

UMW REGISTERS PRE-TAX PROFIT OF RM19.9M IN 3Q17



RM million	3Q17	3Q16	YoY(%)
Profit /(Loss) Before Taxation	19.9	(121.6)	>+100

EXECUTIVE SUMMARY

3Q17 financial highlights

- The Group registered a revenue from Continuing Operations of M2,671.0 million for the current quarter 30 September 2017, a reduction of RM136.1 million or 4.8% over the RM2,807.1 million recorded in the same quarter of 2016. Revenue contribution by the Automotive had shrunk following the drop in units sold whilst the Oil & Gas (Unlisted) segment was affected by the cessation of business in the Oman operations.
- The Group posted a profit before taxation from Continuing Operations of RM19.9 million for the current quarter, as compared to RM11.4 million in the same quarter of 2016.
- Consolidated cash and deposits stood at RM1.3 billion.

3Q17 highlights

- The new variants of the Toyota Innova, Fortuner and Toyota Hilux were opened for booking.
- The All-New Toyota CH-R was displayed at selected Toyota showrooms for public preview.
- Improved performance recorded by the Equipment segment for 3Q17 was attributed to the higher heavy equipment sales in Malaysia due to higher construction activities.
- Manufacturing & Engineering segment recorded higher revenue in 3Q17 compared to the same period last year due to the increase in sales of auto component business mainly for shock absorbers which was derived from higher export sales. Profitability was affected by pre-operating expenses incurred for the aerospace business of RM17.9 million.

Prospects for 4Q17

- The Group targets to sell 272,000 units in 2017. Sales in 4Q17 will be boosted by new model launches and year-end promotions.
- The heavy equipment business is expected to leverage on the growth in construction and infrastructure sector whilst industrial equipment business is projected to be challenging with intense competition.
- Manufacturing & Engineering segment – to be stable with continued positive contribution from manufacturing of shock absorbers. Lubricants business is also expected to contribute positively.
- The delivery of first fan case for Rolls-Royce is targeted for end-November 2017.

Dividend

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

Dear fund managers and analysts,

The Automotive and Equipment segments have remained profitable in the third quarter of 2017. Manufacturing & Engineering (M&E) segment registered higher revenue although profitability was impacted by pre-operating expenses incurred by the aerospace business. However, losses from the Unlisted Oil & Gas segment and Others segment adversely impacted the Group's performance.

The Automotive segment registered 6.5% lesser revenue due to lower demand for the Toyota brand in anticipation of new model launches. As a result, profit before taxation (PBT) dropped by 20.5% to RM106.1 million.

Equipment segment recorded 7.7% higher revenue and 17% higher PBT due to improved contribution from the Malaysian operations. The local business unit recorded an increase in revenue of 37% and PBT of 46% for the third quarter due to higher construction activities.

The M&E segment registered 7.8% higher revenue in the third quarter supported in part by increased contribution from the auto components manufacturing business.

As announced earlier, we are committed to exit the Unlisted Oil & Gas segment by 2018 and upon completion of the strategic plans of exiting this segment, the Group is better positioned to focus on the next phase of growth of the three core businesses.

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

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Group Income Statement

	3Q17 RM'000	3Q16 RM'000	2Q17 RM'000	FY 2016 RM'000	FY 2015 RM'000	% change (YoY)
Consolidated Revenue	2,671,008	2,856,787	2,925,590	10,958,515	14,441,583	-6.5
Share of Profits of Associated Companies	29,648	40,759	28,036	156,382	134,438	-27.3
Profit Before Taxation	19,932	(121,624)	(189,495)	(2,130,225)	269,652	>+100
Net (Loss)/Profit Attributable To Shareholders	(29,367)	(128,828)	(209,303)	(1,658,039)	(37,171)	+77.2

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 Malaysia and overseas is expected to perform satisfactorily.
- The aerospace business with Rolls-Royce is progressing on schedule and the first delivery is expected in the last quarter of the year.

