

UMW HOLDINGS' REGISTERS A HIGHER NET PROFIT OF RM124M IN 2Q18

RM million	2Q18	2Q17	YoY(%)	1Q18	QoQ(%)	1H18	1H17	YoY(%)
Net profit	124.4	(209.3)	>+100	74.1	+67.9	198.5	(189.1)	>+100



EXECUTIVE SUMMARY

2Q18 financial highlights

- The Group registered a revenue from Continuing Operations of RM2,919.1 million during the quarter, 5.9% higher than the RM2,757.5 million reported in the same quarter of last year.
- Consequently, the Group's profit before taxation (PBT) from Continuing Operations of RM301.3 million for the current quarter was significantly higher than the RM48.3 million recorded in the previous corresponding quarter. The improved performance was driven by higher contribution from the Automotive and Equipment segments as well as reversal in provisions.
- The Group's loss before taxation (LBT) from Discontinued Operations of RM121.9 million was substantially lower than the RM237.8 million LBT registered in the same period of 2017.
- As a result, net profit attributable to equity holders of the company was RM124.4 million.
- Consolidated cash and deposits stood at RM881 million as at end-June 2018.

2Q18 highlights

- UMW Toyota Motor (including Lexus) sold an impressive 19,308 units (+11% YoY) in the second quarter of the year, bringing first half of 2018 sales to be 32,134 units.
- Perodua sold 117,098 units in first half of 2018, on track to reach its 2018 target of 209,000 units.
- Heavy equipment sub-segment was lifted by higher export sales and increased demand in the construction industry whilst industrial equipment continues to benefit from the leasing business.
- The lower loss before taxation in the Manufacturing & Engineering segment was due to a combination of improved revenue (the Aerospace business has started to generate revenue) as well as better profit margins due to the strengthening of the Ringgit.

Prospects for 2018

- The Group targets to sell 279,000 units of new vehicles in 2018 and hopes to maintain its overall market share (2017: 48%). Overall market share for the first seven months of 2018 was 51%.
- With current orders secured, heavy equipment should perform satisfactorily. Industrial equipment is expected to perform well, with the rental business in the warehouse and logistics sectors.
- Auto components manufacturing as well as lubricant business should remain profitable supported by on-going growth in demand for auto components as well as the group's continuing efforts to enhance demand of lubricants in Malaysia. The Aerospace business with Rolls Royce is producing and delivering fan cases as per the contractual requirement.
- Operations in the Oil & Gas (unlisted) segment have been scaled down and the management is actively executing the divestment strategy. The Group does not expect any adverse material impact in the remaining two quarters.

Dear fund managers and analysts,

Following the Group's strategic decision in 2017 to refocus on strengthening our three core businesses, we have managed to deliver healthy results. Overall, the Group's net profit rose to RM124.4 million for the second quarter of 2018, against a loss of RM209.3 million recorded in the same quarter of 2017. It is also substantially higher than the RM74.1 million recorded in the first quarter of 2018, representing a net profit growth of 68%. The Group is now firmly on the recovery path and we are in an even better position to execute our long-term growth strategy and enhance shareholder value.

The Group registered a 6% increase in revenue from Continuing Operations for the second quarter ended 30 June 2018.

Automotive segment's PBT improved by 44% mainly driven by better performance from an associate company and higher profit margin due to strengthening of Ringgit Malaysia against the US Dollar.

In addition, the Equipment segment achieved 17% higher PBT, primarily contributed by rising export sales of heavy equipment and increased demand in the construction industry.

Furthermore, revenue of the Manufacturing & Engineering segment grew by 16% largely contributed by the aerospace business that has started to generate revenue.

Badrul Feisal Abdul Rahim
President & Group CEO
UMW Holdings Berhad

UMW HOLDINGS BERHAD

Group Income Statement

	2Q18	2Q17	% chg	1Q18	% chg	1H18	1H17	% chg	FY 2017 (Audited)
	RM'000	RM'000	(YoY)	RM'000	(QoQ)	RM'000	RM'000	(YoY)	RM'000
Revenue	2,950,451	2,925,937	0.8	2,438,769	21.0	5,389,220	5,729,175	-5.9	11,066,638
Share of Profits of Associated Companies	54,405	31,928	70.4	57,622	-5.6	112,027	73,191	53.1	182,000
Profit Before Taxation	179,432	(187,096)	>+100	123,565	>+45.2	302,997	(175,107)	>+100	266,573
Net Profit Attributable To Shareholders	124,376	(209,302)	>+100	74,084	+67.9	198,460	(189,137)	>+100	(640,634)

Current prospects

Automotive Segment

- The Malaysian Automotive Association's (MAA) revised downwards its Total Industry Volume forecast for 2018 to 585,000 (+1.5% year-on-year growth) from 590,000 (+2.3% year-on-year growth) on concerns over the reintroduction of the Sales and Service Tax (SST) from 1 September 2018
- The UMW Group (UMWT and Perodua) sold 149,232 units in 1H18 and maintain its target to sell 279,000 units in 2018
- Accelerated sales during the GST-free period will slow down once SST kicks in but sales could rebound during year-end promotion period
- Outlook for the segment is expected to be sustainable in 2018

