

## UMW REGISTERS PRE-TAX PROFIT OF RM14.4 M IN 1Q17



RM million	1Q17	1Q16	YoY(%)
Profit Before Taxation	14.4	21.1	(31.7)

### EXECUTIVE SUMMARY

#### 1Q17 financial highlights

- The Group registered a revenue increase of 27.5% in 1Q17 compared to 1Q16, mainly due to higher contribution from Automotive segment.
- However, profit before taxation decreased by 31.7%, mainly attributed to the higher losses incurred by the listed Oil & Gas segment.
- Consolidated cash and deposits stood at RM2.4 billion.

#### 1Q17 highlights

- Toyota's sales for 1Q17 improved by 61.5% compared to 1Q16, albeit from a lower base.
- Toyota Fortuner received the EEV status, hence the reduction in selling price.
- Perodua registered sales improvement of 6.5% compared to the same period in 2016.
- UMW Industries continues to maintain Toyota forklift's leading position in Malaysia's material handling equipment market.
- Manufacturing & Engineering segment posted improved revenue mainly due to the higher sales of shock absorbers.

#### Prospects for 2017

- Automotive segment - the Group targets to sell 272,000 units in 2017. The weakening ringgit continues to compress the business margins of the Automotive segment.
- The Equipment segment is expected to sustain its performance with improved contribution from the industrial equipment business.
- Manufacturing & Engineering segment – higher sales of shock absorbers and lubricants are expected to contribute positively.
- The delivery of first fan case for Rolls-Royce is targeted for end-2017.
- While completing the strategic plans of exiting oil and gas sector, the Group is also focusing on the growth of the remaining three core businesses – Automotive, Equipment and Manufacturing & Engineering.
- The Group's performance will still be affected by the downturn in the oil & gas industry until the completion of the exit plan.

#### Dividend

- No interim dividend has been recommended for the quarter ended 31 March 2017.

Dear fund managers and analysts,

The Group registered a revenue increase of RM604.4 million in 1Q17 compared to 1Q16, primarily contributed by the Automotive segment while the Oil & Gas segments were still affected by the volatility of oil prices.

The Automotive segment registered a 40.8% increase in revenue over 1Q16. Profit before taxation improved by 5.2% from RM82.7 million in 1Q16 to RM87.1 million in the current quarter.

The Equipment segment registered a marginally lower revenue of RM342.4 million against RM358.0 million in 1Q16. Profit before taxation increased by 5.2% from RM82.7 million in 1Q16 to RM87.1 million this quarter.

The Manufacturing & Engineering segment reported a revenue of RM165.9 million in the current quarter, 14.1% higher than the RM145.4 million reported in 1Q16. Profit before taxation was lower at RM3.1 million due to aerospace's operating expenses incurred.

The Oil & Gas (listed) segment registered a revenue of RM74.3 million, a reduction of RM13.4 million from 1Q16 of RM87.8 million. The segment reported a higher loss before taxation of RM104.9 million compared to RM68.4 million in 1Q16.

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

# UMW HOLDINGS BERHAD

## Group Income Statement

	1Q17 RM'000	1Q16 RM'000	4Q16 RM'000	FY 2016 RM'000	FY 2015 RM'000	% change (YoY)
Revenue	<b>2,803,585</b>	2,199,164	3,062,311	10,958,515	14,441,583	27.5
Share of Profits of Associated Companies	<b>40,087</b>	22,069	65,323	156,382	134,438	81.6
Profit Before Taxation	<b>14,388</b>	21,072	(2,098,033)	(2,130,225)	269,652	(31.7)
Net Profit Attributable To Shareholders	<b>20,165</b>	16,580	(1,566,201)	(1,658,039)	(37,171)	21.6

### Current prospects

#### Automotive Segment

- The Group targets to sell 272,000 units in 2017, with an estimated 46.1% market share.
- Auto manufacturers and distributors are expected to continue experiencing lower margins for the rest of the year with the subdued consumer sentiment and volatility in ringgit.
- Hence, performance of the segment will continue to be challenging in 2017.

