

UMW ACHIEVES PRETAX PROFIT OF RM72.2 M IN 3Q15



RM million	3Q15	3Q14	YoY
Profit Before Taxation	72.2	430.3	(83.2%)

EXECUTIVE SUMMARY

3Q15 financial highlights

- The Group revenue decreased by 4.6% or RM169.3 million compared to the same quarter last year.
- Consequently, the Group generated a lower profit before taxation of RM72.2 million against RM430.3 million in the previous year's corresponding quarter.
- Net profit attributable to equity holders of the company was RM13.5 million.
- Consolidated cash and deposits stood at RM2.8 billion.

3Q15 highlights

- Lexus ES facelift was officially launched on 24 August 2015.
- Perodua opened its flagship centre in Section 19 Petaling Jaya dubbed "Perodua Sentral" on 4 September 2015.
- UMW Group commands a combined market share of 44.6% in the Malaysian automotive industry in 3Q15. YTD September, the market share was at 45.5%.
- The Equipment segment registered commendable results due to the strong contribution from its operations in Myanmar and Papua New Guinea.
- Toyota forklift maintained its market leadership position in Malaysia's material handling equipment business.
- UMW Oil & Gas took delivery of its latest jack-up drilling rig, UMW NAGA 8.
- UMW Aerospace Sdn. Bhd. under the Manufacturing & Engineering segment has signed a 25-year contract with Rolls-Royce to manufacture and assemble fan cases for Rolls-Royce's Trent 1000 aero engines which power the Boeing 787 Dreamliner on 12 August 2015.

Prospects for 2015

- The Group's combined automotive sales is forecasted to be 298,000 units.
- Barring unforeseen circumstances, Equipment segment is expected to outperform its 2014 performance.
- The Oil & Gas segment is expected to continue to be challenging due to the low oil price.
- The Manufacturing & Engineering segment's outlook remains challenging with the slowdown in the automotive industry and the weakening of the Ringgit.

Dear fund managers and analysts,

The Group's revenue in 3Q15 decreased by 4.6% compared to 3Q14 mainly due to lower performance of the Automotive and Oil & Gas segments. In line with the lower revenue, the Group generated a lower profit before taxation of RM72.2 million against RM430.3 million in the previous year's corresponding quarter.

The Automotive segment's revenue and PBT decreased by 1.8% and 67.0% respectively, due to stiff competition and weak consumer sentiments. The weakening of ringgit and higher campaign and promotion expenses had affected the current quarter profit for the segment.

Equipment segment registered 9.2% higher revenue due to strong demand from Myanmar and PNG, and a 45% increase in PBT.

The Oil & Gas segment's revenue decreased by 16.4% due to lower time charter rates and lower utilisation of some of our assets. PBT was reduced by 84.9%, further weighed down by additional OPEX from UMW NAGA 7.

Manufacturing & Engineering segment recorded a slight improvement in revenue and PBT of RM3.6 million and RM2.2 million respectively.

We expect the outlook to be very challenging in view of the depressing oil prices, weak consumer sentiments and uncertain economic environment. Nevertheless, we will continue to improve operational efficiencies and contain cost.

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

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Group Income Statement

	3Q15 RM'000	3Q14 RM'000	2Q15 RM'000	FY 2014 RM'000 (Audited)	FY 2013 RM'000 (Audited)	% change (YoY)
Revenue	3,533,179	3,702,528	3,485,294	14,932,490	13,951,460	(4.6)
Share of Profits of Associated Companies	(323)	25,612	29,544	139,648	157,537	>(100)
Profit Before Taxation	72,239	430,271	207,624	1,621,460	1,435,673	(83.2)
Net Profit Attributable To Shareholders	13,523	196,996	68,438	651,970	652,926	(93.1)

Prospects for 2015

Automotive Segment

- UMW Group's combined total sales is forecasted to be 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.
- Unfavourable exchange rate movements will continue to contribute to the higher cost of imported vehicles and components.

Equipment Segment

- The current prevailing low commodity prices will continue to dampen the overall domestic economy. However, the construction sector is expected to improve with the activities announced under the 11th Malaysia Plan.
- With the strong GDP growth forecasted at 7.8% for Myanmar and with the resumption of jade mining activities, Myanmar operations is expected to perform positively.
- Operations in Papua New Guinea is also expected to contribute positively to the segment.
- Industrial Equipment will continue to focus on expanding the equipment rental business.

Oil & Gas Segment

- The outlook for the industry remains challenging with the weak 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.
- The latest premium offshore jack-up rig, UMW NAGA 8 has been mobilised to offshore Sarawak to commence drilling services under the contract with SapuraKencana while UMW NAGA 7 has been deployed to offshore Sabah on a contract with PETRONAS Carigali.

