

PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

Dato' Ahmad Fuaad Mohd Kenali | PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER'S

Dear Valued Shareholders,

2022 was a good year for Malaysia and the UMW Group. The recovery, buoyed by the transition of COVID-19 from pandemic to endemic phase, improved business and consumer confidence.

GROUP'S
REVENUE

**RM15.8
billion**

GROUP'S PROFIT
BEFORE TAX

**RM896.5
million**



Refer to pages 30 to 35 of our
Financial Highlights



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The impact of the Penjana stimulus, as well as the roll-out of the National Recovery Plan (**NRP**) and the 12th Malaysia Plan (**12MP**), accelerated our revenue growth. Our Group was able to respond well to the recovery despite the lingering supply and labour issues during the year in meeting our customers' demand for our products and services. We were extremely encouraged by the performance of our businesses in 2022 and the results recorded for the year. The Group delivered the highest revenue and profit before tax of RM15.8 billion and RM896.5 million, respectively, over the last 8 years. Alhamdulillah.

The Group took initiatives to improve its resilience during the COVID-19 pandemic. We were able to strengthen our core business operations to deliver more attractive products and services to our customers, with improved operational efficiency and cost competitiveness. As a result, the returns on equity of the Group improved across all our businesses in 2022. We believe our Group will strive to maintain this momentum of improved customer focus and operational excellence in line with our CREST@UMW strategic transformation framework.

PERFORMANCE 2022

The UMW Group achieved revenue of RM15.8 billion, up 43% from RM11.1 billion in FY2021. The Automotive Division achieved the highest increase from RM9.0 billion to RM13.3 billion or 47.4%.

The leap in vehicle sales was largely attributable to the final extension of the sales tax exemption on motor vehicles up to 30 June 2022, along with the introduction of new models. Similarly, higher revenues were achieved in other core divisions, such as the Equipment Division - up 16.3% to RM1.5 billion - and Manufacturing & Engineering (**M&E**) - up 31.0% to RM758.1 million.

The Group's profit before tax and zakat (**PBTZ**) increased by 85.6% in FY2022, from RM482.8 million in FY2021 to RM896.5 million. The cost saving initiatives implemented through the CREST@UMW framework to improve our margin and profitability.

The Automotive Division contributed 62.5%, of the PBTZ to RM774.9 million from RM476.7 million in 2021. This is followed by the 42.8% increase in the Equipment Division's PBTZ to RM152.8 million. M&E also grew significantly to RM75.7 million in FY2022 from RM56.0 million in FY2021, or a 35.2% increase.

The FY2022 Profit after Tax and Minority Interests (**PATAMI**) was RM415.0 million, representing a 55% increase from a year ago at RM268.2 million.

The Equipment Division's revenue of RM1.5 billion was 16.3% higher than the RM1.3 billion in 2021, mainly growing demand for Equipment's products and services in its local and overseas markets during 2022. Accordingly, the Division's PBTZ increased by 42.8% to RM152.8 million compared with RM107.0 million reported in 2021.

The M&E Division recorded a revenue of RM758.1 million, 31.0% higher than the RM578.7 million reported in the previous year. This was due to higher contributions from all sub-segments, most notably from the automotive component sub-segment. In line with the revenue increase, the Division's PBTZ of RM75.7 million was 35.2% higher than the RM56.0 million reported in the preceding year.

The Aerospace Division's revenue of RM226.1 million in 2022 was 53.2% higher than the RM147.6 million in 2021. The Division recorded a loss before tax (**LBT**) of RM9.4 million in 2022, a 72.2% improvement in comparison to the previous year's LBT of RM33.8 million.

The Development Division quadrupled its revenue, from RM17.1 million in 2021 to RM73.9 million in 2022. The Division sales increased significantly to RM460.0 million in 2022 from RM42.9 million the previous year, a 972.3% increase. The sale of 213 acres of industrial land contributed to revenue growth, surpassing the initial sales target.

The Group in 2022 achieved a cost reduction of RM178.4 million, a 36.2% increase from RM131.0 million in 2021. This cost optimisation exercise was the result of collaborative efforts with our principals and vendors.

UMW Holdings Berhad declared a final dividend of 11.2 sen per share, amounting to RM130.8 million to be paid on 12 May 2023. The Group endeavours to increase its dividend payout as it progresses on its growth trajectory.

