

UMW ACHIEVES PRETAX PROFIT OF RM320 M IN 1Q15

RM million	1Q15	1Q14	YoY
Profit Before Taxation	320.0	479.4	(33%)



EXECUTIVE SUMMARY

1Q15 financial highlights

- Group revenue decreased by 9.6% or RM343.0 million compared to the same quarter last year. The Group revenue was impacted by the lower performance of Automotive and Manufacturing & Engineering segment. In line with the lower revenue, the Group generated lower profit before taxation of RM320.0 million against RM479.4 million in the previous year corresponding quarter.
- Net profit attributable to equity holders of the company was RM165.2 million.
- Consolidated cash and deposits stood at RM3.2 billion.

1Q15 highlights

- The new Camry (2.0E and 2.0G) and Camry Hybrid 2.5 CKD were launched on 2 April 2015. UMW Toyota Motor targets to sell 7,500 units of Camry in 2015.
- Perodua launched a new Myvi packed with better features at greater value.
- The resumption of jade mining activities in Myanmar as well as tax incentive given by the authority on the purchase of equipment in Singapore contributed to the higher revenue and profit for the Equipment Division.
- The Oil & Gas Division registered a 60% increase in revenue mainly due to the improved contributions from our offshore drilling rigs.
- UMW Grantt International has introduced a latest range of newly-enhanced GRANTT lubricants.

Prospects for 2015

- The Automotive industry expects more intense competition with new model launches from competitors in 2015.
- Equipment Division's outlook is expected to remain challenging if commodity prices continue to be at the current low level.
- The Oil & Gas Division is expected to face challenges in securing high day rates for its drilling rigs and rig utilisation rates are expected to be lower than the high levels seen in 2014.
- The Manufacturing & Engineering Division is expected to face intense competition in 2015.

Dear fund managers and analysts,

In 1Q15, the Group's revenue decreased by 9.6% compared to 1Q14, lowering profit before taxation (PBT) to RM320 million compared to RM479.4 million in 1Q14. The Group revenue was impacted by the lower performance of Automotive and M&E divisions.

The Automotive Division's revenue and PBT decreased by 24.5% and 42.6% respectively, due to tough competition in the market.

The Oil & Gas Division's revenue increased 59.8% from corresponding quarter but the lower contributions from its drilling segment and additional OPEX for UMW NAGA 7 accounted for the profit reduction of 27.2% compared to 1Q14.

Equipment Division registered 50.1% higher revenue and more than doubled its PBT in 1Q15. This vast improvement is due to the resumption of jade mining activities in Myanmar and higher demand in anticipation of the Goods and Services Tax (GST).

Manufacturing & Engineering Division recorded 6% lower revenue and significantly lower PBT of RM1.8 million in 1Q15. The decline is due to lower sales by auto component manufacturers and the negative impact of weakening Ringgit.

We expect the business to continue to be challenging in the coming months. However, we are unified in our resolve to face them and prevail.

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

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Group Income Statement

	1Q15 RM'000	1Q14 RM'000	4Q14 RM'000	FY 2014 RM'000 (Audited)	FY 2013 RM'000 (Audited)	% change (YoY)
Revenue	3,240,373	3,583,405	3,706,145	14,932,490	13,951,460	(9.6)
Share of Profits of Associated Companies	33,429	40,676	49,387	139,648	157,537	(17.8)
Profit Before Taxation	320,017	479,379	289,128	1,621,460	1,435,673	(33.2)
Net Profit Attributable To Shareholders	165,154	235,545	83,169	651,970	652,926	(29.9)

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

	1Q15 RM'000	1Q14 RM'000	4Q14 RM'000	FY 2014 RM'000 (Audited)	FY 2013 RM'000 (Audited)	% change (YoY)
Revenue	2,005,549	2,656,435	2,561,783	10,766,009	10,022,984	(24.5)
Profit Before Taxation	233,523	406,567	316,209	1,475,266	1,413,474	(42.6)

