

UMW REGISTERS PRE-TAX LOSS OF RM189.5M IN 2Q17



RM million	2Q17	2Q16	YoY(%)
Profit /(Loss) Before Taxation	(189.5)	44.8	>(100)

EXECUTIVE SUMMARY

2Q17 financial highlights

- The Group registered a revenue increase of 2.8% in 2Q17 compared to 2Q16, mainly due to higher contribution from the Automotive segment.
- However, the Group posted a loss before taxation of RM189.5 million for 2Q17, as opposed to a profit before taxation of RM44.8 million in the same quarter of 2016. The loss is mainly attributable to the losses from both the listed and unlisted Oil & Gas segments and a loss on the demerger of UMW Oil & Gas Corporation Berhad.
- Consolidated cash and deposits stood at RM1.4 billion.

2Q17 highlights

- Toyota sold 17,220 units in 2Q17 compared with 17,033 units in 2Q16 (+1.1%) and 16,503 units in 1Q17 (+4.3%).
- On 13 June, Perodua reached another historic milestone as the millionth unit of the Myvi was rolled-off the production line, making it the most produced model under the Perodua brand.
- The Equipment segment delivered 166 units of Toyota forklifts and other material handling equipment in 2Q17.
- The demerger of UMW Oil & Gas Corporation Berhad has been completed.

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 for its unlisted oil & gas assets.

Dividend

- No interim dividend has been recommended for the quarter ended 30 June 2017.

Dear fund managers and analysts,

The Automotive and Equipment segments have remained profitable in the second quarter of 2017. However, the Manufacturing & Engineering segment suffered losses due to pre-operating expenses incurred by the aerospace business. The losses from the Oil & Gas segment had impacted the Group's performance.

The Automotive segment registered improved revenue of RM2,260.3 million for the second quarter of 2017, an increase of RM83.2 million or 3.8% compared to the corresponding quarter in 2016. However, margins continue to be affected by the strong US Dollar.

Revenue of RM351.4 million for the Equipment segment in the second quarter of 2017 was consistent with the same quarter of 2016. The earnings declined amid shrinking margins and a competitive operating environment.

The Manufacturing & Engineering segment reported marginally lower revenue in 2Q17 due to intense competition in the lubricants business.

We are committed to exit the Unlisted Oil & Gas segment and hopefully we should be able to achieve considerable milestones by the end of this year. Meanwhile, we will continue to improve operational methods to achieve efficiency equilibrium and extract better Group synergies.

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

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Group Income Statement

	2Q17 RM'000	2Q16 RM'000	1Q17 RM'000	FY 2016 RM'000	FY 2015 RM'000	% change (YoY)
Revenue	2,925,590	2,846,806	2,803,585	10,958,515	14,441,583	2.8
Share of Profits of Associated Companies	28,036	26,446	40,087	156,382	134,438	6.0
Profit Before Taxation	(189,495)	44,809	14,388	(2,130,225)	269,652	>(100)
Net (Loss)/Profit Attributable To Shareholders	(209,303)	(12,127)	20,165	(1,658,039)	(37,171)	>(100)

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.
- The performance of this segment is expected to be relatively weaker in the next quarters.

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

- Progressive exit of the Unlisted Oil & Gas assets is expected to be concluded by 2018.

BUSINESS SEGMENT – AUTOMOTIVE

	2Q17 RM'000	2Q16 RM'000	1Q17 RM'000	FY 2016 RM'000	FY 2015 RM'000	% change (YoY)
Revenue	2,260,343	2,177,135	2,190,856	8,450,956	10,721,917	3.8
Profit Before Taxation	98,968	133,290	87,071	496,931	860,938	(25.7)

