Quarterly Investor Update 4Q16

LOSSES FROM OIL & GAS BUSINESSES AFFECTED THE GROUP'S FINANCIAL PERFORMANCE IN 2016 DESPITE PROFITBALITY OF OTHER CORE BUSINESSES

UMW

EXECUTIVE SUMMARY

4Q16 financial highlights

- The Group registered a revenue of RM3,062.3 million, a decrease of 26.8% or RM1,120.4 million compared to the same period of 2015.
- The Group reported a loss before taxation of RM2,098.0 million against a loss of RM330.2 million in the previous year's corresponding quarter, primarily due to impairments and provisions for Oil & Gas ventures.
- Consolidated cash and deposits stood at RM2.2 billion.

4Q16 highlights

- UMW Toyota Motor launched the 2016 Toyota Vios on 7 October 2016, and started taking orders for all-new Toyota Innova, Toyota Corolla Altis and new Toyota Camry facelift in November.
- Perodua registered sales of 56,221 units for 4Q16 compared to 55,780 units in 4Q15 (+0.79%) and 53,519 units in 3Q16 (+5.05%).
- UMW Industries continues to maintain Toyota forklift's leading position in Malaysia's material handling equipment market.
- Manufacturing & Engineering's profit before taxation (PBT) increased by 43% for financial year ended 2016 as compared to 2015.

Prospects for 2017

- The Group's combined automotive sales is forecasted to be 272,000 units. The weakening ringgit will add pressure to the profit margin of the segment.
- 2017 will continue to be another very challenging year. Heavy Equipment business is expected to be soft due to continue weak demand and low pricing in oil, minerals and commodities.
- With the proposed demerger of the Oil and Gas (Listed Group) and progressive exit of the unlisted oil and gas companies, the Group will be redefining strategy and streamline its businesses towards strengthening the financial position.
- The reduced consumer spending will continue to impact the performance of auto components business. However, the impact is expected to be cushioned by increase exports of shock absorbers to the European market

Dividend

- No interim dividend has been recommended for the quarter ended 31 December 2016.

Dear fund managers and analysts,

The Group's overall financial performance was adversely impacted by the losses of the Oil & Gas division due to the industry downturn. Nonetheless, the Group's other non-oil & gas businesses - Automotive, Equipment and Manufacturing & Engineering – remained profitable throughout 2016.

The Automotive segment recorded a lower revenue of RM2,462.3 million for 4Q16, 27.3% lower compared to 4Q15. Profit before taxation has also declined by 42.7% to RM143.6 million.

The Equipment segment's revenue of RM330.8 million for 4Q16 was lower than the RM401.2 million recorded in 4Q15. Despite the lower revenue, profit before taxation increased from RM29.1 million recorded in 4Q15 to RM30.6 million in the current quarter.

The Manufacturing & Engineering segment recorded a revenue of RM152.6 million in the current quarter, with lower profit before taxation of RM4.0 million as compared to the same quarter in 2015.

While the revenue reduced by 26.8%, the Group reported a loss before taxation of RM2,098.0 million mainly due to impairments and provisions for the oil & gas ventures.

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

UMW HOLDINGS BERHAD
Group Income Statement

	4Q16 RM'000	4Q15 RM'000	3Q16 RM'000	FY 2016 RM'000 (Unaudited)	FY 2015 RM'000 (Audited)	% change (YoY)
Revenue	**3,062,311**	4,182,737	2,856,787	10,965,068	14,441,583	(26.8)
Share of Profits of Associated Companies	**65,323**	71,788	40,847	154,767	134,438	(9.1)
Profit Before Taxation	**(2,098,033)**	(330,228)	(121,624)	(2,153,776)	269,652	>(100)
Net Profit Attributable To Shareholders	**(1,566,201)**	(284,286)	(128,828)	(1,690,576)	(37,171)	>(100)

Prospects for 2017

Automotive Segment
- UMW Group's combined total sales is forecasted to be 272,000 units for 2017.
- Vehicle sales is expected to remain moderate this year due to the continuous worries over the economy.
- Soft consumer sentiments over the uncertain local and global economies being forecasted resulting in spending delays. The Malaysian Automotive Association forecasts TIV to be 590,000 units for 2017.
- The performance of the segment is expected to be challenging in 2017 and may be further impacted if ringgit continues to weaken.