Manufacturing & Engineering Segment

- The weak consumer sentiments will continue to affect the segment's performance.
- Continuous appreciation of the US Dollar will further cause a rise in imported material cost.

BUSINESS SEGMENT – AUTOMOTIVE

	3Q15 RM'000	3Q14 RM'000	2Q15 RM'000	FY 2014 RM'000 (Audited)	FY 2013 RM'000 (Audited)	% change (YoY)
Revenue	2,596,144	2,643,372	2,732,671	10,766,009	10,022,984	(1.8)
Profit Before Taxation	113,393	343,943	263,370	1,475,266	1,413,474	(67.0)

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 23,301 units in 3Q15 compared with 23,508 units in 3Q14 (-0.9%) and 22,555 units in 2Q15 (+3.3%). For 3Q15, Lexus sold 472 units compared with 369 units in 3Q14 (+27.9%) and 532 units in 2Q15 (-11.3%). 	<ul style="list-style-type: none"> Perodua registered sales of 49,025 units for 3Q15 compared to 45,837 units in 3Q14 (+7.0%) and 51,349 units in 2Q15 (-4.5%)
Market share of TIV	<ul style="list-style-type: none"> Market share for Toyota including Lexus for 3Q15 was at 14.6%. 	<ul style="list-style-type: none"> Market share for Perodua for 3Q15 was at 30.0%. Maintained the No.1 position since 2006.
3Q15 Highlights	<ul style="list-style-type: none"> Lexus ES facelift was officially launched on 24th August 2015. A full-fledged 3S + B&P centre, Toyotsu Rawang is now in full operation and a Toyota 2S Centre in Pandan Indah, Wing Hin was opened in September UMW Toyota Motor has announced that it will be increasing the price of Toyota and Lexus vehicles effective January 2016. 	<ul style="list-style-type: none"> Perodua opened its flagship centre in section 19 Petaling Jaya on 4th September 2015 dubbed "Perodua Sentral". Perodua has increased the on-the-road (OTR) pricing of its Axia 1.0 Standard G variant, covering both manual and automatic versions. Perodua launched new model variants – The Alza S and Myvi Premium XS 1.3 litre beginning 19 September 2015.
Prospects for 2015	<ul style="list-style-type: none"> Target is 90,000 units YTD October, total Toyota and Lexus sales was 72,663 units. 	<ul style="list-style-type: none"> Target is 208,000 units YTD October, total Perodua sales was 174,832 units.

BUSINESS SEGMENT – EQUIPMENT

	3Q15 RM'000	3Q14 RM'000	2Q15 RM'000	FY 2014 RM'000	FY 2013 RM'000	% change (YoY)
Revenue	474,782	434,750	353,644	1,767,166	1,705,458	+9.2
Profit Before Taxation	64,382	44,390	33,681	218,231	195,838	+45.0

Heavy Equipment

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

- The increase in revenue was contributed mostly by the higher demand for equipment, parts and services by our operations in Myanmar and Papua New Guinea.
- Myanmar operations contributed more than 40% of total heavy equipment revenue, while Papua New Guinea registered 27%.
- Komatsu market share for 3Q15 – Malaysia (16%), Singapore (8%), Papua New Guinea (38%) and Myanmar (14%).
- The low gold, copper, nickel, iron ore and coal prices continued to adversely impact the mining sectors. The strong development spending by the Malaysian government contributed to strong activities in the construction sectors.

Industrial Equipment

Market share

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

Highlights

- Delivered 23 units of Toyota forklift to Press Metal Group
- Delivered 11 units of Toyota forklift under new rental contracts with Next Logistics Sdn. Bhd.
- Delivered 6 units of Toyota forklift to Keris Success Transport Sdn. Bhd.
- Delivered 6 units of Toyota forklift under new rental and renewal contracts with MS Supply Chain (Malaysia) Sdn. Bhd.

Marine & Power Equipment

Highlights

- Successfully completed and delivered one unit of portable air compressor to PETRONAS Carigali Terengganu Crude Oil Terminal.

Prospects for 2015 -

The strong business performance in Myanmar and Papua New Guinea is expected to contribute positively to the segment.

