter rates and lower utilisation of some of our assets. Lower revenue and additional operating expenses led to a lower PBT of only RM8 million compared to RM66.2 million.

Manufacturing & Engineering Division recorded 12.4% lower revenue and a significantly lower PBT due to low demand and higher losses incurred by the Indian operations.

We foresee the outlook for the rest of the financial year to be challenging. Nevertheless, we will work towards implementing measures to improve operational efficiencies and contain cost.

Datuk Syed Hisham bin Syed Wazir
President & Group CEO
UMW Holdings Berhad

UMW HOLDINGS BERHAD

Group Income Statement

	2Q15 RM'000	2Q14 RM'000	1Q15 RM'000	FY 2014 RM'000 (Audited)	FY 2013 RM'000 (Audited)	% change (YoY)
Revenue	3,485,294	3,966,828	3,240,373	14,932,490	13,951,460	(12.1)
Share of Profits of Associated Companies	29,544	23,847	33,429	139,648	157,537	23.9
Profit Before Taxation	207,624	422,055	320,017	1,621,460	1,435,673	(50.8)
Net Profit Attributable To Shareholders	68,438	141,960	165,154	651,970	652,926	(51.8)

Prospects for 2015

Automotive Division

- UMW Group's combined total sales is forecasted to be about 298,000 units for 2015.
- The industry is expected to be challenging with new model launches and aggressive promotions from major competitors in the market.

Equipment Division

- Malaysian operations is expected to be impacted by the weak commodity prices. However, the construction sector is expected to improve with the activities announced under the 11th Malaysia Plan.
- The continued weak commodity prices is expected to impact our operations in Papua New Guinea. However, the active construction sector spurred by government spending, augurs well for our operations there.
- With the strong GDP growth forecasted at 7.8% for Myanmar and with resumption of jade mining activities, Myanmar operations is expected to perform positively.
- The strong demand for industrial equipment in Malaysia, Singapore and Vietnam is expected to contribute positively.
- The focus will be on expanding the equipment leasing business.

Oil & Gas Division

- The outlook for the industry remains challenging with the severe drop in the oil prices. Major oil companies are re-evaluating their spending and considering reduction in capital expenditure to cushion the impact of the low oil prices.
- This may result in lower charter and utilisation rates for our offshore drilling rigs.

Manufacturing & Engineering Division

- The Malaysian lubricants and auto components markets are expected to remain competitive.
- China operations is expected to improve its performance through better sales of lubricants and enhance its market share.

BUSINESS DIVISION – AUTOMOTIVE

	2Q15 RM'000	2Q14 RM'000	1Q15 RM'000	FY 2014 RM'000 (Audited)	FY 2013 RM'000 (Audited)	% change (YoY)
Revenue	2,732,671	2,904,419	2,005,549	10,766,009	10,022,984	(5.9)
Profit Before Taxation	263,370	408,547	233,523	1,475,266	1,413,474	(35.5)

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 22,555 units in 2Q15 compared with 26,937 units in 2Q14 (-16.3%) and 16,241 units in 1Q15 (+38.9%). For 2Q15, Lexus sold 532 units compared with 367 units in 2Q14 (+45.0%) and 362 units in 1Q15 (+47.0%) Higher sales for Toyota in 2Q15 was due to the launch of the facelift Camry and the new Camry 2.5 Hybrid, and the continued strong orders for Vios and Hilux. Lexus did better with strong contribution from the NX200t model. 	<ul style="list-style-type: none"> Perodua registered sales of 51,349 units for 2Q15 compared to 50,456 units in 2Q14 (+1.8%) and 57,153 units in 1Q15 (-10.2%). 2Q15 sales was lower compared to 1Q15 as there was a surge in sales in 1Q15 prior to the introduction of Goods and Services Tax (GST) on 1 April 2015.
Market share of TIV	<ul style="list-style-type: none"> Market share for Toyota including Lexus for 1H15 was at 12.3%. 	<ul style="list-style-type: none"> Market share for Perodua for 1H15 was at 33.7%. Maintained the No. 1 position since 2006.
2Q15 Highlights	<ul style="list-style-type: none"> UMW Toyota Motor targets to sell close to 9,000 units of Toyota Camry Hybrid and the Toyota Camry facelift. Introduced a newer version of Toyota Rush with a price range of RM98,000 and RM103,300. The Toyota Vios won the coveted Car of the Year title at the 2015 Frost and Sullivan Malaysia Excellence Awards. UMW Toyota is offering the Toyota Alphard with a few attractive offers for both the 2.4G and 3.5G variants, that come with free maintenance service for five years, complimentary road tax and insurance for one year, as well as generous cash rebates. 	<ul style="list-style-type: none"> Perodua opened its flagship one-stop 3S (sales, service and spare parts) centre in Section 19, Petaling Jaya on 5 May 2015. The building costs almost RM40 million. The Perodua Myvi received the best Value-for-Money Car of the Year award (1.3L above category) at the annual Frost & Sullivan Malaysia Excellence Awards. Launched a new accessories brand called “GearUp” for its model line-up to give better personalisation that meets its customer’s lifestyle needs. The Perodua Myvi celebrates its 10th and unveiled the Commemorative Limited Edition Myvi. Perodua plans to export its Perodua Axia to Brunei, Mauritius and Sri Lanka from 3Q15.

