UMW Holdings Berhad

BRIEFING ON 4Q16 & FY16 RESULTS

28 February 2017

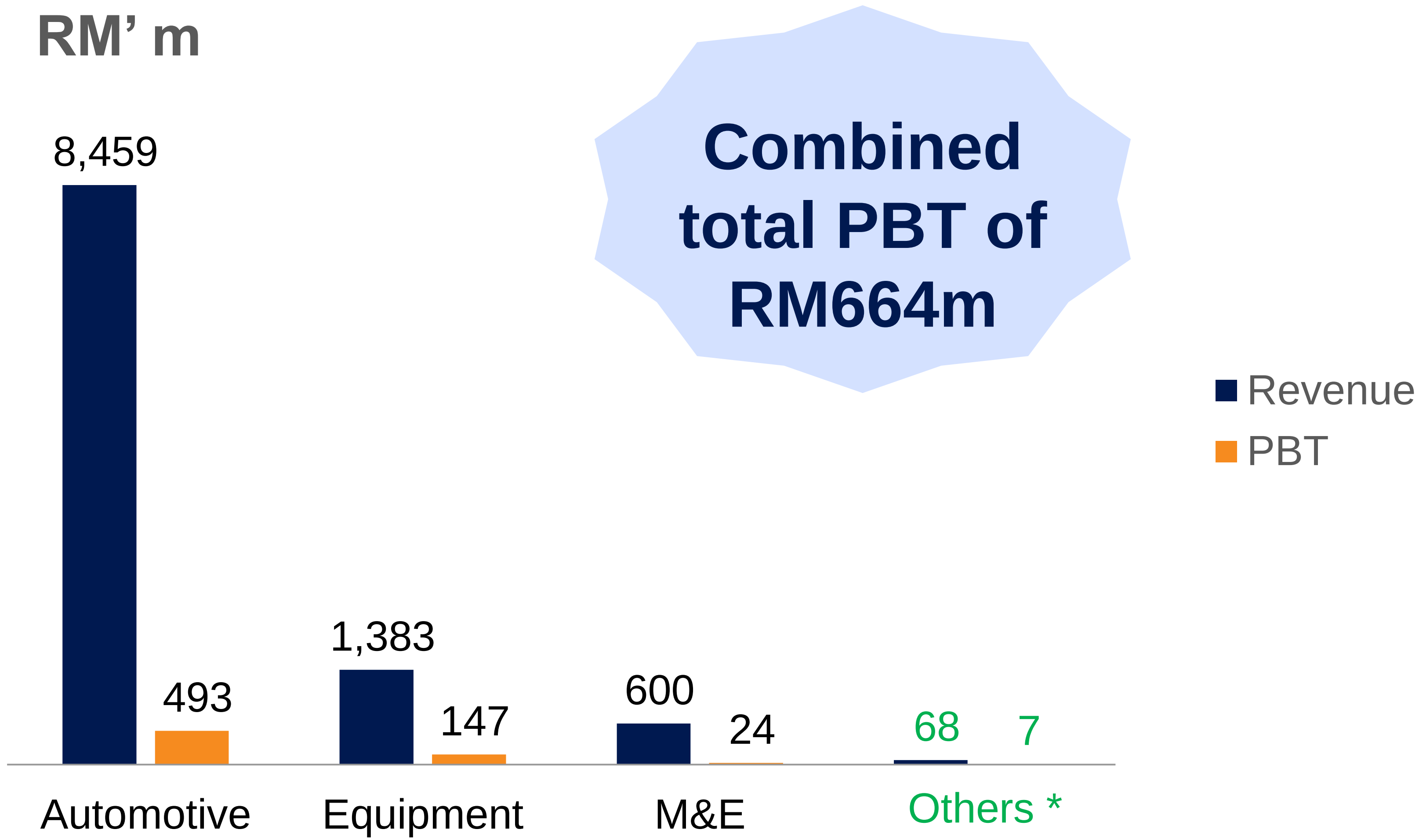
AGENDA

1. 2016 IN REVIEW
2. SEGMENTAL RESULTS
   - AUTOMOTIVE SEGMENT
   - EQUIPMENT SEGMENT
   - MANUFACTURING & ENGINEERING SEGMENT
   - OIL & GAS SEGMENT
3. PROSPECTS FOR 2017
4. FUTURE GROWTH STRATEGY
5. Q & A

2016 IN REVIEW

- Automotive, Equipment and Manufacturing & Engineering segments remained profitable throughout 2016.
- Despite the improving oil price, it is still a challenging industry and no industry player has been spared.
- Impairments and provisions from the oil & gas segments have affected the results.
- Difficult economic and operating conditions across all business segments.
- Continued weakening of the ringgit, intense competition and poor consumer demand have impacted earnings.

