

UMW ACHIEVES PRETAX PROFIT OF RM422 M IN 2Q14



RM million	2Q14	1Q14	Change (%)
Profit Before Taxation	422.1	479.4	(12.0)

EXECUTIVE SUMMARY

2Q14 financial highlights

- Group revenue registered an increase of 11% compared with the previous quarter. However, profit before taxation was lower mainly due to the provision for the expected loss of RM93 million on the proposed disposal of investment in the automotive component companies in India.
- Consequently, net profit attributable to equity holders of the company reduced to RM142 million.
- Consolidated cash and deposits stood at RM3.0 billion.

2Q14 highlights

- Toyota vehicle sales improved, mainly contributed by the increase in sales of Vios and Altis.
- Better contribution from the industrial equipment segment resulted in the higher revenue and profit before taxation.
- For Oil & Gas Division, revenue was 22% higher than 1Q14, while profit before taxation improved by 14% compared with the previous quarter.
- Manufacturing & Engineering Division's revenue increased by 4% while profit before taxation improved by 24%, compared to the last quarter.

Prospects for 2014

- The automotive industry is expected to sustain its performance for 2014.
- The Equipment Division is expected to remain challenging if the drop in commodity prices continues at the current low level.
- Oil & Gas Division is expected to perform much better with the addition of new drilling rigs.
- M & E segment is expected to sustain its performance through better sales of lubricant products and automotive components.

Dividend

- The Board has declared an interim single-tier dividend of 20% or 10 sen (2013 - 20% or 10 sen) per share of RM0.50 each for the year ending 31 December 2014, to be paid on 8 October 2014.

Dear fund managers and analysts,

The Group registered an increase in revenue by 11% compared with the last quarter. However, profit before taxation was lower by 12% due to the provision for the expected loss in India, as we have decided to exit this business.

Our Automotive Division's revenue and profit before taxation was higher than the last quarter, mainly driven by the strong sales of Toyota Vios and Toyota Corolla Altis.

The Oil & Gas Division registered a healthy profit. Three new jack-up drilling rigs are expected to be delivered, one each in September 2014, December 2014 and September 2015. In line with its expansion programme, the performance of the segment is expected to be on track for the year.

Our Equipment Division registered higher revenue and profit before taxation compared to the last quarter mainly due to better contribution from the industrial equipment segment.

Manufacturing & Engineering Division also did well due to the strong demand for our products. The Division is expected to sustain its performance through better sales of lubricant products.

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

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Group Income Statement

	2Q14 RM'000	1Q14 RM'000	2Q13 RM'000	FY 2013 RM'000 (Audited)	FY 2012 RM'000 (Audited)	% change (QoQ)
Revenue	3,966,828	3,583,405	3,499,181	13,951,460	15,798,828	10.7
Share of Profits of Associated Companies	23,847	40,676	39,403	157,537	126,156	(41.4)
Profit Before Taxation	422,055	479,379	443,189	1,435,673	2,020,277	(12.0)
Net Profit Attributable To Shareholders	141,960	235,545	250,987	652,926	994,296	(39.7)

Prospects for 2014

Automotive Division

- UMW Group's combined total sales is forecasted to be about 293,000 units for 2014.
- The Division is expected to continue to perform well with the introduction of new models.
- We hope to at least maintain our market share as in 2013.

Equipment Division

- The Malaysia operations is expected to maintain its performance albeit at a lower level in 2H14 as compared to 1H14.
- The lifting of the suspension on jade mining activities effective 1st September 2014 augurs well for Myanmar Operation in 2H14
- 2H14 is expected to be challenging for PNG operation due to continue depressed gold price.
- Focus will be on expanding the industrial equipment leasing business.

Oil & Gas Division

- Full-year revenue contributions from NAGA 1, UMW NAGA 2, UMW NAGA 3 and UMW NAGA 4.
- We have taken delivery of UMW NAGA 5 on 29th April 2014. It has now moved on to its second contract, with PTTEP International Limited, for drilling services in Myanmar.
- We will be taking delivery of another two premium jack-up drilling rigs in September and December this year.

Manufacturing & Engineering Division

- The segment is expected to sustain its performance through better sales of lubricant products and automotive components, such as shock absorbers and filters.