Equipment Segment

- Although Malaysia's macro-economy will remain positive in 2018 with forecast gross domestic product (GDP) of 5.0%, infrastructure job awards in 2H18 are likely to be muted as a result of the on-going review of mega infrastructure projects
- However, given the current orders secured, heavy equipment sub-segment should perform satisfactorily. Its Myanmar business should continue to benefit from higher parts sales from the existing fleet of machineries for jade & copper mining
- Industrial equipment is expected to perform well, with the rental business in the warehouse and logistics sectors

Manufacturing & Engineering Segment

- Replacement Equipment (RE) Manufacturers' sales for both domestic and export markets are expected to contribute higher revenue
- The lubricants business has presence in Malaysia, China and Indonesia and is growing significantly. Efforts are in progress to enhance the market penetration into other ASEAN countries as well
- The Aerospace business with Rolls Royce is producing and delivering fan cases as per the contractual requirement

BUSINESS SEGMENT

AUTOMOTIVE

	2Q18	2Q17	% chg	1Q18	% chg	1H18	1H17	% chg	FY 2017 (Audited)
	RM'000	RM'000	(YoY)	RM'000	(QoQ)	RM'000	RM'000	(YoY)	RM'000
Revenue	2,382,665	2,260,343	5.4	1,877,059	26.9	4,259,724	4,451,199	-4.3	8,972,182
Profit Before Taxation	142,439	98,969	43.9	125,941	13.1	268,380	186,039	44.3	446,059

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 19,026 units in 2Q18 compared with 17,220 units in 2Q17 (YoY: +10.5%) and 12,683 units in 1Q18 (QoQ: +50.0%) In 2Q18, Lexus sold 282 units compared with 219 units in 2Q17 (YoY: +28.8%) and 143 units in 1Q18 (QoQ: +97.2%) 	<ul style="list-style-type: none"> Perodua registered sales of 61,530 units for 2Q18 compared with 49,410 units in 2Q17 (+24.5%) and 55,568 units in 1Q18 (+10.7%)
Market share of TIV	<ul style="list-style-type: none"> Market share for Toyota including Lexus for 1H18 was at 11.1% 	<ul style="list-style-type: none"> Market share for Perodua for 1H18 was at 40.4% Maintained the No 1 position since 2006
2Q18 Highlights	<ul style="list-style-type: none"> Delivery of Toyota C-HR started in end-of-March with high order taking of 1,500 bookings as of March 2018 UMW Toyota Motor Sdn Bhd announced the revised prices to reflect to 0% Goods & Services Tax which took effect from 1 June 2018 UMW Toyota Motor (including Lexus) recorded impressive sales performance in June 2018 of 11,678 units (+116.9% YoY; +42.5% MoM), mainly due to pent-up demand from a disappointing May sales, as consumer withheld purchases before “zerorisation” of GST 	<ul style="list-style-type: none"> Delivered over 38,000 units of the new Myvi nationwide, as of the third week of April, out of 70,000 bookings received from Nov 8, 2017 up to April 30, 2018 Prior to the zerorisation of GST effective 1 June 2018, Perodua announced full reimbursement of the GST to customers who purchase a new Perodua vehicle, service their Perodua vehicle or buy parts between May 18 and May 31 Perodua made its maiden sale of a fleet of 1,000 Bezza and Axia units to an unnamed ride-hailing and ride-sharing service provider operating in Malaysia
2018 sales forecast	<ul style="list-style-type: none"> Sales target for Toyota including Lexus for 2018 is 70,000 units 	<ul style="list-style-type: none"> Sales target for Perodua is 209,000 units

BUSINESS SEGMENT

EQUIPMENT

	2Q18	2Q17	% chg	1Q18	% chg	1H18	1H17	% chg	FY 2017 (Audited)
	RM'000	RM'000	(YoY)	RM'000	(QoQ)	RM'000	RM'000	(YoY)	RM'000
Revenue	365,948	351,351	4.2	373,042	-1.9	738,990	693,784	6.5	1,458,901
Profit Before Taxation	37,813	32,197	17.4	44,936	-15.9	82,749	71,744	15.3	141,831