CORE DIVISIONS REMAIN PROFITABLE IN 2016

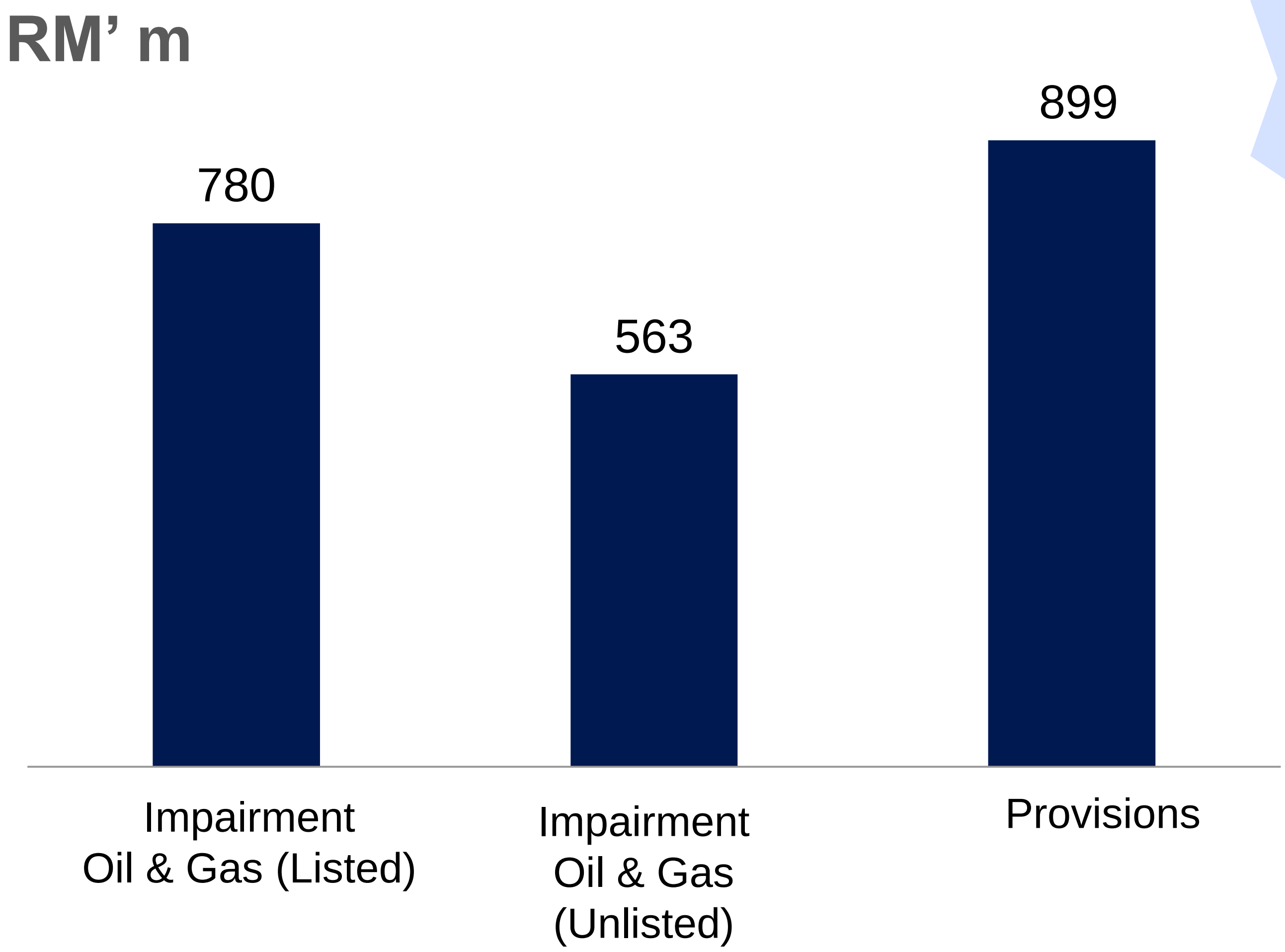


* Others include Toyota Capital Malaysia, U-Travelwide, etc.

FOREX LOSSES (USD TO RM)

Approx. RM289m forex losses -
Impacted financials of Automotive Division due to its imports in USD. (In 2015, the impact was RM700m)

IMPAIRMENTS & PROVISIONS FOR 2016



Total RM2.2b

- **Asset utilisation rates and daily operating rates have declined more drastically than previously anticipated**
- **Net realisable value of assets is lower than the carrying value**
- **Group provided financial guarantees for borrowings by unlisted segment**

ANALYSIS OF GROUP RESULTS BEFORE IMPAIRMENTS & PROVISIONS

RM'mil	Actual YTD Dec 2016	Actual YTD Dec 2015
Automotive	493	861
Equipment	147	226
Manufacturing & Engineering	24	17
Others	7	(108)
	671	996
Oil & Gas (Listed)	(403)	(1)
Oil & Gas (Unlisted)	(179)	(183)
	(583)	(184)
Profit/(Loss) before impairment	89	813
Impairment		
- Oil & Gas (Listed)	780	348
- Oil & Gas (Unlisted)	563	14
Provision		
- Others	899	181
	2,242	543
Profit/(Loss) after impairment	(2,154)	270
PATAMI	**(1,691)**	**(37)**

GROUP'S CASH AND DEBT POSITION

RM' mil	FY2016 (Unaudited)	FY2015
Deposits, Cash and Bank Balances	**2,179.0**	**2,734.1**
Short Term Borrowings	**2,640.6**	3,725.0
Long Term Borrowings	**3,788.6**	2,289.8
Total Borrowings	**6,429.2**	**6,014.8**
Total Equity	**6,908.9**	**9,383.9**
Debt/Equity ratio	**93%**	**64%**

- Our debt/equity ratio is expected to ease significantly following the demerger of UMW Oil & Gas Corporation Berhad