BUSINESS SEGMENT – AUTOMOTIVE

Segmental Reporting

	2Q14 RM'000	1Q14 RM'000	2Q13 RM'000	FY 2013 RM'000	FY 2012 RM'000	% change (QoQ)
Revenue	2,904,419	2,656,435	2,571,362	10,022,984	11,498,096	9.3
Profit Before Taxation	408,547	406,567	358,110	1,413,474	1,796,792	0.5

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 26,937 units in 2Q14 compared with 23,610 units in 2Q13 (14.1%) and 24,185 units in 1Q14 (11.4%). For 2Q14, Lexus sold 367 units compared with 287 units in 2Q13 (27.9%) and 449 units in 1Q14 (-18.3%). 	<ul style="list-style-type: none"> Perodua registered sales of 50,456 units for 2Q14 compared with 50,177 units in 2Q13 (0.6%) and 44,024 units in 1Q14 (14.6%).
Market share of TIV	<ul style="list-style-type: none"> Market share for Toyota, including Lexus for 2Q14 was at 15.8%. UMW Toyota has maintained No.1 position in non-national segment for 24 consecutive years. Targets to sell 100,000 units this year. 	<ul style="list-style-type: none"> Market share for Perodua in 2Q14 was at 29.1%. Maintained the No. 1 position in the Malaysian automotive industry since 2006. Revised target for the year is 193,000 units.
2Q14 Highlights	<ul style="list-style-type: none"> In April, Toyota Camry 2.0 GX new variant was introduced in the Toyota Camry range. Starting April, UMW Toyota Motor is offering the Toyota Alphard and Previa as part at the line-up for the Malaysian market which are sourced directly from Toyota factories in Japan. 	<ul style="list-style-type: none"> Launched a new Myvi variant dubbed the Myvi XT and re-introduced graduate scheme in April 2014 to further entice first time buyers, particularly fresh graduates. Launched a new parts centre, costing RM28.2 million in May with the objective of improving its parts warehouse and logistics operations in preparation of the growing need for parts from its customers. Perodua reduced the on-the-road price of all its Viva variants by up to RM5,300 and is giving a RM800 cash bonus to those who register a Viva between 17th June and 31st August this year; in line with bringing better overall value of ownership to its customers.

BUSINESS SEGMENT – EQUIPMENT

Segmental Reporting

	2Q14 RM'000	1Q14 RM'000	2Q13 RM'000	FY 2013 RM'000	FY 2012 RM'000	% change (QoQ)
Revenue	453,758	434,941	444,233	1,705,458	2,138,469	4.3
Profit Before Taxation	55,089	39,098	51,920	195,838	183,458	40.9

Heavy Equipment

Market share - (Komatsu products covering Malaysia, Singapore, PNG and Myanmar)

- Overall market share for 2Q14 was estimated at 28.5% as compared to 30.2% for 1Q14.
- The lower market share in 2Q14 was due to strong competition in the small size utility machines.

Market Environment

- The construction and quarry sectors remain active with the on-going government's economic transformation projects like the LRT & MRT in Malaysia.
- The low prices of gold, copper, nickel, iron ore and coal affected the demand for new equipment from the mining sectors in PNG and Myanmar.

FOREX

- The strengthening of Malaysian Ringgit against USD and weakening of Japanese Yen against USD is expected to enhance our competitive edge and performance in 2H2014.

Industrial Equipment

Market share

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

Recognition

- Vendor Award 2014 by Tenaga Nasional Berhad

Highlights

- Delivered 16 units of Toyota forklift under new rental contracts with Recron (Malaysia) Sdn Bhd.
- Delivered 11 units of Toyota forklift under new rental contract with Samsung Electronics (M) Sdn Bhd.
- Delivered 10 units of Toyota forklift under renewal rental contract with Toray Plastics (M) Sdn Bhd.

Marine & Power Equipment

Highlights

- Successfully completed a contract to supply and deliver 3 units air compressor packages ahead of schedule.
- Achieved higher sales and profit before tax for the second quarter mainly due to higher parts and service sales.

BUSINESS SEGMENT – OIL & GAS

Segmental Reporting

	2Q14 RM'000	1Q14 RM'000	2Q13 RM'000	FY 2013 RM'000	FY 2012 RM'000	% change (QoQ)
Revenue	238,776	195,573	167,756	737,752	832,177	22.1
Profit Before Taxation	66,237	58,303	75,781	206,849	74,376	13.6

Results

Revenue for 2Q14 was 22.1% higher than 1Q14 due to:-

- Additional revenue from our new premium jack-up rig, UMW NAGA 5, which has been income generating since 2nd May 2014.
- Improved utilisation of our hydraulic workover unit, UMW GAIT 3 and higher commission income from agency sale of specialised drilling equipment and services.