Equipment Segment
- Over RM550bil from catalytic mega projects like the Pan Borneo Highway, LRT 3, MRT 2, MRT 3, Bandar Malaysia are in the pipeline.
- Equipment segment will continue to pursue the ASEAN strategy and establish market presence in Indonesia, Thailand, Cambodia, Laos and Philippines.
- Heavy Equipment will be repositioned to focus from resources towards more urbanised sectors such as construction.
- Industrial Equipment plans to bring other products into the existing regional network.

Oil & Gas Segment
- The proposed demerger of the Oil and Gas (Listed Group) is expected to conclude by 1H17 while the company will make progressive exit from the Unlisted Oil and Gas segment.

Manufacturing & Engineering Segment
- The auto components business is expected to sustain previous year's returns due to higher market share in the Original Equipment Manufacturer business & strong position in the Replacement Market.
- However, lubricants business in China will remain bullish with higher PBT growth and will continue to be the largest lubricants supplier to OEMs in China.

BUSINESS SEGMENT – AUTOMOTIVE

	4Q16 RM'000	4Q15 RM'000	3Q16 RM'000	FY 2016 RM'000 (Unaudited)	FY 2015 RM'000 (Audited)	% change (YoY)
Revenue	**2,462,347**	3,387,553	2,263,372	8,458,839	10,721,917	(27.3)
Profit Before Taxation	**143,586**	250,652	133,474	493,083	860,938	(42.7)

Company	**UMW Toyota Motor Sdn. Bhd. (51% subsidiary company)**	**Perusahaan Otomobil Kedua Sdn. Bhd. (38% associated company)**
Vehicle sales	• Toyota sold 19,237 units in 4Q16 compared with 31,663 units in 4Q15 (-39.2%) and 17,271 units in 3Q16 (+11.38%). • For 4Q16, Lexus sold 388 units compared with 735 units in 4Q15 (-47.2%) and 334 units in 3Q16 (+16.2%). • The higher sales in 4Q16 compared with 3Q16 was due to the launch of the 2016 Toyota Vios and the all-new Toyota Innova.	• Perodua registered sales of 56,221 units for 4Q16 compared to 55,780 units in 4Q15 (+0.79%) and 53,519 units in 3Q16 (+5.05%).
Market share of TIV	• Market share for Toyota including Lexus for 2016 was at 11.2% with 65,110 total vehicles sold. • The total industry volume for 2016 is down by 13% year-on-year.	• Perodua sold 207,110 units of vehicle in 2016 with market share of 35.7% • Maintained the No. 1 position since 2006.
4Q16 Highlights	• UMW Toyota Motor launched the 2016 Toyota Vios with all-new powertrain which is now classified as an Energy Efficient Vehicle (EEV) on 7 October 2016. • UMW Toyota Motor started order taking for the all new Toyota Innova on 3 November 2016. • Order taking for Toyota Corolla Altis facelift started on 10 November 2016. • Order taking for Toyota Camry facelift started on 17 November 2016.	• Perodua Bezza received three awards – Entry Level category, People's Choice 2016 and the Most Significant Design Achievement at the Malaysia Car of the Year 2016 Awards Night • Perodua Global Manufacturing Sdn Bhd (PGM) rolled out its 250,000th vehicle • Perodua Bezza won Best Child Occupant Protection for small family Car category and Best Adult Occupant Protection for small family car category at the ASEAN NCAP Grand Prix Awards.
Prospects for 2017	• Sales forecast for Toyota including Lexus for 2017 is 70,000 units.	• Sales forecast for 2017 is 202,000 units.

BUSINESS SEGMENT – EQUIPMENT

	4Q16 RM'000	4Q15 RM'000	3Q16 RM'000	FY 2016 RM'000 (Unaudited)	FY 2015 RM'000	% change (YoY)
Revenue	**330,848**	401,171	342,849	1,382,815	1,882,591	(17.5)
Profit Before Taxation	**30,586**	29,086	33,551	146,723	226,451	5.2

Heavy Equipment

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

- The low performance recorded by the Heavy Equipment Group for 4Q16 was due to weak market sentiments in the construction, mining and logging sectors.
- Subdued global demand for natural resources and lack of funding from the government to implement infrastructure projects has affected business operations in PNG.