SEGMENTAL RESULTS

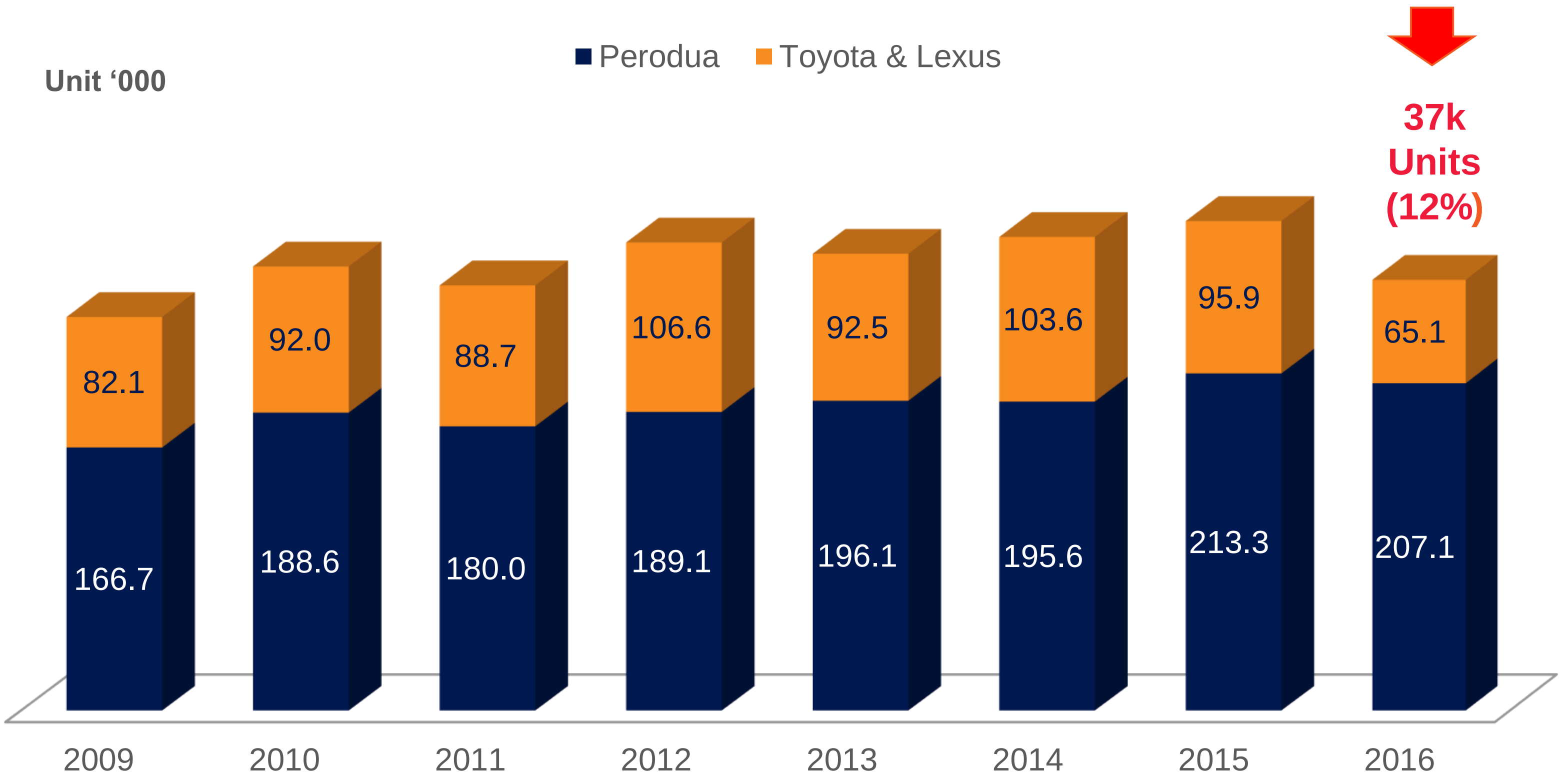
AUTOMOTIVE SEGMENT

LEXUS

TOYOTA

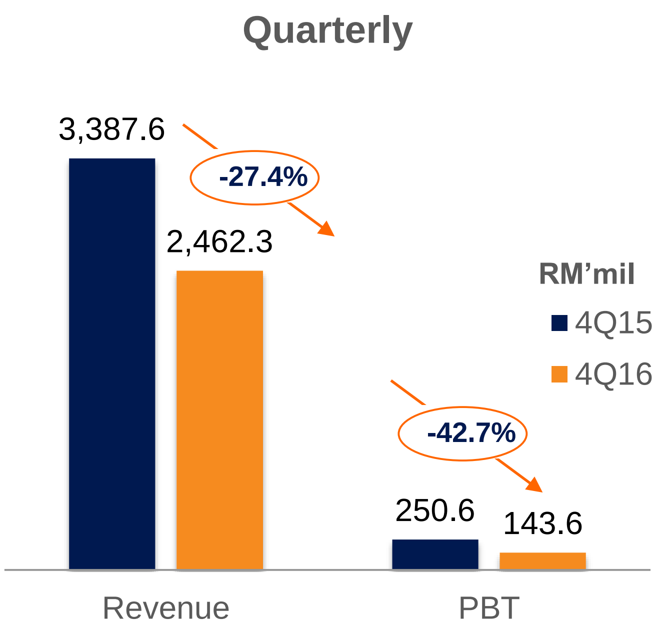
PERODUA

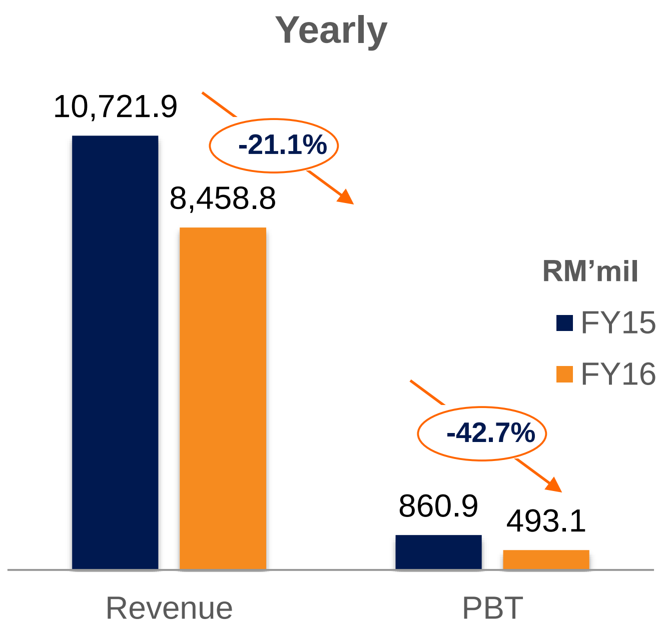
MOTOR VEHICLE SALES – TOYOTA, LEXUS & PERODUA