#### Equipment Segment

- The market for heavy and industrial equipment remain competitive in view of aggressive pricing strategy adopted by competitors.
- Construction sector will continue to be active with a stream of projects coming along in particular the Pan Borneo Highway Project in Sarawak and Sabah, albeit stiff competition in pricing.
- There are positive signs of demand for the coal, iron ore and gold mining.
- Industrial Equipment will continue to focus on growth markets like fleet management, productivity improvements and managing cost base to maintain its current performance and improve operating margins.
- Current performance in this segment is expected to sustain in 2017.

#### Manufacturing & Engineering Segment

- The outlook for the M&E segment is expected to be positive. The shock absorber business remained sustainable in view the strong demand from OEM and REM segments.
- Lubricants business in China is expected to perform satisfactorily
- The aerospace business with Rolls-Royce is progressing as per schedule.

#### Oil & Gas Segment

- The demerger with UMW Oil & Gas Corporation Berhad is expected to be completed by July 2017.
- Progressive exit of the Non-listed Oil & Gas assets is expected to be concluded by 2018.

# BUSINESS SEGMENT – AUTOMOTIVE

	1Q17 RM'000	1Q16 RM'000	4Q16 RM'000	FY 2016 RM'000	FY 2015 RM'000	% change (YoY)
Revenue	2,190,856	1,555,985	2,462,347	8,450,956	10,721,917	40.8
Profit Before Taxation	87,071	82,733	143,586	496,931	860,938	5.2

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 16,503 units in 1Q17 compared to 10,216 units in 1Q16 (+61.5%) and 19,237 units in 4Q16 (-14.2%).</li> <li>For 1Q17, Lexus sold 191 units compared to 272 units in 1Q16 (-29.8%) and 388 units in 4Q16 (-50.8%).</li> </ul>	<ul style="list-style-type: none"> <li>Perodua registered sales of 50,265 units for 1Q17 compared to 47,181 units in 1Q16 (+6.5%) and 56,221 units in 4Q16 (-10.6%).</li> </ul>
<b>Market share of TIV</b>	<ul style="list-style-type: none"> <li>Market share for Toyota including Lexus for 1Q17 was at 11.9%.</li> </ul>	<ul style="list-style-type: none"> <li>Market share for Perodua for 1Q17 was at 35.7%.</li> <li>Maintained the No. 1 position since 2006.</li> </ul>
<b>1Q17 Highlights</b>	<ul style="list-style-type: none"> <li>UMW Toyota Motor (UMWT) announced price reduction between RM11,500 and RM16,100 for its Toyota Fortuner effective 9 January 2017 after it qualified as an energy-efficient vehicle (EEV).</li> <li>UMWT introduced the Toyota Hilux 2.4G AT limited edition with tougher and more rugged image on 13 February 2017 priced at RM126,000. Together with the addition of the Hilux 2.4G AT Limited Edition, the 2017 Hilux 2.4G STD (manual and automatic variants) with a lower price starting from RM108,500 (OTR with insurance) have been introduced.</li> <li>UMWT opened its new showroom in Segambut, Kuala Lumpur.</li> </ul>	<ul style="list-style-type: none"> <li>Perodua unveiled the new Perodua Axia with a new Variable Valve Timing with Intelligence (VVT-i) engine on 13 January 2017. The price of the new Perodua Axia variant in Peninsular Malaysia starts from RM24,900 for the Standard-E (manual) to RM42,900 for Advance (automatic).</li> <li>On 13 April 2017, Perodua Bezza, the country's bestselling sedan, was named the 2017 Frost &amp; Sullivan's Malaysia Car of the Year.</li> </ul>
<b>2017 sales forecast</b>	<ul style="list-style-type: none"> <li>Sales forecast for Toyota including Lexus for 2017 is 70,000 units.</li> </ul>	<ul style="list-style-type: none"> <li>Sales forecast for 2017 is 202,000 units.</li> </ul>

# BUSINESS SEGMENT – EQUIPMENT

	1Q17 RM'000	1Q16 RM'000	4Q16 RM'000	FY 2016 RM'000 (Audited)	FY 2015 RM'000	% change (YoY)
Revenue	342,433	357,967	330,848	1,382,815	1,882,591	(4.3)
Profit Before Taxation	39,548	39,245	30,586	145,620	226,451	0.8