Industrial Equipment

Market share

- UMW Industries continues to maintain Toyota forklift's leading position in Malaysia's material handling equipment market.

Highlights

- Delivered 20 units of Toyota forklift to Campell Cheong Chan (Malaysia) Sdn Bhd
- Delivered 16 units of Toyota forklift to Xinyi Group
- Delivered 15 units of Toyota towing tractor to TCR International NV
- Delivered 11 units of Toyota forklift under new rental contract with Linde Malaysia Sdn Bhd
- Delivered 11 units of Toyota forklift under renewal rental contract with GS Paper Packaging Sdn Bhd

Marine & Power Equipment

Highlights

- Successfully handed over 2 sets of Oil Spill Response Equipment to Agensi Penguatkuasaan Maritim Malaysia (APMM). This is the first breakthrough into the Government sector and the Marine & Power Equipment is in a good the position to secure another similar contract with the Agency.

Prospects for 2017 -

- Over RM550bil from catalytic mega projects like the Pan Borneo Highway, LRT 3, MRT 2, MRT 3, Bandar Malaysia are in the pipeline.
- Equipment segment will continue to pursue the ASEAN strategy and establish market presence in Indonesia, Thailand, Cambodia, Laos and Philippines.
- Heavy Equipment will be repositioned to focus from resources towards more urbanised sectors such as construction.
- Industrial Equipment plans to bring other products into the existing regional network.

BUSINESS SEGMENT – MANUFACTURING & ENGINEERING

	4Q16 RM‘000	4Q15 RM‘000	3Q16 RM‘000	FY 2016 RM’000 (Unaudited)	FY 2015 RM‘000 (Audited)	% change (YoY)
Revenue	**152,643**	187,220	144,574	599,629	707,491	(18.5)
Profit Before Taxation	**4,044**	13,861	2,458	24,000	16,816	(70.8)

Results	• The segment recorded 19% lower revenue in 4Q16 compared to the same period last year. Profit before taxation (PBT) for 4Q16 was also lower by 71% compared to the same quarter last year. • This is mainly due to the reduction in lubricant business that was adversely affected by market sentiments in the automotive industry coupled with competition from other brands.
Performance for the year	• PBT surged by 43% over the previous year with auto component business exceeded budgeted PBT even though Total Industry Volume (TIV) was down by 13% from 2015. • Lubricants business in Malaysia surpassed their PBT budget. This is due to higher margin in relation to lower base oil price as a result of lower global crude oil price. Furthermore, they have successfully implemented cost saving initiatives programme for the purchase of raw materials. • Despite the challenging economy in 2016, PBT from lubricants business in China is above budget due to higher sales recorded and efficiency in cost cutting measures.
Prospects for 2017	• The auto components business is 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 business in Malaysia will be impacted by consumer’s conscious spending due to uncertainty in the current economic condition. • However, lubricants business in China will remain bullish with higher PBT growth and will continue to be the largest lubricants supplier to OEMs in China.

BUSINESS SEGMENT – OIL & GAS (LISTED)

	4Q16 RM'000	4Q15 RM'000	3Q16 RM'000	FY 2016 RM'000 (Unaudited)	FY 2015 RM'000 (Audited)	% change (YoY)
Revenue	**53,466**	131,310	49,653	320,808	839,877	(59.3)
Profit Before Taxation	**(918,082)**	(410,336)	(133,039)	(1,183,540)	(348,426)	>(100)