	2009	2010	2011	2012	2013	2014	2015	2016
% of TIV (Toyota & Lexus)	15.3	15.2	14.8	17.0	14.1	15.6	14.4	11.2
% of TIV (Perodua)	31.1	31.2	30.0	30.1	29.9	29.3	32.0	35.7
Market share (%)	46.3	46.4	44.8	47.1	44.0	44.9	46.4	46.9
TIV '000	536.9	605.1	600.1	627.8	655.8	666.5	666.7	580.1

SEGMENTAL RESULTS - AUTOMOTIVE





Revenue and profit for the automotive segment declined due to:

- aggressive competition amidst weak consumer sentiment
- continued weakening of the ringgit
- stringent loan approvals by banks

SEGMENTAL RESULTS - AUTOMOTIVE

UMW TOYOTA MOTOR

TOYOTA LEXUS

- **Launched all-new Toyota Hilux[1], Toyota Fortuner[1], Toyota Alphard, Toyota Vellfire, Toyota Sienta and Toyota Innova[1] in 2016.**
- **Introduced face-lift Toyota Vios[1], Toyota Camry[1] and Toyota Corolla Altis in 4Q16.**
- **Launched the all-new Lexus GS series in March.**
- **For 2016, Toyota sold 63,757 units in while Lexus registered 1,353 units.**
- **Market share for Toyota, including Lexus, for 2016 was at 11.2%**

[1] – CKD models

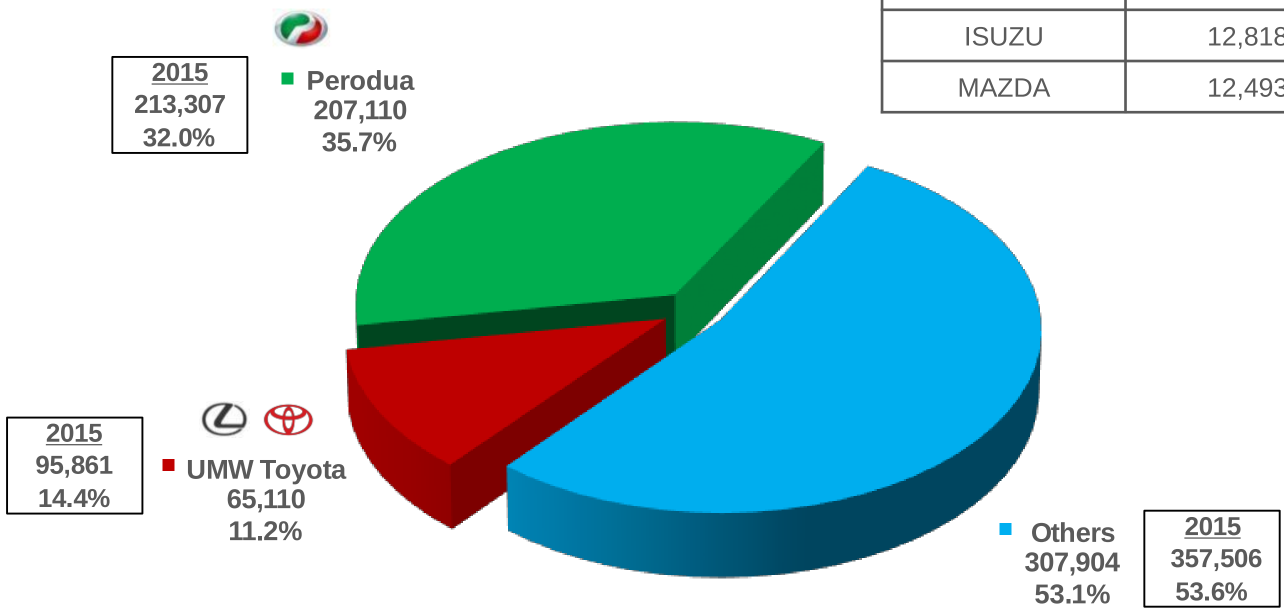
PERODUA

PERODUA

- **Perodua's first ever sedan, Bezza, was launched in July 2016.**
- **For 2016, Perodua sold 207,110 units, compared to 213,307 units achieved in 2015 (-2.9%)**
- **Perodua's market share in 2016 was 35.7% compared to 32% in 2015**
- **Maintained the No. 1 position since 2006**

AUTOMOTIVE COMPETITIVE LANDSCAPE

OTHER MAJOR PLAYERS		
AUTOMAKERS	TOTAL	SHARE
HONDA	91,830	15.8%
PROTON	72,290	12.5%
NISSAN	40,706	7.0%
ISUZU	12,818	2.2%
MAZDA	12,493	2.2%



