

# UMW ACHIEVES PRETAX PROFIT OF RM21.1 M IN 1Q16



RM million	1Q16	1Q15	YoY(%)
Profit Before Taxation	21.1	320.0	(93.4)

## EXECUTIVE SUMMARY

### 1Q16 financial highlights

- The Group revenue decreased by 32.1% or RM1,041.2 million compared to the same quarter last year.
- Profit before taxation of RM21.1 million is 93.4% lower compared to RM320.0 million recorded in the previous year's corresponding quarter.
- As a result, net profit attributable to equity holders of the company was RM16.6 million.
- Consolidated cash and deposits stood at RM2.0 billion.

### 1Q16 highlights

- The Lexus GS facelift was launched, with the new turbocharged Lexus GS 200t replacing the pre-facelift's GS 250 variants.
- The UMW Group has proposed to establish an Aerospace Hard Metal Manufacturing Park in Serendah, Selangor, where it will site its manufacturing plant to produce fan cases for Rolls-Royce plc's aircraft engines. The earthworks on site are progressing as planned and UMW is currently on course to deliver its first unit of Trent 1000 fan case upon receipt of the first purchase order targeted for October 2017
- UMW Equipment Sdn. Bhd., has officially launched the WB93R-5E0 Komatsu Backhoe Loader, SK815-5E0 Skid Steer Loader and PC55MR-3 Compact Hydraulic Excavator to the Malaysian market on 29 March 2016. With these three new products launched, UMW is now able to offer the full range of Komatsu construction and mining equipment to the Malaysian market.

### Prospects for 2016

- The Group's combined automotive sales is forecasted to be 296,000 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 Manufacturing & Engineering segment's outlook remains challenging with the slowdown in the automotive industry.

### Dividend

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

Dear fund managers and analysts,

The Group recorded revenue and profit before taxation of RM2,199.2 million and RM21.1 million in 1Q16 respectively, 32.1% and 93.4% lower than previous corresponding quarter's results. The continued low oil prices, weak ringgit and soft market sentiment had adversely affected the Group's financial performance.

The Automotive segment recorded revenue of RM1,556.0 million for 1Q16, RM449.6 million or 22.4% lower compared to 1Q15.

The Equipment segment achieved a revenue and profit of RM358.0 million and RM39.2 million respectively, 45.2% and 60.5% lower compared to RM653.0 million and RM99.3 million in 1Q15.

The Oil & Gas segment recorded revenue and loss before taxation in the current quarter of RM87.7 million and RM68.4 million respectively. The segment's poor performance was due to reduced time charter rates as well as soft demand for drilling services arising from continued low oil prices and reduced operating and capital expenditure from oil majors.

The Manufacturing & Engineering segment recorded 15.0% lower revenue compared to 1Q15, due to lower demand for lubricants and auto components products.

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

# UMW HOLDINGS BERHAD

## Group Income Statement

	1Q16 RM'000	1Q15 RM'000	4Q15 RM'000	FY 2015 RM'000 (Audited)	FY 2014 RM'000 (Audited)	% change (YoY)
Revenue	<b>2,199,164</b>	3,240,373	4,160,904	14,441,583	14,932,490	(32.1)
Share of Profits of Associated Companies	<b>22,069</b>	33,429	35,751	134,438	139,648	(34.0)
Profit Before Taxation	<b>21,072</b>	320,017	(334,250)	269,652	1,621,460	(93.4)
Net Profit Attributable To Shareholders	<b>16,580</b>	165,154	(286,040)	(37,171)	651,970	(90.0)

### Prospects for 2016

#### Automotive Segment

- UMW Group's combined total sales is forecasted to be 296,000 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.
- Softening consumer sentiments may affect the demand. The Malaysian Automotive Association expects the total industry volume to reduce by 2.5% to 650,000 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 may be affected by the uncertainties concerning the new policies of the new government that may cloud the jade mining activities in the country.
- Operations in Vietnam is also expected to be 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

	1Q16 RM'000	1Q15 RM'000	4Q15 RM'000	FY 2015 RM'000	FY 2014 RM'000	% change (YoY)
Revenue	1,555,985	2,005,549	3,375,858	10,721,917	10,766,009	(22.4)
Profit Before Taxation	82,733	233,523	247,882	860,938	1,475,266	(64.6)