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KEY OPERATIONAL HIGHLIGHTS



UMW GROUP'S MARKET SHARE OF 2022 TIV

53.1%

UMW TOYOTA TOTAL SALES IN 2022

101,035 units

PERODUA TOTAL SALES IN 2022

282,019 units

MODELS LAUNCHED IN 2022

Toyota:

Corolla Cross Hybrid, Toyota Veloz, Toyota Harrier 2.0L Luxury 2022 Improvement (IMP)

Perodua:

All-new Alza, Ativa Hybrid

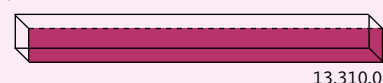
AUTOMOTIVE

- In tandem with the all-time-high vehicle sales volume in Malaysia, UMW's Automotive Division performed remarkably in 2022, charting record revenues. Both Toyota and Perodua maintained their leading positions in the non-national and national car markets. Despite disruptive supply chain issues, high sales volumes were achieved due to the pent-up demand after a two-year decline. The sales tax exemption extension, as well as allowing buyers with confirmed bookings to be registered by 31 March 2023, added to the increased sales.
- Toyota's success in Malaysia in 2022 was mainly attributed to its early January launch of the new Corolla Cross Hybrid. Reinforcing its commitment to advance cleaner drives, this also pushes the global agenda to achieve carbon neutrality by 2050. Front-runners in their respective segments, the Hilux and Fortuner both contributed significantly to Toyota's strong 2022 sales. Its new regional tagline 'Move Your World', launched towards the end of 2022, will further nudge Toyota towards being a full-fledged mobility company.
- Perodua, as Malaysia's largest automotive manufacturer and leading national carmaker, surpassed its 2022 target to achieve its best performance on record. Through its integrated adaptability, Perodua inculcated a workforce mentality of going beyond and strengthened its culture in line with its 'One Team, One Goal' motto. With a shared commitment within Malaysia's automotive industry, Perodua and its partners are increasing their 95% local content through improved capabilities and resilience.

REVENUE

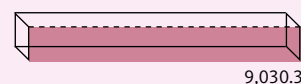
(RM million)

2022



13,310.0

2021

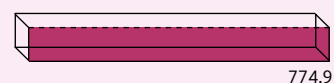


9,030.3

PROFIT BEFORE TAX

(RM million)

2022



774.9

2021



476.7

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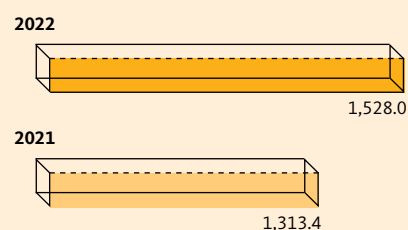


EQUIPMENT

- In 2022, the Equipment Division's growth strategy focused on addressing customer needs in relation to emerging economic and sustainability considerations. Partnerships were nurtured through collaborative engagement, while consultative marketing resolved customers' issues with optimal solutions.
- In delivering on its resolute commitment to customers, in October 2022 the Division launched its Equipment Division Customer Centre (**EDCC**) in Kota Kemuning, Shah Alam. The new one-stop, integrated customer centre not only houses service centres for its heavy equipment, industrial equipment and industrial power businesses, but is also a parts warehouse and an equipment service-and-repair centre.
- The Industrial Equipment segment recovered in 2022, as improved demand brought in new orders, and deliveries were made on back-orders. To maximise opportunities, successful marketing campaigns were launched, one of which was to work with principals on existing clients' fleet management renewals. In another initiative, the Electrifying Campaign's goal was to convert internal combustion-powered trucks to become battery-powered. To further enhance its sustainability aspirations, refurbishment programmes for forklifts were also offered.
- Increase in the resumption of infrastructure projects and the rise in commodity prices contributed to the Heavy Equipment segment's performance in 2022. Demand for high-quality equipment included hydraulic excavators and all-weather Articulated Dump Trucks (**ADT**), ensuring clients were assured of a choice of machines. Customer-centric initiatives were realised, such as extended warranty, parts and service packages and the encouraging Equipment Deferred Payment Scheme (DPS).