BUSINESS SEGMENT – OIL & GAS

	3Q15 RM'000	3Q14 RM'000	2Q15 RM'000	FY 2014 RM'000	FY 2013 RM'000	% change (YoY)
Revenue	212,697	254,321	183,374	1,014,903	737,752	(16.4)
Profit Before Taxation	11,454	75,846	7,995	284,156	206,849	(84.9)

Results

- The reduction in revenue was due to lower time charter rates and lower utilisation of some of the rigs in the third quarter of 2015. However, this was mitigated by additional full quarter revenue from the new rig which commenced operation in October 2014.
- Profit before taxation for the segment reduced from RM75.8 million in the third quarter of 2014 to RM11.5 million in the current quarter, parallel with the reduction in revenue. The profit was further weighed down by the additional operating expenses from the new offshore premium jack up rig, UMW NAGA 7 which has not secured any contract during the reporting period.

Highlights

- Drilling Services segment's revenue of RM203.7 million contributed to 95.8% of the total revenue of RM212.7 million, a 15.9% decrease over the RM242.3 million recorded in the same quarter of 2014. The reduction in revenue was mainly due to lower time charter rates and lower utilisation of some of the assets during the third quarter of 2015.
- Oilfield Services segment contributed lower revenue of RM9.0 million, a 25% reduction from RM12.0 million registered in the same quarter of 2014. Lower revenue recorded by its operations in Labuan, Thailand and China resulted in revenue decrease.
- The segment took delivery of its latest jack-up drilling rig, UMW NAGA 8, from Keppel FELS Limited, Singapore in late August 2015.

Prospects for 2015

- The latest premium offshore jack-up rig, UMW NAGA 8, has been mobilised to offshore Sarawak to commence drilling services under the contract with SapuraKencana for up to 18 wells with an option for 3 additional wells.
- UMW NAGA 7 has secured a contract with PETRONAS Carigali for the provision of drilling rig services for 7 firm wells with an extension option of 1 plus 1 well. UMW NAGA 7 was mobilised to offshore Sabah in early November 2015.
- The segment is actively exploring the overseas business and hopes to secure new jobs from the Middle-East markets to sustain its growth.
- The financial performance of the segment is expected to be challenging.

BUSINESS SEGMENT – MANUFACTURING & ENGINEERING

	3Q15 RM'000	3Q14 RM'000	2Q15 RM'000	FY 2014 RM'000	FY 2013 RM'000	% change (YoY)
Revenue	183,807	180,206	165,400	725,078	735,498	+2.0
Profit Before Taxation	752	(1,484)	400	14,786	(39,164)	>+100

- Results**
- The slight improvement in revenue and profit before taxation was attributable to the improved lubricant sales as well as cost cutting measures undertaken by the companies within the segment.
 - Higher forex gain from retranslation of the foreign currency denominated balances also contributed to the improved gain.

- General Performance**
- **Malaysia:**
 - i. The slowdown in the Malaysian automotive industry has affected the demand for automotive components.
 - ii. Due to the depreciation of Ringgit against USD, cost of raw materials have risen and hence reduced margins.
 - iii. Signed a 25-year agreement with Rolls-Royce Plc. to manufacture and assemble fan cases for Rolls-Royce's Trent 1000 aero engines on 12 August 2015. The manufacturing plant will be set-up in Malaysia and the first delivery will start in 4Q2017.
 - **China**
 - i. The slowdown in economy is expected to continue further. Manufacturing and export continues to contract and this will have a significant impact on demand for lubricants.
 - ii. The economic slowdown also causes overcapacity issues and is impacting most industries.

- Prospects for 2015**
- The automotive segment is expected to be slow-moving in the last quarter.
 - Domestic REM market is still sluggish due to dealers reducing their stock holding as a result of stiffer competition with lower priced products.
 - Continuous appreciation of the US Dollar will further cause a rise in imported material cost.
 - The segment will continue working towards improving the product mix sales performance, extending the customer base while at the same time tightening cost control.
 - The segment has completed the divestment of its loss making auto components manufacturing companies in India on 20 November 2015.

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Consolidated Balance Sheet

	At 30/09/2015 RM'000	At 30/06/2015 RM'000	Audited 31/12/2014 RM'000
Investment In Associates	1,891,242	1,838,793	1,797,456
Property, Plant & Equipment	8,500,785	6,718,408	5,669,692
Deposits, Cash & Bank Balances	2,827,136	2,867,316	3,370,710
Inventories	2,324,997	2,163,135	1,830,408
TOTAL ASSETS	19,129,684	16,868,708	16,519,674
Long Term Borrowings	2,089,243	1,831,156	1,803,038
Short Term Borrowings (include ODs)	4,120,279	2,997,966	2,386,737
TOTAL EQUITY	9,728,648	9,597,087	9,433,057
Net Assets Per Share (RM)	5.83	5.75	5.63



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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