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 10,216 units in 1Q16 compared with 16,241 units in 1Q15 (-37.1%) and 31,663 units in 4Q15 (-67.7%).</li> <li>For 1Q16, Lexus sold 272 units compared with 362 units in 1Q15 (-24.9%) and 735 units in 4Q15 (-63.0%).</li> <li>The lower sales was due to the softening consumer sentiments.</li> <li>The total industry volume for 1Q16 was down by 22% year-on-year.</li> </ul>	<ul style="list-style-type: none"> <li>Perodua registered sales of 47,181 units for 1Q16 compared to 57,153 units in 1Q15 (-17.4%) and 55,780 units in 4Q15 (-15.4%).</li> <li>Axia continues to be Perodua's top selling model.</li> </ul>
<b>Market share of TIV</b>	<ul style="list-style-type: none"> <li>Market share for Toyota including Lexus for 1Q16 was at 8.0%.</li> </ul>	<ul style="list-style-type: none"> <li>Market share for Perodua for 1Q16 was at 35.9%.</li> <li>Maintained the No. 1 position since 2006.</li> </ul>
<b>1Q16 Highlights</b>	<ul style="list-style-type: none"> <li>On 1 March 2016, Lexus introduced the GS facelift, with the new turbocharged Lexus GS 200t replacing the pre-facelift's GS 250 variants. Other variants available include GS 350 and GS 300h.</li> <li>UMW Toyota Motor has extended its warranty coverage from 3 years/100,000 km to 5 years with unlimited mileage for all Toyota (except Hilux and Hiace) and Lexus models. Hilux and Hiace (except for commercial registered vehicles used for goods transport) will have 5 years/150,000 km whichever occurs first warranty.</li> <li>The 5-year warranty plan is also extended to existing Toyota owners at a one-time charge, depending on models. This extension offer is valid from 1 April 2016 until 30 September 2016.</li> <li>UMW Toyota Motor has begun accepting orders for the all-new Toyota Hilux starting from 1 April 2016. Peninsular Malaysia prices range from RM89,000 for the non-metallic paint single-cab 2.4-litre manual all the way to RM134,153 for the metallic paint double-cab 2.8-litre automatic.</li> </ul>	<ul style="list-style-type: none"> <li>On 12 January 2016, Perodua Global Manufacturing Sdn Bhd (PGMSB), the country's first EEV certified automotive manufacturing plant, was officially opened as the national car company takes a step closer to becoming a global player. PGMSB, which began construction in March 2013 and spanning 64,000 square metres, include an investment of RM1.3 billion to build and equip.</li> </ul>
<b>Prospects for 2016</b>	<ul style="list-style-type: none"> <li>Sales forecast for Toyota including Lexus for 2016 is 80,000 units</li> </ul>	<ul style="list-style-type: none"> <li>Sales forecast for Perodua is 216,000 units.</li> </ul>

# BUSINESS SEGMENT – EQUIPMENT

	1Q16 RM'000	1Q15 RM'000	4Q15 RM'000	FY 2015 RM'000	FY 2014 RM'000	% change (YoY)
Revenue	357,967	652,994	402,878	1,882,591	1,767,166	(45.2)
Profit Before Taxation	39,245	99,301	27,538	226,451	218,231	(60.5)

## Heavy Equipment

### Highlights –

#### (Komatsu products covering Malaysia, Singapore, PNG and Myanmar)

- Low machine and parts sales for the Malaysian operations due to weak market sentiment in the construction and mining sectors.
- Low performance of PNG operation due to weak global demand and pricing for gold, copper, nickel and iron ore.
- Low performance of Myanmar operations due to the transition in government and the restriction on jade mining activities.

## Industrial Equipment

### Market share

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

### Highlights

- UMW Industries introduced improved versions of Toyota 8FBE Electric Powered 1.0 – 2.0 ton forklifts to the Malaysian market on January 15, 2016 at the Shah Alam Material Handling & Technical Centre, and subsequently at the company's North and South Regional offices.
- UMW Equipment & Engineering Pte. Ltd. also launched the new Toyota 8FBE10-20 Series on the same day in Singapore.
- Delivered 26 units of Toyota forklifts under new and renewal rental contracts with Daikin Malaysia Sdn. Bhd.
- Delivered 15 units of Toyota forklifts under renewal rental contracts with Monier Group
- Delivered 14 units of Toyota forklifts under new and renewal rental with Chin Well Fasterner Co. Sdn. Bhd.