Consequently, the second quarter of 2014 recorded a higher profit before taxation despite the low profit contribution from UMW NAGA 3 which underwent a scheduled repair to a few of its ballast tanks in May 2014.

Highlights

- August 2014 – the options to extend the contracts of UMW NAGA 2 and UMW NAGA 3 until March 2015 were exercised.
- UMW NAGA 5 is now in Singapore preparing for mobilisation to Myanmar in September 2014 after successfully securing a contract from PTTEP International Limited that is expected to keep it busy until May 2015.
- UMW GAIT 2 was mobilised to offshore Vietnam under an existing called-out contract with PVD Trading and Technical Services Joint Stock Company in July.
- Our new addition, UMW GAIT 6, has been scheduled to embark on its maiden trip to Myanmar in late August 2014. It secured a contract with PTTEP International Limited to provide workover services for a period of 300 days with an option to extend for another 200 days.

Prospects for 2014

- Full-year revenue contribution from NAGA 1, UMW NAGA 2, UMW NAGA 3 and UMW NAGA 4.
- UMW NAGA 5 is revenue-generating from May 2014.
- We will be taking delivery of UMW NAGA 6 and UMW NAGA 7 in September and December 2014, respectively.

BUSINESS SEGMENT – MANUFACTURING & ENGINEERING

Segmental Reporting

	2Q14 RM'000	1Q14 RM'000	2Q13 RM'000	FY 2013 RM'000	FY 2012 RM'000	% change (QoQ)
Revenue	188,886	181,915	187,863	735,498	680,708	3.8
Profit Before Taxation	11,926	9,621	(2,536)	(39,164)	3,604	24.0

Results

- Revenue for 2Q14 increased marginally by 4% compared with the last quarter due to higher overall demand in the lubricants and automotive business.
- The segment recorded a profit of RM11.9 million for the current quarter compared to a loss of RM2.5 million in the previous corresponding quarter. This was mainly due to the foreign exchange gain on the USD loans by the subsidiaries in India following the strengthening of the Indian Rupee.

Highlights

- The Malaysian operations are doing well with strong sales in both automotive components and lubricant segments.
- Operations in China continue to perform well due to the strong demand for lubricants from FAW Mazda and Hongqi.
- The Indian operations continue to struggle with low demand.
- 25th July 2014 – UMW announced proposed disposal of 61.08% equity interest in MK Autocomponents Ltd. (MKAL) and 55% equity interest in MK Automotive Industries Ltd. (MKAIL) to Dato' Muthukumar a/l Ayarpadde. The proposed disposals are expected to result in a loss on approximately RM93 million which is derived before accounting for transaction costs associated with it and the financial position of MKAL and MKAIL at completion date. The proposed disposals are expected to be completed by 31st December 2014. This will result in UMW exiting the auto components manufacturing business in India.

Prospects for 2014

- The segment is expected to sustain its performance through better sales of lubricant products and automotive components, such as shock absorbers and filters.
- Higher capacity utilisation at our lubricant plant in China.

UMW HOLDINGS BERHAD

Consolidated Balance Sheet

	At 30/06/2014 RM'000	At 31/03/2014 RM'000	At 31/12/2013 RM'000	Restated 31/12/2012 RM'000
Investment In Associates	1,708,044	1,765,060	1,696,035	1,554,728
Property, Plant & Equipment	4,554,084	4,256,299	3,898,853	2,997,268
Deposits, Cash & Bank Balances	3,005,111	2,823,912	2,557,694	2,492,581
Inventories	2,125,876	1,930,137	1,754,167	1,768,818
TOTAL ASSETS	15,257,751	14,867,413	14,595,147	11,491,143
Long Term Borrowings	1,390,560	1,549,675	1,524,177	1,633,939
Short Term Borrowings (include ODs)	2,104,885	1,697,629	1,464,325	1,073,674
TOTAL EQUITY	9,278,593	9,210,403	8,932,532	6,298,416
Net Assets Per Share (RM)	5.60	5.49	5.38	4.15



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

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