- **UMW companies sold 272,220 units in 2016 for a market share of 47%**

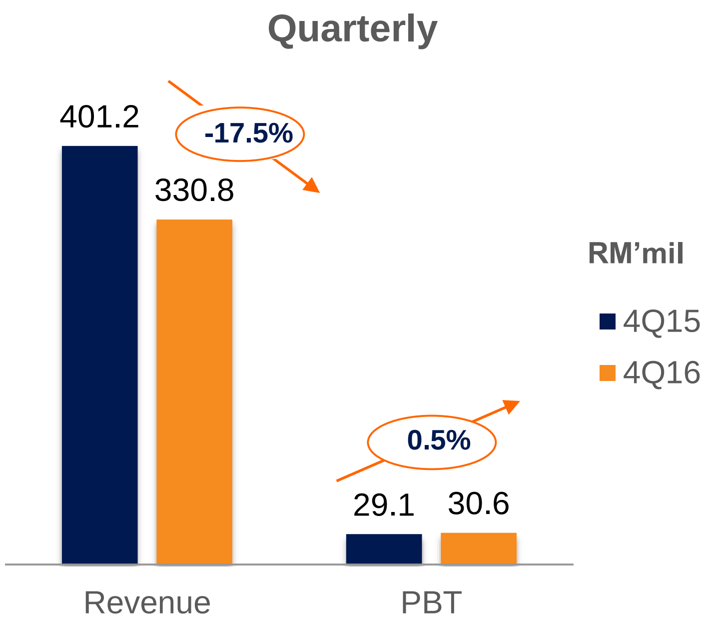
EQUIPMENT SEGMENT

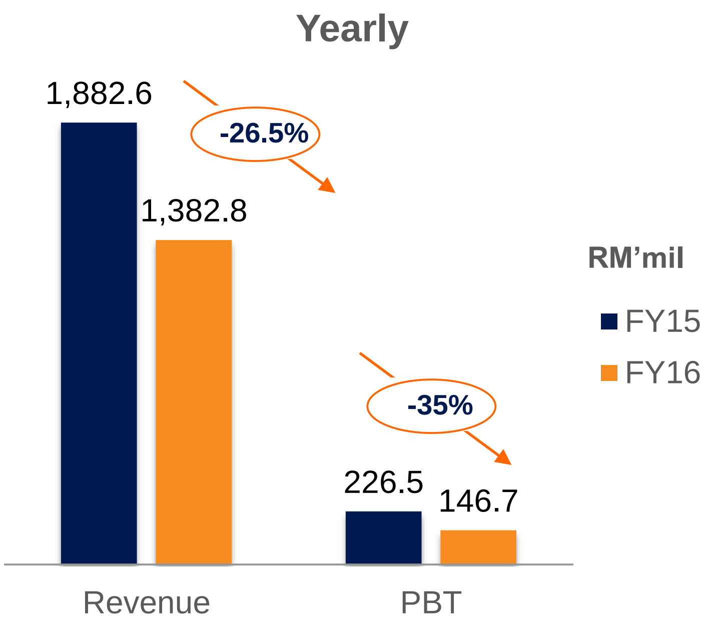
Heavy Equipment	Industrial Equipment	Marine & Power Equipment

UMW represents all of the above principals for some of the world's most recognised products in:-

- Agriculture
- Construction
- Forestry
- Mining
- Industrial and manufacturing
- Industrial cleaning – food and beverages, material handling and logistics