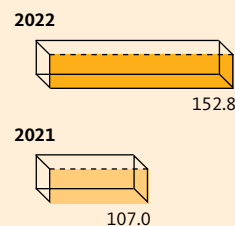
REVENUE

(RM million)



PROFIT BEFORE TAX

(RM million)



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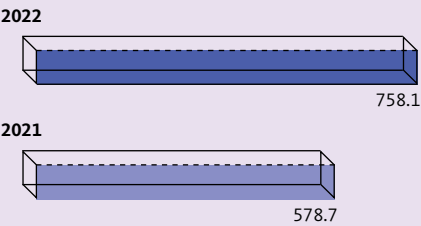
KEY OPERATIONAL HIGHLIGHTS



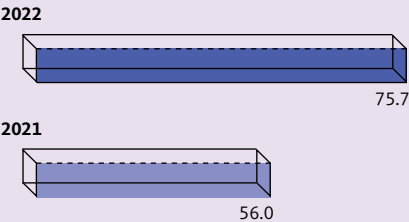
MANUFACTURING & ENGINEERING

- The M&E Division achieved its highest-ever revenue in 2022. With the rising mobility, pent-up demand for new vehicles and the extended car sales tax exemption period, the Division's growth was stimulated by demand surges for shock absorbers and lubricants.
- In constantly benchmarking against the best, the Division focuses on Quality, Costs and Delivery (**QCD**). More value is sought by offering high quality and competitive price, ensuring repeat customers as well as introduction of new products.
- In October 2022 the Division launched Grantt Bio VG Hydraulic Oil, its first range of green, bio hydraulic lubricants. The two MyHijau-certified variants, VG46 and VG68, are equivalent to, if not better than, conventional lubricants and are produced from locally sourced palm oil. The product's aims are to be affordable and sustainable hydraulic lubricants without compromising on performance.
- As part of its commitment to expand green initiatives, the Division is spearheading innovative technology in battery revival services, membrane manufacturing, water reclamation and environmental-friendly bio-lubricants.

REVENUE
(RM million)



PROFIT BEFORE TAX
(RM million)

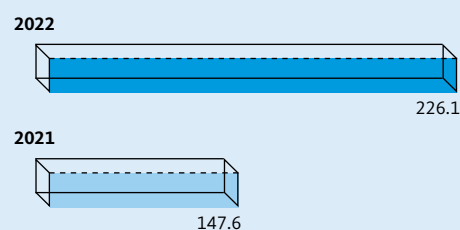
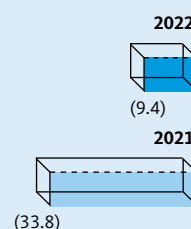


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AEROSPACE

- The Aerospace Division's revenue improved by 53% from 2021. Generally, in 2022, the Aerospace industry's manufacturing and maintenance, repair and overhaul sub-sector grew faster than in the pre-COVID-19 era, with backlog orders of aircraft and increased flights. However, slower recovery of larger wide-bodied aircraft partly dampened the growth for the Aerospace Division in 2022.
- Recognised as one of the best among the 705 Rolls-Royce vendors globally, the Division was awarded the Supplier Best Practice Award at the Rolls-Royce Global Aerospace Supplier Conference in the UK in June 2022. The Division's concerted effort with sustainable practices and green initiatives such as solar panels, rainwater harvesting and no-plastic-bottle initiatives were the main factors for the recognition.
- In 2022, the Division retained its position in the top 5% of Rolls-Royce suppliers globally, after being inducted into the 2021 cohort of Rolls-Royce's High Performing Supplier Group (**HPSG**). In addition, the Division's remarkable record of 2,343 days without industrial accident or Zero Lost-Time-Injury (**LTI**) demonstrated its high safety standards.

REVENUE
(RM million)

LOSS BEFORE TAX
(RM million)


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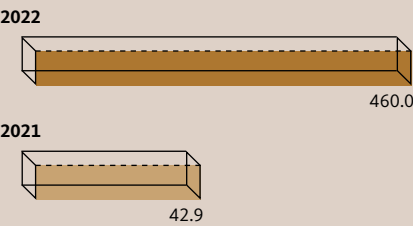
KEY OPERATIONAL HIGHLIGHTS