Oil & Gas Segment

- Upon completion of the strategic plans of exiting the unlisted oil and gas assets, performance of the Group is expected to be improved.

BUSINESS SEGMENT – AUTOMOTIVE

	3Q17 RM'000	3Q16 RM'000	2Q17 RM'000	FY 2016 RM'000	FY 2015 RM'000	% change (YoY)
Revenue	2,115,924	2,263,372	2,260,343	8,450,956	10,721,917	-6.5
Profit Before Taxation	106,073	133,474	98,968	496,931	860,938	-20.5

Company	UMW Toyota Motor Sdn. Bhd. (51% subsidiary company)	Perusahaan Otomobil Kedua Sdn. Bhd. (38% associate company)
Vehicle sales	<ul style="list-style-type: none"> Toyota sold 15,596 units in 3Q17 compared with 17,271 units in 3Q16 (-9.7%) and 17,220 units in 2Q17 (-9.4%). For 3Q17, Lexus sold 240 units compared with 334 units in 3Q16 (-28.1%) and 219 units in 2Q17 (+9.6%). 	<ul style="list-style-type: none"> Perodua registered sales of 51,905 units for 3Q17 compared with 53,519 units in 3Q16 (-3.0%) and 49,410 units in 2Q17 (+5.0%).
Market share of TIV	<ul style="list-style-type: none"> Market share for Toyota including Lexus for 9M17 was at 11.7%. 	<ul style="list-style-type: none"> Market share for Perodua for 9M17 was at 35.6%. Maintained the No. 1 position since 2006.
3Q17 Highlights	<ul style="list-style-type: none"> Lexus Malaysia launched the All-New Lexus LC500 in the Malaysian market with retail price of RM940,000. Toyota captured the top spot in J.D Power's 2017 Malaysia Customer Satisfaction Index, tied with Isuzu. The All-New Toyota CH-R was displayed at selected Toyota showrooms for public preview. UMW Toyota Motor introduced Toyota Vios Sports Edition with a selling price of RM85,300 (without insurance) The new variants of the Toyota Innova, Fortuner and Toyota Hilux available for booking. Prices for Toyota Innova 2.0X start from RM107,800. Toyota Fortuner 2.4 VRZ4x4 and 2.4 VRZ4x2 variants are priced from RM169,800 while Toyota Hilux is priced from RM87,200. 	<ul style="list-style-type: none"> Perodua's Pre-Owned Vehicles (POV) retail business is now up and running with the opening of the first POV showroom along Jalan Pahang in Kuala Lumpur on 6 October 2017. The RM1.7 million outlet, officially called Perodua KL, sells both new and pre-owned cars.
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

	3Q17 RM'000	3Q16 RM'000	2Q17 RM'000	FY 2016 RM'000 (Audited)	FY 2015 RM'000	% change (YoY)
Revenue	369,334	342,849	351,351	1,382,815	1,882,591	+7.7
Profit Before Taxation	39,251	33,551	32,196	145,620	226,451	+17.0

Heavy Equipment	Industrial Equipment	Marine & Power Equipment
<p>Updates (Komatsu products covering Malaysia, Singapore, PNG and Myanmar)</p> <ul style="list-style-type: none"> Improvement in the construction sector with ~8% growth mainly due to the on-going & implementation of mega infrastructure projects. However, market share was limited by stiff competition & cheaper China-made machineries. In PNG, shortage of foreign currency and the halting of new government funding during the election period had resulted in a major slowdown in sales related to infrastructure development. Myanmar – improved contribution principally due to the seasonal demand for spare parts and services for the jade mining industry from May to September. 	<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 64 units of Toyota forklift and BT warehouse truck under renewal rental contracts with Nestle Group. Delivered 52 units of Toyota forklift and BT warehouse truck under new and renewal rental contracts with Panasonic Appliances Air-Cond. (M) Sdn. Bhd. Delivered 25 units of Toyota forklift under renewal rental contracts with Perodua Group. Delivered 17 units of Toyota forklift to Hong Leong Group. Delivered 13 units of Toyota forklift under new and renewal rental contracts with F&B Nutrition Sdn. Bhd. Delivered 12 units of Toyota forklift under new rental contracts with Aik Joo Can Factory Sdn. Bhd. 	<p>Highlights</p> <ul style="list-style-type: none"> Awarded contract to supply 2 units of air compressor and dryer packages to Petronas Carigali Sdn. Bhd. for Baronia A platform offshore Sarawak. Secured maintenance contract to supply gas compressor parts and services for Petronas Carigali Sdn. Bhd.
<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 industrial equipment business is expected to remain challenging with compressed gross profit margin from intense competition. The performance of this segment is expected to be challenging in the final quarter of the year. 		