BUSINESS DIVISION – EQUIPMENT

	2Q15 RM'000	2Q14 RM'000	1Q15 RM'000	FY 2014 RM'000	FY 2013 RM'000	% change (YoY)
Revenue	353,644	453,758	652,994	1,767,166	1,705,458	(22.1)
Profit Before Taxation	33,681	55,089	99,301	218,231	195,838	(38.9)

Heavy Equipment

Highlights – (Komatsu products covering Malaysia, Singapore, PNG and Myanmar)

- Komatsu market share for 1H15 – Malaysia (19%), Singapore (10%), Papua New Guinea (44%) and Myanmar (15%).
- The market share came down in 2Q15 due to the increase in product price resulting from the weakening of the Malaysian Ringgit against the US Dollar and Japanese Yen.
- The continued low commodity prices have resulted in lower demand for heavy equipment in Malaysia and Papua New Guinea.
- The long festive holidays in April, followed by the start of the monsoon season attributed to the lower performance for our operations in Myanmar.

Industrial Equipment

Market share

- Toyota forklift maintained its market leadership position in Malaysia's material handling equipment business.

Highlights

- Delivered 18 units of Toyota forklift under renewal rental contracts with Guinness Anchor Bhd.
- Delivered 14 units of Toyota forklift under new and renewal rental contracts with F&N Group.
- Delivered 14 units of Toyota forklift under renewal rental contracts with Toray Group.
- Delivered 10 units of Toyota forklift to LJ Machinery Sdn. Bhd.

Others

- UMW Industries officially opened its new building on 4th August 2015 to cater to its growing business and to better serve its customers. The four-storey modern building is equipped with a 500-square-metre showroom displaying products carried by UMW Industries and a 750 square metres Material Handling and Technical Training Centre. The state-of-the-art training centre is the only facility of its kind in ASEAN, able to accommodate live demonstrations of the various equipment and warehouse racking systems.

Marine & Power Equipment

Highlights

- Appointed as the authorised distributor of Aviation Power & Marine Inc. of USA (AP&M) to supply GE gas turbine components.
- Secured a 2-year contract extension of Long Term Service Agreement with Petronas Carigali to provide maintenance services for GE gas compressors.

BUSINESS DIVISION – OIL & GAS

	2Q15 RM'000	2Q14 RM'000	1Q15 RM'000	FY 2014 RM'000	FY 2013 RM'000	% change (YoY)
Revenue	183,374	238,776	312,496	1,014,903	737,752	(23.2)
Profit Before Taxation	7,995	66,237	42,461	284,156	206,849	(87.9)

- Results**
- Revenue of RM183.4 million for the second quarter ended 30th June 2015 was lower than the RM238.8 million registered in the same quarter of 2014 by RM55.4 million or 23.2%. Lower revenue contributions from both the Drilling Services segment and the Oilfield Services segment resulted in the revenue reduction in the second quarter of 2015. Consequently, profit before tax declined to RM8.0 million in the second quarter ended 30th June 2015 from the RM66.2 million recorded in the same quarter of 2014, a reduction of RM58.2 million or 87.9%.

- Highlights**
- Drilling Services segment contributed revenue of RM173.8 million, a decrease of 23.5% over RM227.2 million recorded in the same quarter of 2014. The reduction was the net result of the following:
- Lower time charter rates;
 - Lower utilisation of some of the assets in the second quarter of 2015;
 - Additional revenue contributions from new assets, UMW GAIT 6 and UMW NAGA 6, which commenced operations in August 2014 and October 2014, respectively;
 - Translation gains from the appreciation of US Dollar against Ringgit Malaysia.
- Oilfield Services segment contributed lower revenue of RM9.6 million, a 92% reduction from RM63.4 million achieved in the same quarter of 2014. The decrease was mainly due to lower revenue as explained above, and the additional operating expenses from NAGA 7 which has yet to secure a contract.

