

PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER'S REVIEW



DEAR VALUED SHAREHOLDERS,

“It has been a challenging year for UMW Group, but I am glad to report that we have devoted significant efforts during the year to strengthen, rejuvenate and reposition our businesses to seize the opportunities ahead of us.”

While I am fully apprised of the various challenges and risks we continue to face in dealing with the effects of the pandemic, I see great potential for the Group even in this unyielding environment. By having a sense of the risks involved, we will ensure that the organisation treads with cautious optimism in unlocking further value for our stakeholders. My confidence is derived from the underlying strength present in each of our divisions, and it has become clear that the opportunities available far outweigh the challenges. In 2020, we have proven that the Group was able to deliver solid results in its value creation journey despite the challenging operating environment caused by the pandemic.

Significant achievements were recorded across all our divisions, which helped to further improve our resilience and competitiveness through a sustained focus on strengthening principal relationships, driving operational excellence and improving cost-effectiveness.

Financial Results

The Group recorded revenue of RM9.6 billion in the financial year ended 31 December 2020 (FY2020), a decline of 18.6% from RM11.8 billion due to lower contributions from all our business segments resulting from the impact of the COVID-19 pandemic. The Group's profit for the financial year in FY2020 was recorded at RM322.9 million, declining from the RM628.7 million recorded in 2019. The lower net profit was mainly attributed to a one-off gain of RM188.1 million on property disposal in the financial year ended 31 December 2019 (FY2019).

The Automotive Division's revenue for FY2020 of RM7,483.7 million was 19.5% lower than the revenue of RM9,295.9 million recorded in FY2019, mainly due to the lower number of vehicles sold during the Movement Control Order (MCO) period. In tandem with the decline in revenue and a lower share of profit from our associate company, the segment's profit before tax (PBT) was RM334.6 million, lower than the RM530.3 million reported in the previous year. The vehicle sales tax holiday announced by the government in the second half of the year helped to mitigate the COVID-19 impact on the Automotive Division's earnings.



The Equipment Division's revenue of RM1,137.3 million in FY2020 was lower than the RM1,408.2 million recorded in the previous year, mainly due to a slowdown in construction, manufacturing, mining and logging activities following the impact of the COVID-19 pandemic in the countries in which we operate. PBT was RM102.9 million, lower than the RM135.7 million* recorded in the previous year.

The Manufacturing & Engineering (M&E) Division recorded revenue of RM918.3 million in FY2020, which was lower than the RM1,062.5 million reported in the previous year, mainly due to lower contribution from all subsegments that were impacted by the COVID-19 pandemic. Despite the decrease in revenue, the segment's PBT of RM61.6 million was marginally higher than the RM60.9 million* recorded in FY2019 due to our cost-saving initiatives.

While the Group experienced a more pronounced impact from the pandemic in the first half of FY2020, going into the second half of the year, we noted an ongoing

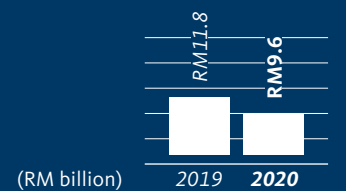
economic recovery and the benefits of our cost optimisation initiatives driving our results positively. During the year under review, the Group undertook concerted cost optimisation efforts that resulted in a Group wide cost reduction of RM134 million in FY2020.

The Group will continue to review all capital expenditure requirements with a view to embarking on further cost-saving initiatives through continuous business process improvements.

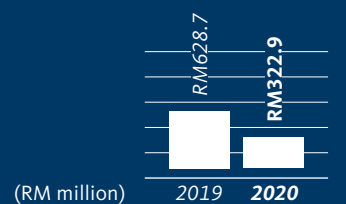
Key Operational Highlights

Overall, the Group's performance exceeded expectations due to the government's stimulus package and other opportunities that the Group was able to leverage on. The Group's performance was adversely affected during the MCO but recovered in the second half of the year together with the easing of movement restrictions and the recovery in economic activity. More details about our operational highlights are described in the following sections.