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 17,220 units in 2Q17 compared with 17,033 units in 2Q16 (+1.1%) and 16,503 units in 1Q17 (+4.3%). For 2Q17, Lexus sold 219 units compared with 359 units in 2Q16 (-39.0%) and 191 units in 1Q17 (+14.7%). 	<ul style="list-style-type: none"> Perodua registered sales of 49,410 units for 2Q17 compared with 50,189 units in 2Q16 (-1.6%) and 50,265 units in 1Q17 (-1.7%).
Market share of TIV	<ul style="list-style-type: none"> Market share for Toyota including Lexus for 1H17 was at 12.0%. 	<ul style="list-style-type: none"> Market share for Perodua for 1H17 was at 35.0%. Maintained the No. 1 position since 2006.
2Q17 Highlights	<ul style="list-style-type: none"> On 20 April, UMWT announced their latest Body & Paint Centre in Kuching, Sarawak, operated by Boulevard Jaya, is fully operational. The much-awaited Toyota C-HR was displayed at the Setia City Convention Centre from 13 to 14 May. It was the first appearance of the vehicle in Malaysia. 	<ul style="list-style-type: none"> Perodua and its insurance panel officially launched “Perodua Total Protect” motor insurance programme on 20 April which covers full coverage of the sum insured for the first five years of the vehicle’s age. On 30 April, Perodua launched the Bezza in Mauritius, making the island nation the second export destination for Malaysia’s bestselling sedan through its authorised distributor Raouf Dusmohamud & Co Ltd. On 7 June, the Bezza 1.0L (automatic transmission) made its debut in Sri Lanka. The largest export market for the Perodua brand has so far seen 14,000 units sold between 1997 and 2017 (as at end May). On 13 June, Perodua reached another historic milestone as the millionth unit of the Myvi was rolled-off the production line, making it the most produced model under the Perodua brand.
2017 sales forecast	<ul style="list-style-type: none"> Sales forecast for Toyota including Lexus for 2017 is 70,000 units. 	<ul style="list-style-type: none"> Sales forecast for Perodua is 202,000 units.

BUSINESS SEGMENT – EQUIPMENT

	2Q17 RM'000	2Q16 RM'000	1Q17 RM'000	FY 2016 RM'000 (Audited)	FY 2015 RM'000	% change (YoY)
Revenue	351,351	351,151	342,433	1,382,815	1,882,591	0.1
Profit Before Taxation	32,196	43,341	39,548	145,620	226,451	(25.7)

Heavy Equipment	Industrial Equipment	Marine & Power Equipment
<p>Updates (Komatsu products covering Malaysia, Singapore, PNG and Myanmar)</p> <ul style="list-style-type: none"> The prolonged depreciation of the Ringgit with weak resources & commodities prices of oil & gas, palm oil, timber, iron ore & coal have affected market sentiments. The segment also faces stiff competition in the construction sector with challenging price condition. In PNG, shortage of foreign currency and the upcoming General Elections have resulted in a major slowdown of sales related to infrastructure spending. Continuous suspension on importation of new equipment for the jade mining industry by the Myanmar authorities since January 2016, coupled with lack of funding by the government for infrastructure projects, have affected business performance. 	<p>Market share</p> <ul style="list-style-type: none"> Toyota forklift maintained its market leadership position in Malaysia's material handling equipment business <p>Highlights</p> <ul style="list-style-type: none"> Delivered 53 units of Toyota forklift and BT pallet truck under renewal rental contracts with Coca-Cola Group Delivered 34 units of Toyota towing tractor to Air Asia Berhad Delivered 29 units of Toyota forklift and BT warehouse truck under renewal rental contracts with Nestle Group Delivered 20 units of Toyota forklift and reach truck under new and renewal rental contracts with Tasco Berhad Delivered 16 units of Toyota forklift and reach truck under new and renewal rental contracts with GS paper & Packaging Sdn Bhd Delivered 14 units of Toyota towing tractor to TCR International NV 	<p>Highlights</p> <p>Successfully commissioned, delivered and handed over one unit air compressor package to Petronas Dagangan Fuel Terminal Lumut.</p>
<p>Current prospects</p> <ul style="list-style-type: none"> The market for heavy and industrial equipment remain soft in view of intense competition. Construction sector remains as the major demand sector driven by Pan Borneo Highway project and various other infrastructure requirements. Further support is expected to be coming from the coal, gold and iron ore sector. The performance of this segment is expected to be relatively weaker in the next quarters. 		

BUSINESS SEGMENT – MANUFACTURING & ENGINEERING

	2Q17 RM'000	2Q16 RM'000	1Q17 RM'000	FY 2016 RM'000 (Audited)	FY 2015 RM'000 (Audited)	% change (YoY)
Revenue	153,871	156,967	165,883	601,460	707,491	(2.0)
Profit Before Taxation	(9,600)	10,908	3,098	24,619	16,816	>(100)

Results	<ul style="list-style-type: none"> The division recorded slightly lower revenue in 2Q17 compared to the same period last year. The lower revenue was due to intense competition in the local lubricants business.
Performance for the quarter	<ul style="list-style-type: none"> Lubricants business in Malaysia performed slightly lower due to reduced margins in relation to higher base oil price. However, cost saving initiative programmes have been implemented for the purchase of raw materials and other operating expenses in order to mitigate the cost increase. Despite the challenging economy, lubricants business in China performed well due to higher sales recorded and successful implementation of cost cutting measures. The lower PBT for the division is attributed to the operating expenses incurred by the aerospace business which is still at set-up phase and yet to generate any revenue.
Current prospects	<ul style="list-style-type: none"> The shock absorber business remains strong in view of our high market share in the OEM and REM especially exports. Lubricants business from the overseas operation is also expected to contribute positively. The aerospace business with Rolls-Royce is progressing as per schedule and the first delivery of the fan case is expected by the end of this year.