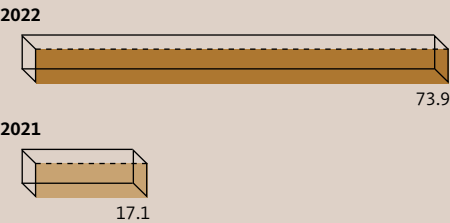
DEVELOPMENT

- As demand for industrial land rose in 2022, the Development Division exceeded its initial sales target and quadrupled its revenue. To date in the Southern Zone, 90% of sales have been secured. In August 2022, UMW Development signed a Sale and Purchase Agreement (**SPA**) for the sale of 140 acres of land to LONGI (Kuching) Sdn Bhd, the HVM Park’s largest land investment, valued at RM304.92 million.
- In incorporating all the five core pillars of the CREST@UMW transformation strategy to stimulate growth in 2022, the Division gained potential new investors who were introduced by existing customers. Strong relationships were developed with key stakeholders including Majlis Perbandaran Hulu Selangor (**MPHS**), Invest Selangor Berhad (**ISB**) and Malaysian Investment Development Authority (**MIDA**) to serve our customers better.
- In 2022, road connectivity was improved at the HVM Park, with utilities fully ready to be connected. The final Green Certification was obtained for the new UMW Campus office and factories. Upon finalising infrastructure and landscaping work in 2023, the HVM Park’s Southern Zone will be awarded a Green Township certification, one of the first in Selangor.

INKED SALES AND PURCHASE AGREEMENTS VALUED AT (RM million)



REVENUE (RM million)



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STRATEGIC FRAMEWORK

“The strategic framework revolves around five core pillars of Customer, Relationship, Excellence, Sustainability and Teamwork. To further optimise our capabilities and potential under CREST@UMW, we identified three strategic enablers – Attitude, Innovation and Digitalisation.”

We launched CREST@UMW in January 2021, with the aspiration to double our revenue to RM20 billion, achieving RM2 billion in PBT and RM1 billion PATAMI by 2030. The strategic framework revolves around five core pillars of Customer, Relationship, Excellence, Sustainability and Teamwork. To further optimise our capabilities and potential under CREST@UMW, we identified three strategic enablers – Attitude, Innovation and Digitalisation.



CREST@UMW successfully helped shape our response to the demands of the pandemic period. The strategic framework aided in resolving prevailing uncertainties, and in adopting a cohesive tenor. In only the second year of its implementation, we have reached the halfway milestone of RM15.8 billion revenue. Encouraged by the Group's performance to date, the Board has suggested that we look to 2027 to fully achieve our CREST@UMW aspirations.

SUSTAINABLE GROWTH

Our ambitious Sustainability Roadmap will steer us towards achieving 45% carbon neutrality by 2030, and 100% by 2050. We will continue with judicious fine-tuning of our Roadmap, as we prioritise the opportunities presented by decarbonisation and climate action.



We have calculated our direct greenhouse gas emissions from sources we control, as well as indirect emissions from purchased energy, under Scope 1 and 2 of the GHG Protocol Corporate Standard. We are now working to reduce them as fast as we can. The Group currently uses four megawatts of renewable energy, an amount we are hoping to double next year. We are also looking to subscribe to the Green Electricity Tariff (GET) from Tenaga Nasional Berhad (TNB) in 2023.

Our partnership with Toyota expands our range of vehicles to offer our customers low-emission options that are cleaner and more environmentally friendly. Our current Hybrid Electric Vehicle (HEV) utilises advanced technology to reduce CO2 emissions and is well-received by our environmentally conscious customers. We are also rolling out Battery Electric Vehicles (BEV) by 2025. Additionally, Toyota is invested in the commercialisation of hydrogen fuel-cell electric vehicles (HFCEV) to accelerate the transition towards

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electrified vehicles. Cleaner and more efficient alternatives are inevitable to mitigate climate change and pave the way for a zero-emissions future.

To further offset our greenhouse gas emissions, we launched the UMW Green Shoots (UGS) Initiative, in partnership with Malaysian Nature Society (MNS) and Yayasan Hijau Malaysia (YHM). Our initial target for this initiative is to plant 300,000 mangrove trees by the end of 2023. We were halfway towards this goal as at December 2022. So far, we have planted mangrove trees in eight states in Malaysia: Selangor, Terengganu, Pahang, Penang, Negeri Sembilan, Perlis, Sarawak and Johor.