Results	• The segment registered a revenue of RM53.5 million, a substantial reduction of RM77.8 million from the same quarter of 2015, mainly attributable to low assets utilisation due to the continued low oil prices. • The segment reported a loss before taxation of RM918.1 million compared with RM410.3 million in the same quarter of 2015. The low assets utilisation and low charter rates had resulted in a significant impairment of RM780.2 million compared to RM336.4 million in the same quarter of 2015.
Highlights	• Drilling Services segment contributed revenue of RM50.8 million or 95.0% of the total revenue of RM53.5 million, a decrease of RM74.0 million or 59.3% over the RM124.8 million recorded in the same quarter of 2015. • During fourth quarter of 2016, two of the Group's seven jack-up rigs were income generating while another three jack-up rigs were preparing for mobilisation in 2017. Revenue for the same quarter of 2015 was however, contributed by four jack-up rigs with utilisation rates ranging from 15% to 100% at higher charter rates. • UMW NAGA 2 received a contract from Ophir Production Sdn. Bhd. on 10 November 2016. The Contract is to drill three firm wells for a minimum duration of fifty days, commencing in second quarter of 2017. • Oilfield Services segment contributed revenue of RM2.7 million or 5.0% of the total revenue of RM53.5 million. This represented a reduction of RM3.7 million or 57.8% over the RM6.4 million registered in the same quarter of 2015. Persistent weak demand for oilfield services due to ongoing cost-cutting measures by oil majors resulted in the revenue decline in the fourth quarter of 2016. • Oilfield Services segment reported a loss before tax of RM19.6 million in the fourth quarter of 2016 versus a loss of RM9.4 million recorded in the same quarter of 2015 primarily due to asset impairment of RM15.8 million compared to the goodwill impairment loss of RM6.2 million for the same quarter of 2015.
Prospects for 2017	• The joint decision by OPEC and non-OPEC producing countries in November 2016 to reduce oil production has brought some stability to the global price with the average Brent benchmark continuously trading above USD50 per barrel for a sustainable period. While a magnitude of upside in oil price is still uncertain, the decision effectively limits the downside and sets a floor for the oil price. This provides oil companies with a level of certainty in making investment decisions, with this being reflected in the increase in tender exercises and contract awards in late 2016 and early 2017. • With the potential recovery in the oil and gas industry mentioned above, the asset utilisation is expected to improve in 2017. This will gradually improve the financial performance of the segment as the number of idling assets declines.

BUSINESS SEGMENT – OIL & GAS (UNLISTED)

	4Q16 RM'000	4Q15 RM'000	3Q16 RM'000	FY 2016 RM'000 (Unaudited)	FY 2015 RM'000 (Audited)	% change (YoY)
Revenue	**67,046**	98,135	58,419	221,272	324,647	(31.7)
Profit Before Taxation	**(625,572)**	(42,980)	(36,137)	(742,537)	(197,190)	>(100)

Remarks	• This segment is the result of the segregation of our oil & gas assets prior to the IPO in 2013. The Oil & Gas (Unlisted) segment consists of Oil Country Tubular Goods (OCTG) and pipe manufacturing assets in China, India and Indonesia; land rig assets in Oman and India, oilfield services business and international pipe trading companies.
Results	• The Oil & Gas (Unlisted) segment registered a revenue of RM67.0 million in the current quarter, a drop of RM31.1 million compared to the RM98.1 million in the same quarter of 2015. The slump in oil and gas industry had aggravated the performance of the segment. • As in the listed group of the Oil and Gas segment, this Group has also suffered significant asset impairment of RM381.9 million, being a significant contributor to the loss before taxation of RM625.6 million.
Prospects for 2017	• The activities in the oil and gas industry remain uncertain both globally and locally. Demand by the drilling industry and its suppliers is weak despite the gradual increase in crude oil to above USD50 per barrel since December 2016. • In line with the Group's direction to exit completely from the oil and gas (unlisted) segment that was announced recently on 19 January 2017, the management is actively engaging with relevant parties to dispose off these assets.

UMW HOLDINGS BERHAD
Consolidated Balance Sheet

	At 31/12/2016 RM'000	At 30/09/2016 RM'000	Audited 31/12/2015 RM'000
Investment In Associates	**1,996,709**	1,928,622	1,923,150
Property, Plant & Equipment	**7,639,048**	8,174,175	8,102,786
Deposits, Cash & Bank Balances	**2,178,960**	2,116,516	2,734,143
Inventories	**1,922,370**	2,204,682	1,889,963
TOTAL ASSETS	**16,206,127**	16,333,893	18,225,301
Long Term Borrowings	**3,788,608**	2,917,898	2,289,762
Short Term Borrowings (include ODs)	**2,640,643**	2,436,560	3,724,990
TOTAL EQUITY	**6,908,852**	8,893,363	9,383,871
Net Assets Per Share (RM)	**4.04**	5.35	5.64

THANK YOU

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