## Marine & Power Equipment

### Highlights

- Received our first order for DESMI oil spill response equipment from a shipyard which will be used by the coast guards.

## Prospects for 2016 -

- The business operations in Myanmar will be affected by the uncertainties concerning the new policies of the new government that may cloud the jade mining activities in the country.
- 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 remained slow. The focus is on after-market repairs and maintenance which is expected to be stable.

## BUSINESS SEGMENT – OIL & GAS

	1Q16 RM'000	1Q15 RM'000	4Q15 RM'000	FY 2015 RM'000	FY 2014 RM'000	% change (YoY)
Revenue	<b>87,679</b>	312,496	130,958	839,877	1,014,903	(71.9)
Profit Before Taxation	<b>(68,423)</b>	42,461	(411,305)	(348,426)	284,156	>(100)

### Results

- Revenue of RM87.7 million for the first quarter was lower than the RM312.5 million registered in the same quarter of 2015 by RM224.8 million or 71.9%.
- Posted a loss before tax of RM68.4 million in the first quarter of 2016 as oppose to the RM42.5 million of profit before tax achieved in the same quarter of 2015.
- The poor performance was due to the reduced time charter rates as well as soft demand for drilling services arising from continued low oil prices and reduced operating and capital expenditure from oil majors.

### Highlights

- 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 cut 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.
- 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 cut in operating and capital expenditures by oil majors.

### Prospects for 2016

- Rig utilisation remains challenging as oil and gas companies are taking a cautious approach with regards to their exploration and development programs. As some of their existing contracts are expiring this year, they 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 is 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 – MANUFACTURING & ENGINEERING

	1Q16 RM'000	1Q15 RM'000	4Q15 RM'000	FY 2015 RM'000	FY 2014 RM'000	% change (YoY)
Revenue	145,445	171,064	182,395	707,491	725,078	(15.0)
Profit Before Taxation	6,591	1,803	13,388	16,816	14,786	>100

## Results

- The Division recorded 15.0% lower revenue in the first quarter compared to the same quarter of last year.
- Profit before taxation for 1Q16 was RM6.6 million compared to 1Q15 of RM1.8 million, higher by RM4.8 million due to improved sales for both export and domestic markets, lower operating expenses and cost saving activities undertaken by all business segments during the period.

## General Performance

- Demand in the auto-components business segment has continued to decline in 1Q16 due to lower production of vehicles as compared to 1Q15.
- Nevertheless, the strengthening of Ringgit against the US Dollar contributed positively to the operational results of Malaysian companies.
- Lubricants market continues to be price competitive.
- The fan case manufacturing project is progressing in accordance with the project timeline. Currently, the pre-production facility is nearing completion at Serendah.
- For China operations, the increase in sales to FAW VW & Audi and better performance from Repsol sales network were the key drivers for their improvement.

## Prospects for 2016

- Sluggish growth in the automotive industry in 2016 is expected to affect the demand for auto-components and lubricants business segments.
- Consumer price sensitivity on spending is expected to increase the demand for low-cost lubricants at the expense of premium categories. Higher competition at thin margins is expected to achieve competitiveness.
- Domestic REM market is expected to be stable in the following quarters with marginal growth.

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## Consolidated Balance Sheet

	<b>At 31/03/2016 RM'000</b>	<b>Audited 31/12/2015 RM'000</b>	<b>Audited 31/12/2014 RM'000</b>
Investment In Associates	<b>1,944,170</b>	1,923,150	1,797,456
Property, Plant & Equipment	<b>7,899,111</b>	8,102,786	5,669,692
Deposits, Cash & Bank Balances	<b>1,999,373</b>	2,734,143	3,370,710
Inventories	<b>2,134,266</b>	1,889,963	1,830,408
<b>TOTAL ASSETS</b>	<b>16,698,998</b>	18,225,301	16,519,674
Long Term Borrowings	<b>2,479,670</b>	2,289,762	1,803,038
Short Term Borrowings (include ODs)	<b>3,008,263</b>	3,724,990	2,386,737
<b>TOTAL EQUITY</b>	<b>9,014,785</b>	9,383,871	9,433,057
Net Assets Per Share (RM)	<b>5.43</b>	5.64	5.63



# THANK YOU



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