Heavy Equipment	Industrial Equipment	Marine & Power Equipment
<p>Highlights – (Komatsu products covering Malaysia, Singapore, PNG and Myanmar)</p> <ul style="list-style-type: none"> Malaysia - Lower new machine deliveries as contractors were cautious of the unclear market environment arising from the recent cancellation/postponement of major infrastructure projects PNG - Shortage of foreign currency and lack of government funding had resulted in a major slowdown in sales related to infrastructure development. However, 2Q revenue was lifted quarter-on-quarter due to higher deliveries of logging and construction machineries as well as higher repairs and maintenance Myanmar - Parts sales to the jade & copper mining sector remained strong with the active mining activities and on-going repairs & maintenances carried out for the aging fleet of machineries 	<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: <ul style="list-style-type: none"> 52 units of Toyota forklift and towing tractors to TCR International NV 29 units of Toyota forklift under new and renewal rental contracts with Panasonic Appliances Air-Cond (M) Sdn Bhd 28 units of Toyota forklift and BT warehouse truck under new and renewal rental contracts with Nestle Group 19 units of Toyota forklift under new rental contract with Kian Joo Group 19 units of Toyota towing tractor under new rental contract with Aero Darat Service Sdn Bhd <p>Others</p> <p>UMW Industries launched its all new Toyota Reach Truck 8FBR Series and Toyota Battery Forklift 8FBN Series in 2Q18. The new Toyota Reach Truck 8FBR Series and Battery Forklift are equipped with improved safety and performance features. These models will help the company to increase market share for anticipated growth sectors like warehousing, logistics and F&B</p>	<p>Highlights</p> <ul style="list-style-type: none"> Awarded contract by Petronas Fertilizer Kedah to supply one unit centrifugal gas compressor package for the plant operation Secured a 3+1 year contract extension with Sarawak Shell for the provision of compressor parts and services Achieved certification for Quality Management standard ISO 9001:2015

Current prospects

- With the cancellation of major rail projects & cost review of other mega projects in Malaysia, infrastructure job awards in 2H18 are likely to be muted. However, given the current orders secured, heavy equipment sub-segment should perform satisfactorily
- Industrial equipment operations are projecting growth potential in Malaysia driven by improved market demand albeit intense competition. The sub-segment is expected to perform well, with the rental business in the warehouse and logistics sectors

BUSINESS SEGMENT

MANUFACTURING & ENGINEERING

	2Q18	2Q17	% chg	1Q18	% chg	1H18	1H17	% chg	FY 2017 (Unaudited)
	RM'000	RM'000	(YoY)	RM'000	(QoQ)	RM'000	RM'000	(YoY)	RM'000
Revenue	178,321	153,871	15.9	168,466	5.8	346,787	319,754	8.5	645,075
Profit Before Taxation	(547)	(9,600)	94.3	(2,855)	80.8	(3,402)	(6,502)	47.7	(17,709)

Results	<ul style="list-style-type: none"> The segment recorded higher revenue of 15.9% in 2Q18 compared to the same period last year Auto components manufacturing and lubricants businesses were profitable However, the overall result was affected by the operating loss in the aerospace business, which is expected to be profitable in 2020
Performance for the quarter	<ul style="list-style-type: none"> The higher revenue was contributed mainly by the auto-components business which has started to generate revenue Sales of lubricants was adversely affected by the intense competition in the market and further impacted by the importation of lubricants from overseas
Current prospects	<ul style="list-style-type: none"> Replacement Equipment (RE) Manufacturers' sales for both domestic and export markets are expected to contribute higher revenue The lubricants business has presence in Malaysia, China and Indonesia and is growing significantly. Efforts are in progress to enhance the market penetration into other ASEAN countries as well The aerospace business with Rolls Royce is producing and delivering fan cases as per the contractual requirement

BUSINESS SEGMENT (DISCONTINUED OPERATIONS)

OIL & GAS (UNLISTED)

	2Q18	2Q17	% chg	1Q18	% chg	1H18	1H17	% chg	FY 2017 (Audited)
	RM'000	RM'000	(YoY)	RM'000	(QoQ)	RM'000	RM'000	(YoY)	RM'000
Revenue	31,317	28,523	9.8	23,430	33.7	54,747	62,332	-12.2	120,589
Profit Before Taxation	(121,907)	(184,016)	33.8	(23,735)	>-100	(145,642)	(79,108)	-84.1	(520,203)

Results	<ul style="list-style-type: none"> The segment registered a revenue of RM31.3 million in the second quarter as compared with the RM28.5 million recorded in the previous corresponding quarter. The segment reported a loss before taxation of RM121.9 million due to the write down of investments to fair value in line with the divestment strategy. The narrowing losses was a result of the winding down of operations which are being carried out in stages, in line with the exit strategy of the oil & gas segment
Prospects for 2018	<ul style="list-style-type: none"> Management is actively executing the divestment strategy and operations in the Oil & Gas (unlisted) segment have been scaled down. The Group does not expect any adverse material impact in the remaining quarters of 2018

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Consolidated Balance Sheet

	At 30/6/2018 RM'000 (Unaudited)	At 31/12/2017 RM'000 (Audited)	At 31/12/2016 RM'000 (Audited)
Property, Plant & Equipment	3,051,264	2,658,103	7,678,533
Investment in Associates	1,689,900	1,661,497	1,953,223
Inventories	1,537,697	1,410,746	1,931,189
Deposits, Cash & Bank Balances	880,622	1,169,568	1,857,424
TOTAL ASSETS	10,143,642	10,095,732	16,286,440
Long Term Borrowings	2,249,953	2,069,717	3,715,777
Short Term Borrowings (include ODs)	598,069	691,857	2,639,329
TOTAL EQUITY	5,412,763	4,178,430	6,864,275
Net Assets Per Share (RM)	2.72	2.61	4.04



THANK YOU



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