SEGMENTAL RESULTS - EQUIPMENT



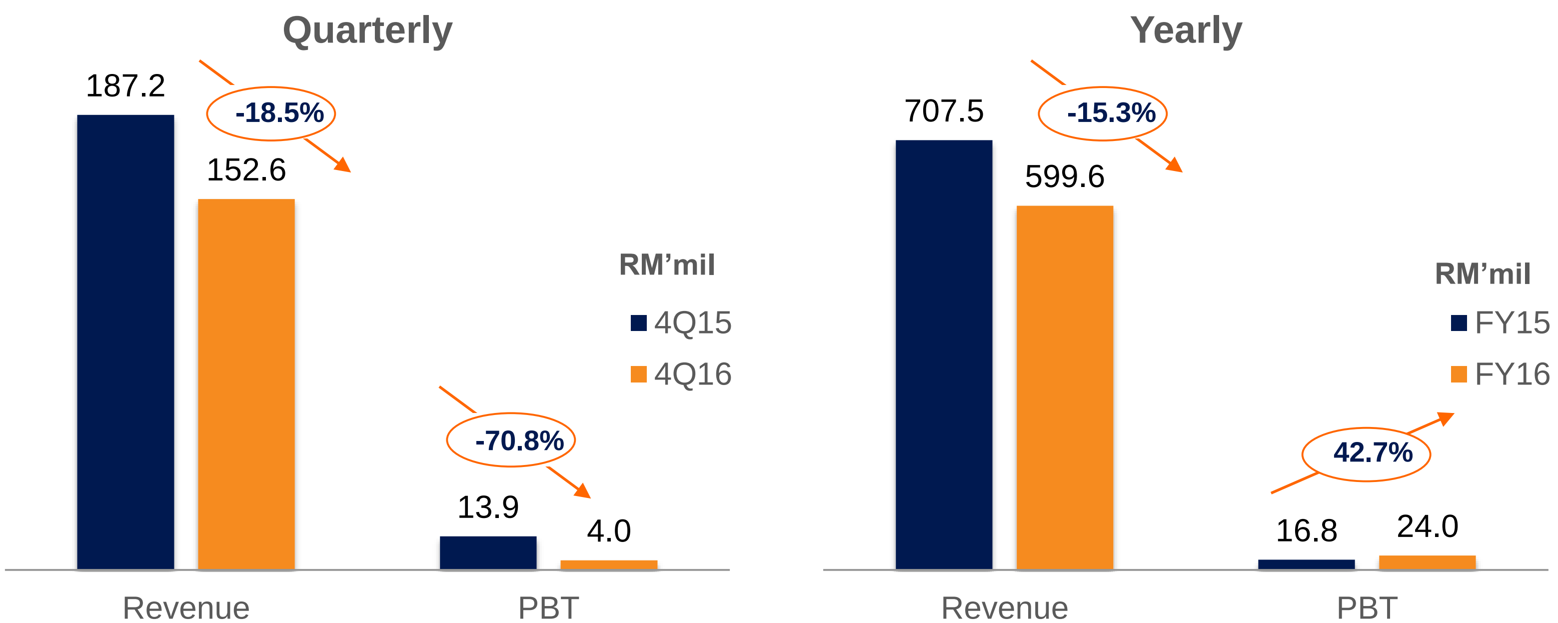


i) Revenue and profitability for the segment was affected by:
- Slowdown in the mining sector
- Increased competition in the construction sector
- Operations in Myanmar continued to be constrained by the restriction imposed on heavy equipment importation by the government of Myanmar

ii) Breakdown of revenue contribution:
- Heavy Equipment – 35%
- Industrial and Marine & Power Equipment – 65%

MANUFACTURING & ENGINEERING SEGMENT

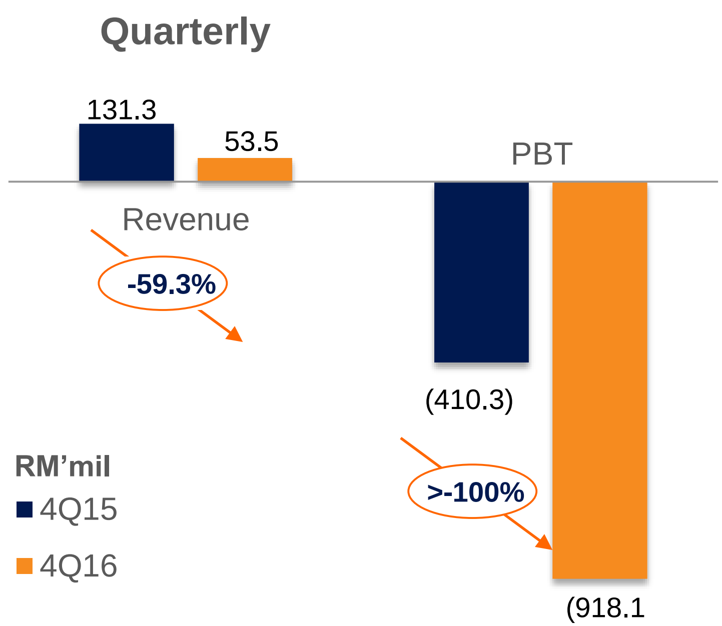
SEGMENTAL RESULTS – MANUFACTURING & ENGINEERING

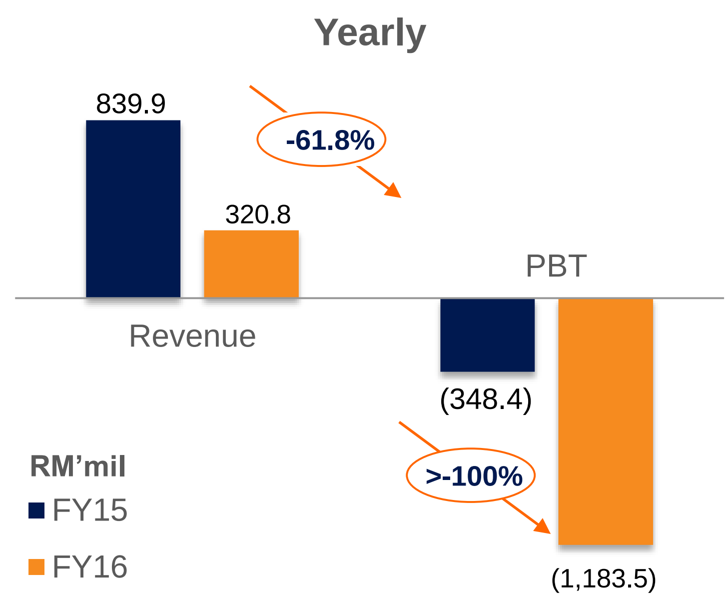


i) Auto components businesses were affected by weak markets sentiments in the automotive sector
ii) Revenue for 4Q16 decreased by 18.5% compared to the corresponding quarter in 2015
iii) The segment recorded a lower profit of RM4 million for the current quarter. This was mainly due to the lower auto components sales.
iv) For FY2016, the segment recorded a higher PBT of RM24 million against RM16.8 million for FY2015.

OIL & GAS SEGMENT

SEGMENTAL RESULTS – OIL & GAS (LISTED)