GROUP'S REVENUE RM9.6 BILLION



GROUP'S PROFIT AFTER TAX RM322.9 MILLION



Note:

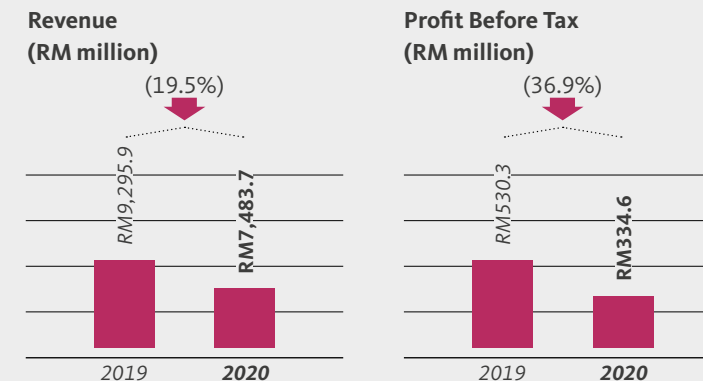
* Excluding gain on disposal of land and building.

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AUTOMOTIVE

Both UMW Toyota Motor Sdn Bhd (**UMW Toyota**) and Perusahaan Otomobil Kedua Sdn Bhd (**Perodua**) managed to exceed their revised sales targets for 2020 despite the disruptions to sales and manufacturing.



Perodua Total Sales in 2020
220,163 Units

UMW Toyota Total Sales in 2020
59,320 Units

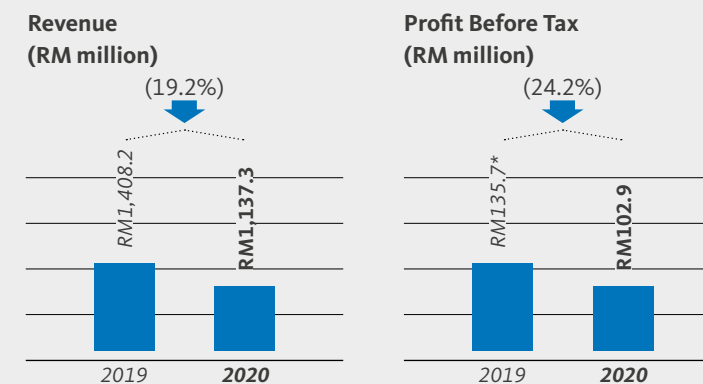
UMW Group's Market Share of 2020 TIV
52.8%

Model Launched in 2020
UMW Toyota launched eight new models, comprising all-new models and facelift versions



EQUIPMENT

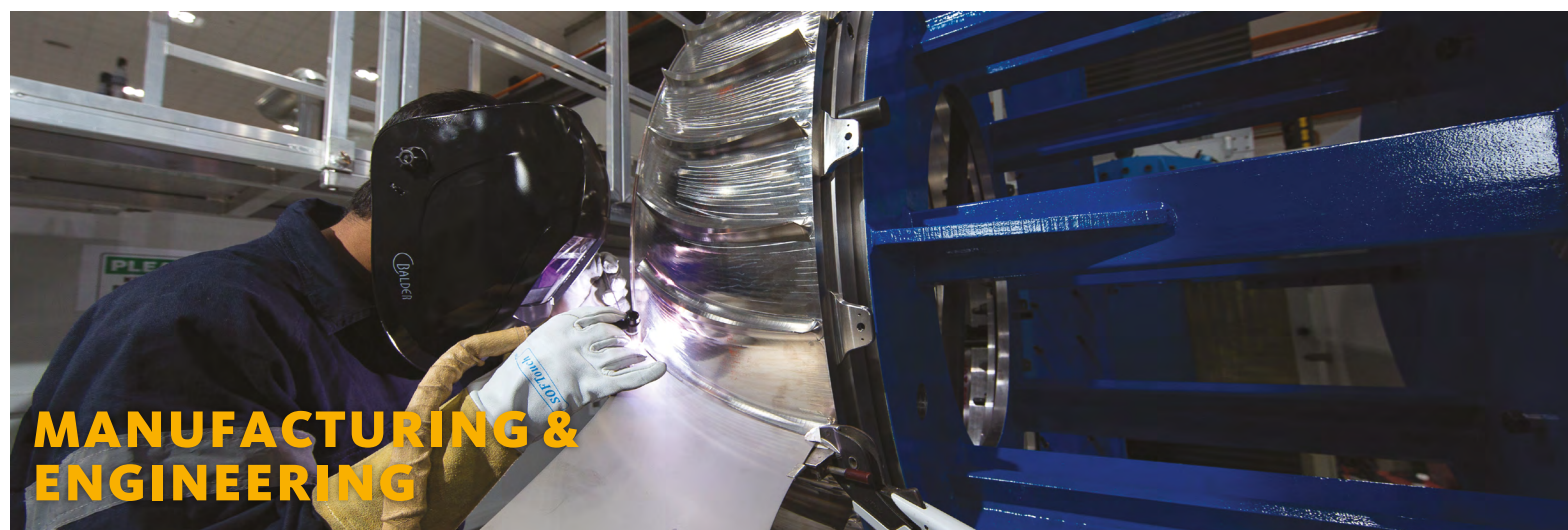
The Equipment Division continues to develop new relationships with reputable and globally renowned principals, leading to expansion of product offerings for customers.