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 16,241 units in 1Q15 compared with 24,185 units in 1Q14 (-32.8%) and 27,405 units in 4Q14 (-40.7%). For 1Q15, Lexus sold 362 units compared with 449 units in 1Q14 (-19.4%) and 416 units in 4Q14 (-13.0%) Lower sales in 1Q15 was due to overachievement in Dec'14 that resulted in low order bank in Jan'15, attractive promotions and new model launches by major competitors, i.e. Honda, Nissan and Mazda. 	<ul style="list-style-type: none"> Perodua registered sales of 57,153 units for 1Q15 compared to 44,024 units in 1Q14 (+29.8%) and 55,262 units in 4Q14 (+3.4%) Higher sales was due to the strong orders for the Perodua Axia, Malaysia's first energy-efficient vehicle (EEV) and the launch of All-New Myvi in January.
Market share of TIV	<ul style="list-style-type: none"> Market share for Toyota including Lexus for 1Q15 was at 10%. 	<ul style="list-style-type: none"> Market share for Perodua for 1Q15 was at 34%. Maintained the No. 1 position since 2006.
1Q15 Highlights	<ul style="list-style-type: none"> Lexus Malaysia launched the All-New Lexus NX on 29 January 2015. On 23 March 2015, UMW Toyota Motor held a line-off ceremony of the New Toyota Camry and its first locally-assembled hybrid vehicle, the Toyota Camry Hybrid 2.5 On 2 April 2015, UMW Toyota Motor launched the New Toyota Camry variants including Toyota Camry Hybrid, and targets to sell 7,500 units this year. 	<ul style="list-style-type: none"> On 15 January 2015, Perodua launched New Myvi packed with better features at greater value, with a starting price of RM41,500.00. The Perodua Myvi has bagged Frost & Sullivan's best Value-For-Money Car of the Year Award for the 1.3L – above category.

BUSINESS DIVISION – EQUIPMENT

	1Q15 RM'000	1Q14 RM'000	4Q14 RM'000	FY 2014 RM'000	FY 2013 RM'000	% change (YoY)
Revenue	652,994	434,941	443,717	1,767,166	1,705,458	+50.1
Profit Before Taxation	99,301	39,098	79,654	218,231	195,838	>+100

Heavy Equipment

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

- More than 50% of the Equipment Division's revenue and profit came from the heavy equipment segment.
- The improved revenue in the Malaysian operations was attributable to higher demand for equipment, parts and services in anticipation of the Goods and Services Tax (GST) implementation.
- Myanmar operations was the biggest contributor to the revenue and profit of this segment further to the resumption of jade mining activities in September 2014.
- Despite the low commodity prices, our operations in Papua New Guinea recorded a healthy profit on the back of improved revenue.

Industrial Equipment

Market share

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

Highlights

- Delivered 26 units of Toyota forklift under renewal rental contract with F&N Beverage Manufacturing Sdn. Bhd.
- Delivered 20 units of Toyota forklift under new and renewal rental contracts with Panasonic Group.
- Delivered 19 units of Toyota forklift to Asiaco Equipment Rental Sdn. Bhd.

Recognition

Under the 2014 Toyota Material Handling International Award Programme, UMW was awarded the following recognitions:

- Platinum Club Recognition & President's Award Gold for Singapore operations
- Diamond Club Recognition & President's Award Silver for Malaysia operations
- Outstanding Sales Effort Award & Outstanding Sales Record for BT Products for Vietnam operations

UMW Industries also won the Tennant APAC Export Distributor Award 2014 by Tennant Company

Marine & Power Equipment

Highlights

- Awarded contract to supply one unit of portable air compressor to Petronas Carigali Crude Oil Terminal, Terengganu.
- Successfully completed and handed over 3 units of air compressor packages to Petronas Gas for their Gas Processing Plants in Terengganu.