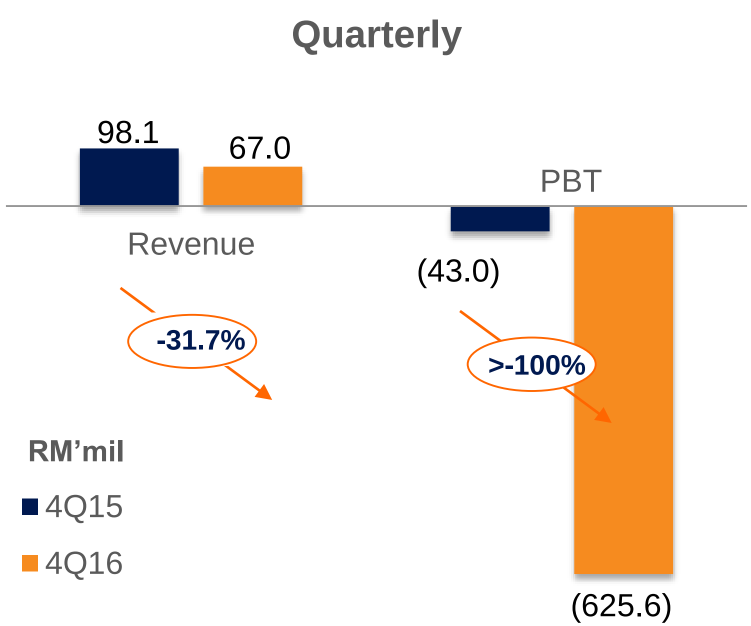


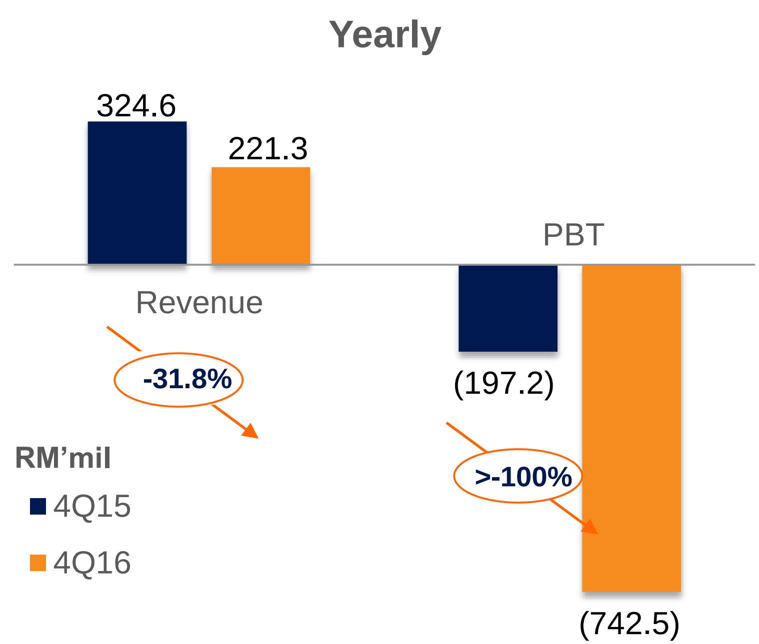


i. The segment performance was adversely affected by the continued low oil prices. Reduced spending by oil majors, lower activities for exploration, development and production contributed to the steep decline in asset utilization with lower charter rates.

ii. The segment posted operational loss of RM403.3 million for 2016. As the recoverable amount of the assets eroded, a higher impairment of RM780.2 million was provided compared to RM336.4 million in FY2015. Consequently, the segment posted a loss before taxation of RM1.18 billion.

SEGMENTAL RESULTS – OIL & GAS (UNLISTED)





i. The slowdown in the oil and gas industry had aggravated the performance of the segment. It was also adversely impacted by the low industry demand for exploration and production activities, and reduction in spending by oil majors.

ii. The segment registered operational loss of RM179 million for 2016. With the asset and investment impairment of RM563 million recognised during the year, the segment posted a loss before taxation of RM742.5 million, compared to RM197.2 million in 2015.

PROSPECTS FOR 2017

PROSPECTS FOR 2017
Automotive

Volume	**272,000** units forecasted for 2017 (46.1% of TIV) Toyota & Lexus – 70,000 units Perodua – 202,000 units
Industry	• Malaysian Automotive Association forecasts TIV for 2017 to reach 590,000 units, projected growth of 1.7% over 2016 • Soft consumer sentiment over uncertain local and global economic situation resulting in spending delays • Vehicle sales have not improved much despite Bank Negara Malaysia's move to cut OPR from 3.25% to 3.0% • Soft market sentiment may be further weakened if ringgit continues to decline

PROSPECTS FOR 2017
Equipment

Domestic	• Over RM550bil from catalytic **mega projects** in the pipeline: - Pan Borneo Highway - Merdeka PNB 118 - LRT 3 - MRT 2 - MRT 3 - TRX - ECRL - HSR - Bkt Bintang City Centre - Bandar Malaysia - Batu Kawan - Malaysia Vision City • **Agriculture & Plantations** - palm oil prices closed 2016 with strongest annual gain in 6 years • Expansion of the industrial equipment **renting business**
International	• Continue to pursue the ASEAN strategy and establishing market presence in Indonesia, Thailand, Cambodia, Laos and Philippines • Heavy Equipment – Repositioning heavy equipment business to focus from resources towards more urbanised sectors such as construction • Industrial Equipment – Bringing other products into the existing regional network

PROSPECTS FOR 2017
Manufacturing & Engineering

Auto Components	• Expected to sustain previous year's returns due to higher market share in the Original Equipment Manufacturer business & strong position in the Replacement Market.
Lubricants	• Expected to be impacted by conscious spending by consumers, in view of the current uncertain economic situation • Continued marketing and positioning of REPSOL brand in China in view of huge opportunities • Entry into new ASEAN markets by fostering partnerships with established local players • Focusing on home-grown GRANTT lubricants
High Value Manufacturing	• Expanding into high value manufacturing • Aerospace business with Rolls-Royce is progressing on schedule with production expected to commence in late 2017.