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>The prolonged weak resources &amp; commodities prices in oil &amp; gas, palm oil, timber, iron ore &amp; coal affected market sentiments.</li> <li>Stiff competition in the construction sector.</li> <li>Weakening of Ringgit Malaysia, PNG Kina and Myanmar Kyat against USD and Japanese Yen pose challenges to remain competitive.</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 53 units of Toyota forklift Hong Leong Group</li> <li>Delivered 21 units of Toyota forklift under new rental contract with Aik Joo Group</li> <li>Delivered 16 units of Toyota forklift under new rental contract with Linde Malaysia Sdn Bhd</li> <li>Delivered 13 units of Toyota forklift to LJ Machinery Sdn. Bhd.</li> </ul> <p><b>Recognition</b></p> <p>Under the 2016 Toyota Material Handling International Award Programme, UMW Industries was awarded the following recognitions:</p> <ul style="list-style-type: none"> <li>Platinum Club Recognition</li> <li>President's Award Bronze</li> <li>Vision 2020 Award</li> </ul>	<p><b>Highlights</b></p> <ul style="list-style-type: none"> <li>Successfully commissioned, delivered and handed over one unit air compressor package to Ocean Might for Kinabalu wellhead offshore platform.</li> <li>Signed 2-year Maintenance Service Agreement with Sapura Energy for compressor maintenance services at PM329 block.</li> <li>Signed 2-year Price Agreement with PETRONAS Carigali for supply of compressor parts to Sabah Oil &amp; Gas Terminal.</li> </ul>

## Current prospects

- Construction sector is the only promising sector with growth projection of ~8.3%, mainly supported by private investment & ongoing major projects like Pan Borneo Highways, MRT, Expressway and manufacturing export.
- Industrial equipment is intensifying efforts to preserve its key accounts and continues to focus and support the anticipated growth sectors like warehousing/logistics, food & beverage, and capitalize on market opportunity.
- The oil and gas rotating equipment enquiries are increasing after a long period of drastic slowdown. This positive development is likely to improve prospects for 2018 as the lead time is generally above 6 months. The marine engine market is still soft but stable.

## BUSINESS SEGMENT – MANUFACTURING & ENGINEERING

	<b>1Q17 RM'000</b>	1Q16 RM'000	4Q16 RM'000	FY 2016 RM'000 (Audited)	FY 2015 RM'000 (Audited)	% change (YoY)
Revenue	<b>165,883</b>	145,445	152,643	601,460	707,491	14.1
Profit Before Taxation	<b>3,098</b>	6,591	4,044	24,619	16,816	(53.0)

<b>Results</b>	<ul style="list-style-type: none"> <li>The segment recorded 14% higher revenue in 1Q17 compared to the same period last year.</li> <li>The higher revenue mainly due to the shock absorber business, derived from higher demand in the Original Equipment Manufacturer (OEM) and Replacement Equipment Market (REM) segments.</li> </ul>
<b>Performance for the quarter</b>	<ul style="list-style-type: none"> <li>Lubricants business in Malaysia performed well. This is due to higher margin in relation to lower base oil price. Furthermore, cost saving initiative programmes have been successfully implemented for the purchase of raw materials.</li> <li>Despite the challenging economy, lubricants business in China achieved higher PBT due to higher sales recorded and successful implementation of cost cutting measures.</li> <li>The lower PBT for the segment is attributed to the operating expenses incurred by the aerospace group which is still at its set-up phase that is yet to generate any revenue.</li> </ul>
<b>Current prospects</b>	<ul style="list-style-type: none"> <li>The shock absorber business remains sustainable in view of our high market share in the OEM and strong position in the REM, especially exports.</li> <li>Lubricants business from the overseas operation is also expected to contribute positively.</li> <li>The aerospace business with Rolls-Royce is progressing as per schedule and production is expected to commence in the last quarter of the year.</li> </ul>

## BUSINESS SEGMENT – OIL & GAS (LISTED)

	<b>1Q17 RM'000</b>	1Q16 RM'000	4Q16 RM'000 (Restated)	FY 2016 RM'000 (Audited)	FY 2015 RM'000 (Audited)	% change (YoY)
Revenue	<b>74,278</b>	87,679	53,711	321,053	839,877	(15.3)
Profit Before Taxation	<b>(104,908)</b>	(68,423)	(915,806)	(1,181,264)	(348,426)	(55.3)