We have chosen to invest in this initiative as mangrove forests are known for their high carbon-sequestration efficiency and are critical to the country's ecosystem. This Initiative is also in line with the Malaysian Government's National 100 million Tree-Planting Campaign 2021 – 2025, launched in January 2021.

We aspire to proceed with the UGS Initiative until 2050, with the intention of planting over three million trees. In addition, we are working with the government, the National Forestry Department, to gazette our mangrove tree planting sites as protected areas.



PEOPLE POTENTIAL

The Group's robust performance in FY2022 was underpinned by our people's strong delivery of our CREST@UMW strategic initiatives. Our employee engagement activities are geared towards ensuring that everyone at UMW understands our strategic framework and is able to work cohesively as a team to achieve the Group's aspirations.



The ongoing CREST@UMW Learning Series – accessible to employees across the Group online – includes discussions with business leaders and guest experts on topics and trends related to CREST's core pillars and strategic enablers.

Our talent management approach aims to build a fit-for-purpose workforce by aligning jobs and people with where value is being created, and to enable a mechanism to develop fit-for-purpose skills and behaviours. Learning provisions are tailored to skill gaps identified in core competency assessments. We strive to balance the organisation's future capability needs with employees' long-term aspirations. The UMW Executive Development Programme with the Melbourne Business School offers our executives the opportunity to acquire an MBA equivalent development; while the Finance Leadership Development Programme with the Malaysian Institute of Certified Public Accountants (MICPA) and the Association of Chartered Certified Accountants (ACCA) intended to encourage our finance employees to become full-fledged professional accountants. Furthermore, UMW Training Academy offers in-house management and leadership programmes to improve their capabilities and competencies.

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When it comes to innovation, we note that a tremendous amount of R&D and resources is required to accelerate its progress. We believe that collaboration can provide the answer. The UMW Innovation and R&D Centre (**UIRDC**) has established strategic partnerships with universities, research institutions and enterprises to jointly tackle some of the technological and sustainability challenges our industries face. This collaborative approach provides UMW and our partners access to a greater wealth of talent, and contributes to a faster, more agile and economically efficient innovation process.

Our collaborative initiatives are also aligned with the Malaysian Government's recent emphasis on transforming the local manufacturing sector to focus on high value-added, knowledge-intensive industries.



FUTURE PROSPECTS

The country's growth of 8.7% in 2022 exceeded earlier projections of between 6.5% and 7%. Continued expansion in domestic demand, a robust labour market recovery, stronger exports and policy support were the main drivers.

The Group remains vigilant against potential disruptions and expected challenges in 2023, and is putting the necessary safeguards and countermeasures in place. Our achievements in 2022 have only strengthened our resolve to perform better in the year ahead, and meeting customer needs and exceeding expectations will remain at the centre of UMW's growth strategy.

We will harness the strength of our partnerships with our principals to offer customers new hybrid electric/electric products and best-value model offerings; as well as incorporate our partners' global best practices to deliver excellence in our services. At the same time, we will accelerate our CREST@UMW initiatives to ensure that we continue to add value to our partnerships by bringing cost-competitiveness, market insight and our own unique set of know-how to the table.

We will also be looking to enhance our vendors' capabilities and resilience, especially in the automotive sector, to reduce the delivery waiting period for our customers. In line with our sustainability agenda and carbon neutrality goal, we are further encouraging our vendors to embrace green initiatives and collaborate with others in our value chain - such as solar providers - to lower carbon emissions, reduce costs and increase efficiency.

ACKNOWLEDGEMENTS

Overall, I would describe 2022 as another productive and transformative year for the UMW Group. CREST@UMW has spurred us to think differently and innovatively about our processes, our use of materials and technology, our business models, culture and environmental impact. Based on our achievements in the past year, I firmly believe we are now in a position to fast-track our aspiration of achieving RM20 billion revenue, RM2 billion PBT and RM1 billion PATAMI.

I would like to express my appreciation to all our WOWriors and the Management Team for embracing CREST@UMW, and to our Board of Directors for their support and guidance. My heartfelt gratitude also goes to our customers, principals and partners, shareholders, suppliers and associates - for their cooperation and trust in UMW's ability to create value.

Backed by our strong fundamentals, UMW is confident that, despite the challenges ahead, we will continue to deliver sustainable growth that will benefit all our stakeholders going forward.

Dato' Ahmad Fuaad Kenali

President & Group Chief Executive Officer