BUSINESS DIVISION – OIL & GAS

	1Q15 RM'000	1Q14 RM'000	4Q14 RM'000	FY 2014 RM'000	FY 2013 RM'000	% change (YoY)
Revenue	312,496	195,573	326,234	1,014,903	737,752	+59.8
Profit Before Taxation	42,461	58,303	83,771	284,156	206,849	(27.2)

Results

- Group revenue of RM312.5 million for the first quarter ended 31st March 2015 exceeded the RM195.6 million registered in the same quarter of 2014 by RM116.9 million or 59.8%. Improved revenue contributions from both the Drilling Services segment and the Oilfield Services segment resulted in the revenue increase.
- However, lower contributions from the Drilling segment accounted for the profit reduction in 1Q15. This was mainly due to:-
 - i) Discounts on charter rates given to existing clients in view of the significant drop in oil prices, and
 - ii) Additional operating expenses for our new premium offshore drilling rig, UMW NAGA 7, which contract with Frontier Oil Corporation was terminated.

Highlights

Drilling Services Segment contributed revenue of RM300.0 million or 96.0% of the total revenue of RM312.5 million in the first quarter of 2015, an increase of RM114.9 million or 62.1% over the RM185.1 million recorded in the same quarter of 2014. The revenue improvement was the result of the following:

- i) full contributions from UMW NAGA 5 and UMW NAGA 6
- ii) improved operating efficiency by UMW NAGA 2 and UMW NAGA 3
- iii) additional revenue contributions from UMW GAIT 6 as well as full-quarter utilisation of UMW GAIT 3
- iv) translation gains from the appreciation of United States Dollar against Ringgit Malaysia.

Prospects for 2015

- Drilling Services segment is expected to face challenges in securing favourable day rates for its drilling rigs in 2015.
- Rig utilisation rates are also expected to be lower than the high levels seen in 2014.
- Revenue and profit contributions from the Oilfield Services segment will be impacted by the softening in oil & gas activities in view that its customers are mainly operating in the oil & gas industry.

BUSINESS DIVISION – MANUFACTURING & ENGINEERING

	1Q15 RM'000	1Q14 RM'000	4Q14 RM'000	FY 2014 RM'000	FY 2013 RM'000	% change (YoY)
Revenue	171,064	181,915	174,071	725,078	735,498	(6.0)
Profit Before Taxation	1,803	9,621	(5,277)	14,786	(39,164)	(81.3)

- Results**
- The segment recorded a lower revenue and profit before taxation for the current quarter of RM171.1 million and RM1.8 million respectively. Lower contribution was attributed to lower sales by the auto component manufacturers especially on the 4 wheelers products. The segment's lower performance was however mitigated by better contribution from the lubricant business.

- Highlights**
- The Malaysian operations, which depend largely on the sales of national cars struggled with lower demand in automotive components segments. Moreover, the weaker Ringgit against the US dollar also had a negative impact.
 - Operations in China continue to perform well due to better performance from the Repsol network sales, strong demand from FAW Mazda and Hongqi and cost optimisation activities.

- Prospects for 2015**
- 2015 will be a challenging year for automotive component industry:
 - The Malaysian automotive manufacturing sector is driven by the National makes but their combined market share has steadily declined to fall below 50% in 2014 and expected to continue hovering around or below the 50% market share in 2015.
 - Severe competition and OEM drive for cost reduction is affecting the profit margin.
 - The Division is expected to sustain its performance, after exiting the India operations, through better sales of lubricant products via:
 - the newly launched in-house brand, GRANTT lubricants;
 - export program to ASEAN; and
 - further market share improvement in China operations.

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Consolidated Balance Sheet

	At 31/03/2015 RM'000	Audited 31/12/2014 RM'000	Audited 31/12/2013 RM'000
Investment In Associates	1,848,924	1,797,456	1,696,035
Property, Plant & Equipment	6,610,039	5,669,692	3,898,853
Deposits, Cash & Bank Balances	3,186,266	3,370,710	2,557,694
Inventories	1,839,812	1,830,408	1,754,167
TOTAL ASSETS	16,968,214	16,519,674	14,595,147
Long Term Borrowings	1,924,274	1,803,038	1,524,177
Short Term Borrowings (include ODs)	3,075,634	2,386,737	1,464,325
TOTAL EQUITY	9,563,429	9,433,057	8,932,532
Net Assets Per Share (RM)	5.65	5.63	5.38



THANK YOU



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