BUSINESS SEGMENT – MANUFACTURING & ENGINEERING

	3Q17 RM'000	3Q16 RM'000	2Q17 RM'000	FY 2016 RM'000 (Audited)	FY 2015 RM'000 (Audited)	% change (YoY)
Revenue	155,818	144,574	153,871	601,460	707,491	+7.8
Profit Before Taxation	(6,730)	2,458	(9,600)	24,619	16,816	>-100

Results	<ul style="list-style-type: none"> The division recorded higher revenue in 3Q17 compared to the same period last year due to the increase of sales in auto components manufacturing business. Profitability was affected by pre-operating expenses incurred for the aerospace business of RM17.9 million.
Performance for the quarter	<ul style="list-style-type: none"> For 3Q17 in comparison with the 3Q16, profitability of the lubricants business in Malaysia improved mainly due to the cost saving initiatives that have been successfully implemented for the purchase of raw materials and other operating expenses. Despite the challenging business environment with higher base oil price and large number of competitors, lubricants business in China performed better than expected.
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 for exports. The lubricants businesses from domestic and overseas operations are also expected to contribute positively despite the challenging economic conditions. The aerospace business with Rolls-Royce is progressing as per schedule and the first delivery of the fan case is expected by the final quarter of 2017.

BUSINESS SEGMENT – OIL & GAS (UNLISTED)

	3Q17 RM'000	3Q16 RM'000	2Q17 RM'000	FY 2016 RM'000 (Audited)	FY 2015 RM'000 (Audited)	% change (YoY)
Revenue	37,534	58,419	31,684	221,891	324,647	-35.8
Profit Before Taxation	(35,592)	(36,137)	(70,630)	(734,895)	(197,190)	+1.5

Results	<ul style="list-style-type: none"> The segment registered a revenue of RM37.5 million in the quarter under review, a drop of RM20.9 million compared to the RM58.4 million recorded in the same quarter of 2016. Performance of the segment was primarily affected by the continued low demand for drilling activities coupled with the cessation of drilling operations in Oman. The segment reported a slightly lower loss before taxation of RM35.6 million, compared to the loss before taxation of RM36.1 million in the same quarter of 2016 due to lower share of losses in associate companies in China.
Prospects for 2017	<ul style="list-style-type: none"> As announced earlier on the decision for the Group to exit completely from the Oil & Gas segment, the management is actively implementing its action plans towards this direction.

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Consolidated Balance Sheet

	At 30/9/2017 RM'000 (Unaudited)	At 30/6/2017 RM'000	At 31/12/2016 RM'000 (Audited)
Investment In Associates	1,970,225	1,939,729	1,953,223
Property, Plant & Equipment	2,611,923	2,443,179	7,678,533
Deposits, Cash & Bank Balances	1,280,954	1,382,965	1,857,424
Inventories	1,625,295	1,521,983	1,931,189
TOTAL ASSETS	10,446,818	10,117,324	16,263,024
Long Term Borrowings	2,044,232	2,065,632	3,715,777
Short Term Borrowings (include ODs)	827,148	899,420	2,639,329
TOTAL EQUITY	4,656,845	4,650,138	6,864,275
Net Assets Per Share (RM)	3.01	3.03	4.04



THANK YOU



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