OUTLOOK FOR 2017

Group	• Demerger to be completed by Q2 FY2017 • Following demerger, gearing ratio is expected to improve significantly • 2017 to be a turnaround and recovery year • 2018 expected to be a much better year
Oil & Gas	• Listed Oil & Gas assets to be reflected for first two quarters of 2017 • Target for disposal of non-listed Oil & Gas assets by end 2018 • Operational losses are expected pending demerger and disposal of non-listed assets
Automotive	• 2017 target for Toyota + Lexus: 70,000 units (+7.5%) • To launch new models in 2H17 • 1 all-new & 3 face-lift models introduced in 4Q16; full-year contribution in 2017 • Perodua contribution sustainable with continued strong demand in entry-level segment
Equipment	• Strengthen forklift Fleet Management and rental business • Focus on export opportunities for used equipment and parts • To open 1S/2S facilities in outskirt industrial areas in Vietnam
Manufacturing & Engineering	• Lubricants business – expansion into new markets in ASEAN • Autoparts business - transforming existing KYB plant to increase productivity and diversify product range

CAPEX FOR 2017

CAPEX FOR 2017

Segment	RM'million
Automotive	373
Equipment	271
Manufacturing & Engineering	69
Others	43
Total	**756**

STRATEGIC PLANS MOVING FORWARD

NEW STRATEGY - ANNOUNCED ON 19 JANUARY 2017

Planned strategic exit from O&G sector

O&G (Listed)

- Drilling operations
- Oilfield services

Demerge via distribution in specie to the shareholders of UMWH

Non-listed O&G Assets (Value Group)

- Manufacturing
- Land Rigs
- Trading

Progressive exit

CORE BUSINESSES

Automotive

- Manufacture
- Assembly
- Distribution
- Sales & Service

Equipment

- Distribution
- Trading
- After-sales service

M&E

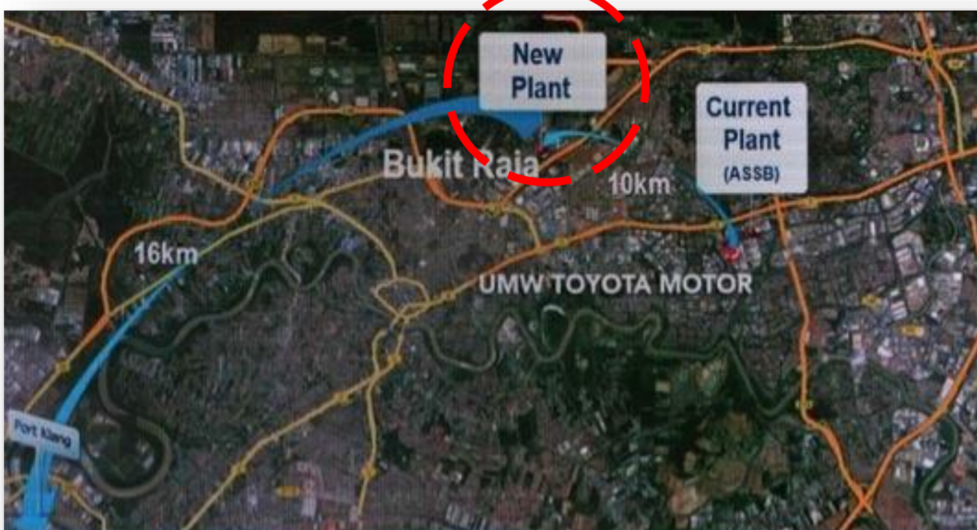
- Distribution of lubricants
- Manufacture of automotive components
- Manufacture of fan case

OUR STRATEGIC PLANS MOVING FORWARD

1. **Automotive - enhancing returns from our Automotive division**
2. **M&E - expanding further into high value manufacturing (Aerospace, etc.)**
3. **Equipment - expanding market presence and new products**

AUTOMOTIVE - ENHANCING VALUE

- Second plant – located in Bukit Raja, Klang
- Strategic location
- High automation
- Focus on passenger vehicles
- Plant & land size - **670,000 m²**.
- Total Investment - RM2 billion
- Annual Capacity - **50,000 units. (Initial)**
- Expected to start operations in early **2019.**



VALUE DRIVERS

- **Boost capacity and capability**
- **More exciting new CKD models**
- **Promotes localisation**
- **Competitive pricing**
- **Meeting market expectations on EEV**

EQUIPMENT – EXPANDING MARKET PRESENCE

- Rich pickings in ASEAN
  - VIETNAM: Gov't announced master plan for industrial development to 2025, with focus on electronics, telecommunications and industrial processing
  - MYANMAR: According to World Bank, economy will grow an average of 7.1 percent per year in the next three years. Private and public investments in infrastructure services are forecast to rise
  - THAILAND: Strong automotive hub, with greenfield investment in tire manufacturing yielding highest FDI, strong growth despite political unrest
  - INDONESIA: Abundant mineral resources, gov't policy prioritises infrastructure and industrial manufacturing

M&E – A Low-to-High Strategic Transformation

The Present		The Future
Low Margin Business	→	High Margin Business
Low Engineering Skills Base	→	High Precision Engineering/Machining
Low Barriers of Entry	→	High Barriers of Entry (capex, skills)
Low Value Manufacturing	→	High Value Manufacturing

SUMMARY

2016

Results	• A very challenging year • Group results were impacted by the major impairments from the oil & gas listed and unlisted segments, and provision for financial guarantee contracts. • The weakening ringgit has also affected the results.
Core business segments	The three remaining core segments – automotive, equipment and manufacturing & engineering – remained profitable.

2017

Group	
	• 2017 to be a turnaround and recovery year with improved balance sheet • Strong refocusing on the three core businesses (automotive, equipment, manufacturing & engineering) for better returns • Demerger from UMWOG to be completed by 1H2017 • Ongoing disposal of non-listed O&G assets

CONCLUSION

- For 2017, we anticipate stable revenues compared to the previous year.
- We are confident of the long-term prospect of our three core businesses as demonstrated by our on-going investments in Automotive, Equipment and Manufacturing & Engineering businesses.
- Our growth strategy will be underpinned by continued expansion in these three core sectors.

THANK YOU