- Prospects for 2015**
- Time charter rates will remain under pressure in a highly competitive environment where rig supply far outnumbered demand. Rig utilisation is expected to deteriorate further as more rigs are completing their existing contracts.
 - In line with lower levels of drilling activities, demand for OCTG threading and repair services is expected to decline in the second half of 2015. Performance of the Oilfield Services segment is likely to be negatively affected by the current oil price cycle.
 - Financial performance for the year 2015 will be adversely affected by the current low oil prices.

BUSINESS DIVISION – MANUFACTURING & ENGINEERING

	2Q15 RM'000	2Q14 RM'000	1Q15 RM'000	FY 2014 RM'000	FY 2013 RM'000	% change (YoY)
Revenue	165,400	188,866	171,064	725,078	735,498	(12.4)
Profit Before Taxation	400	11,926	1,803	14,786	(39,164)	(96.6)

Results

- The lower contribution was attributed to lower sales by the auto component manufacturers especially for 4-wheeler products.

General Performance

- Malaysia:**
The total industry volume declined by 3.3% in the first half of 2015. This resulted in lower demand for components from the local OEM automotive industry players.
The Malaysian operation continues to struggle due to the weakening Ringgit against the US Dollar.
Export of REM dropped by 30% due to the slow down in the regional automotive industry. Overall ASEAN currency depreciation against US Dollar may dampen export opportunity.
- China**
China operation remains flat on the back of further deterioration of China's economy. GDP growth slowed to 7% which is the lowest since 1990. Chinese economy is expected to slow down further in 2H2015.
The automotive industry, which grew double digits in the past, is expected to only grow by 2%-3% in 2015.
- India**
Our operations in India continue to struggle due to lower volume take-up by customers, lower plant utilization, and, higher operation and production expenses. This is expected to continue for the remaining of the year.

Prospects for 2015

- 2015 will be a challenging year for the automotive components industry due to:-
 - Major OEM customers like Proton and Toyota are registering lower sales, thus directly affecting the revenue target for 2H2015.
 - Domestic REM market is sluggish due to stock holding reduction by dealers, as well as stiffer competition.
- The disposal of the loss-making Indian operations is expected to be completed by 30 September 2015.
- The remaining operating companies within the Division are expected to contribute towards positive results through:-
 - strategic planning of raw materials and close monitoring of expenses
 - fine-tuning activities to improve competitiveness
 - diversification of customer base

UMW HOLDINGS BERHAD

Consolidated Balance Sheet

	At 30/06/2015 RM'000	At 31/03/2015 RM'000	Audited 31/12/2014 RM'000
Investment In Associates	1,838,793	1,848,924	1,797,456
Property, Plant & Equipment	6,718,408	6,610,039	5,669,692
Deposits, Cash & Bank Balances	2,867,316	3,186,266	3,370,710
Inventories	2,163,135	1,839,812	1,830,408
TOTAL ASSETS	16,868,708	16,968,214	16,519,674
Long Term Borrowings	1,831,156	1,924,274	1,803,038
Short Term Borrowings (include ODs)	2,997,966	3,075,634	2,386,737
TOTAL EQUITY	9,597,087	9,563,429	9,433,057
Net Assets Per Share (RM)	5.75	5.65	5.63



THANK YOU



Dr Wafi Nazrin Abdul Hamid
Executive Director, UMW Corporation
Head of Group Management Services
Email: wafi@umw.com.my



S. Vikneshwaran
Head, Investor & Media Relations
Email: vikneshwaran.s@umw.com.my
Telephone: +603 5163 5044

Corporate Portal www.umw.com.my

This material is proprietary and is prepared specifically for the recipient's reference. The information contained herein is not to be distributed without the consent of UMW Holdings Berhad. Any recommendation or views contained in this document do not have regard to specific investment objectives, financial situation and the particular needs of any specific audience. The content furthermore is believed to be correct at the time of the issue of this document, and is not and should not be construed as an offer or a solicitation of any offer to buy or sell any securities. Nor does this document purport to contain all the information a prospective investor may require.