<b>Results</b>	<ul style="list-style-type: none"> <li>The segment registered a reduction of 15.3% in revenue mainly due to lower operating days in the quarter as most of the rigs remained uncontracted and idle.</li> <li>The segment reported a higher loss before taxation of RM104.9 million compared to RM68.4 million recorded in the same quarter of 2016, following the reduction in revenue.</li> </ul>
<b>Highlights</b>	<ul style="list-style-type: none"> <li>Drilling Services segment contributed revenue of RM71.0 million or 95.6% of the total revenue of RM74.3 million, a decrease of RM10.3 million or 12.7% over the RM81.3 million recorded in the same quarter of 2016. The drop in revenue was principally due to lower time charter rates.</li> <li>The first quarter of 2017 saw its jack-up utilisation rate improved slightly when UMW NAGA 7 was income-generating again at the end of March 2017. Both quarters had two of the seven jack-up rigs operating at 100% utilisation rate.</li> <li>Consequently, the Drilling Services segment incurred a loss of RM96.7 million in the first quarter of 2017 compared to the loss of RM93.4 million reported in the same quarter of 2016, a slight increase of RM3.3 million or 3.5%.</li> <li>Oilfield Services segment contributed revenue of RM3.3 million or 4.4% of the total revenue of RM74.3 million in 1Q17, a reduction of RM3.1 million or 48.4% over the RM6.4 million registered in 1Q16. This segment of the value chain has yet to benefit from the increased activities in exploration and production. Thus, demand for oil pipes threading, inspection and repair services remained soft.</li> <li>Oilfield Services segment reported a loss before tax of RM1.6 million in the first quarter of 2017 versus a loss of RM1.4 million recorded in the same quarter of 2016, an increase of RM0.2 million or 14.3%.</li> </ul>
<b>Current prospects</b>	<ul style="list-style-type: none"> <li>All seven jack-up rigs are contracted, five of which are income-generating and the remaining two are expected to start work in early July 2017. As such, asset utilisation rate is expected to improve from the current 71% to 100% by the middle of 2017.</li> <li>Hence, financial performance of segment in 2017 is expected to remain challenging due to the low time charter rates environment.</li> </ul>

## BUSINESS SEGMENT – OIL & GAS (UNLISTED)

	<b>1Q17 RM'000</b>	1Q16 RM'000	4Q16 RM'000	FY 2016 RM'000 (Audited)	FY 2015 RM'000 (Audited)	% change (YoY)
Revenue	<b>36,257</b>	53,551	67,046	221,891	324,647	(32.3)
Profit Before Taxation	<b>(15,031)</b>	(35,555)	(625,572)	(734,895)	(197,190)	>(100)

<b>Results</b>	<ul style="list-style-type: none"> <li>This segment registered a revenue of RM36.3 million in the current quarter, a drop of RM17.3 million compared to the RM53.6 million in the same quarter of 2016. Performance of the exploration sub-segment was affected by the continued volatility in oil prices and weak demand from the oil &amp; gas industry players related to the manufacturing sub-segment.</li> <li>The segment reported a lost before taxation of RM15.0 million, lower by RM20.6 million as compared to a loss before taxation of RM35.6 million in the same quarter of last year, mainly contributed by the businesses in China.</li> </ul>
<b>Prospects for 2017</b>	<ul style="list-style-type: none"> <li>Implementation of the exit strategy is on-going following the decision for the Group to exit completely from Oil &amp; Gas segment. Management is actively implementing its action plans towards this direction.</li> </ul>

# UMW HOLDINGS BERHAD

## Consolidated Balance Sheet

	At 31/3/2017 RM'000	At 31/12/2016 RM'000	Audited 31/12/2015 RM'000
Investment In Associates	<b>1,996,747</b>	1,953,223	1,923,150
Property, Plant & Equipment	<b>7,558,568</b>	7,678,533	8,102,786
Deposits, Cash & Bank Balances	<b>2,445,666</b>	1,857,424	2,734,143
Inventories	<b>1,698,988</b>	1,931,189	1,889,963
<b>TOTAL ASSETS</b>	<b>15,931,831</b>	16,263,024	18,225,301
Long Term Borrowings	<b>3,594,698</b>	3,715,777	2,289,762
Short Term Borrowings (include ODs)	<b>2,615,894</b>	2,639,329	3,724,990
<b>TOTAL EQUITY</b>	<b>6,846,762</b>	6,864,275	9,383,871
Net Assets Per Share (RM)	<b>4.07</b>	4.04	5.64





# THANK YOU



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