BUSINESS SEGMENT – OIL & GAS (LISTED)

	2Q17 RM'000	2Q16 RM'000	1Q17 RM'000	FY 2016 RM'000 (Audited)	FY 2015 RM'000 (Audited)	% change (YoY)
Revenue	139,908	130,010	74,278	321,053	839,877	7.6
Profit Before Taxation	(51,382)	(63,996)	(104,908)	(1,181,264)	(348,426)	19.7

Results	<ul style="list-style-type: none"> Revenue of RM139.9 million for the second quarter ended 30th June 2017 was higher than the RM130.0 million registered in the same quarter of 2016 by RM9.9 million or 7.6%. Both the Drilling Services segment and Oilfield Services segment reported improved revenue in the second quarter of 2017. The listed oil & gas posted a lower loss before tax of RM51.4 million in the second quarter of 2017 against the RM64.0 million recorded in the same quarter of 2016, a difference of RM12.6 million or 19.7%. Higher rig utilisation rate coupled with lower losses from oilfield services accounted for the improvement in financial performance for the second quarter ended 30th June 2017.
Highlights	<ul style="list-style-type: none"> Drilling Services segment contributed revenue of RM134.1 million or 95.9% of the total revenue of RM139.9 million, an increase of RM9.1 million or 7.3% over the RM125.0 million recorded in the same quarter of 2016. Five out of the Group's seven jack-up rigs were income-generating with four of them contributed full-quarter revenue thereby achieving an overall asset utilisation rate of 68%. However, the positive effect from higher asset utilisation was offset by the lower time charter rates as well as zero contribution from Naga 1, a semi-submersible rig, which disposal was completed on 9 May 2017. The overall asset utilisation rate achieved for the second quarter of 2016 was 33%. The Oilfield Services segment contributed revenue of RM5.8 million or 4.1% of the total revenue of RM139.9 million in the second quarter of 2017, an increase of RM0.8 million or 16.0% over the RM5.0 million registered in the same quarter of 2016. Demand for oil pipes threading, inspection and repair services remained soft during the second quarter of 2017.
Current prospects	<ul style="list-style-type: none"> Barring any unforeseen circumstances, full utilization of all seven jack-up rigs is expected by September 2017. However, there are potential risks of off hire for some of the rigs in view that some of those contracts are short term in nature. While asset utilisation is improving for the second half of 2017, the charter rates continue to remain soft, in line with prevailing market rates.

BUSINESS SEGMENT – OIL & GAS (UNLISTED)

	2Q17 RM'000	2Q16 RM'000	1Q17 RM'000	FY 2016 RM'000 (Audited)	FY 2015 RM'000 (Audited)	% change (YoY)
Revenue	31,684	42,256	36,257	221,891	324,647	(25.0)
Profit Before Taxation	(70,630)	(45,272)	(15,031)	(734,895)	(197,190)	(56.0)

Results	<ul style="list-style-type: none"> The segment registered a revenue of RM31.7 million in the quarter under review, a drop of RM10.6 million compared to the RM42.3 million in the same quarter of 2016. Performance of the exploration sub-segment was affected by the continued low industry demand. The segment reported a lost before taxation of RM70.6 million, higher by RM25.3 million compared to a loss before taxation of RM45.3 million in the same quarter of 2016. The losses was mainly contributed by the cessation of drilling operations in Oman.
Prospects for 2017	<ul style="list-style-type: none"> Implementation of the exit strategy is on-going following the decision for the Group to exit completely from the Oil & Gas segment. Management is actively implementing its action plans towards this direction.

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Consolidated Balance Sheet

	At 30/6/2017 RM'000	At 31/3/2017 RM'000	At 31/12/2016 RM'000 (Audited)
Investment In Associates	1,939,729	1,996,747	1,953,223
Property, Plant & Equipment	2,443,179	7,558,568	7,678,533
Deposits, Cash & Bank Balances	1,382,965	2,445,666	1,857,424
Inventories	1,521,983	1,698,988	1,931,189
TOTAL ASSETS	10,117,324	15,931,831	16,263,024
Long Term Borrowings	2,065,632	3,594,698	3,715,777
Short Term Borrowings (include ODs)	899,420	2,615,894	2,639,329
TOTAL EQUITY	4,650,138	6,846,762	6,864,275
Net Assets Per Share (RM)	3.03	4.07	4.04



THANK YOU



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