Appointments in 2020
Appointed as the Authorised Distributor for Kohler Industrial Generators that serve numerous market segments
Appointed as the Preferred Distributor for collaborative robot (Cobot) by Denmark's leading robot maker, Universal Robots A/S

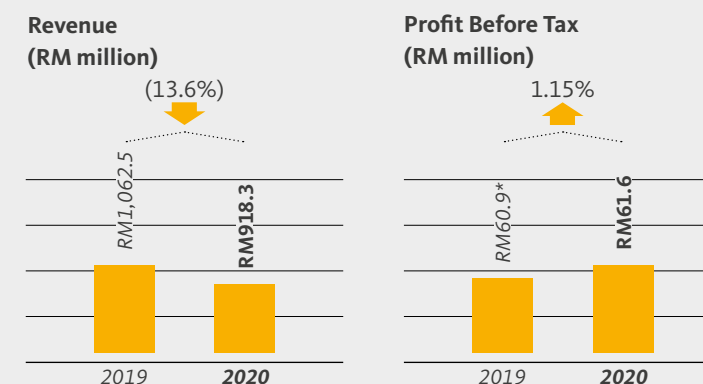
Initiative launched in 2020
Launched e-CARA app, an all-in-one application for forklift solutions and services, as part of the Division's digitalisation efforts

Note:
* Excluding gain on disposal of land and building.



MANUFACTURING & ENGINEERING

The M&E Division set innovation in motion to create more value across its diverse set of businesses, which include automotive parts, lubricants and aerospace businesses.



Capacity expansion
Completion of Kayaba plant expansion and modernisation, which provides an additional 20% capacity and features IR 4.0 capabilities

New Product in 2020
Commenced production of fan cases for Trent 7000 engines used in Airbus Neo330 aircrafts with our maiden delivery in October 2020

Note:
* Excluding gain on disposal of land and building.

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Setting the Strategy for the Future

UMW Group and its businesses have now evolved to a point where new impetus is required to unlock further value and launch the Group along a strong growth trajectory as it advances into the next decade. By taking a step back and examining the businesses of UMW Group, we are reassured by the fact that our businesses remain robust and, in most instances, are the market leaders. Our efforts to nurture relationships with the principals and gain their support and trust, continue to jointly drive business strategy.

I believe the solid foundations that have been built, have placed us in a position of strength.

Taking Stock

- The Automotive Division contributes about 80% of annual revenue, propelled by an unrelenting drive to deliver service excellence, quality and safety to customers. Through our partner Toyota, a global automotive leader, UMW Toyota holds a strong position in the non-national car segment. Through our associate company, Perodua, we are the largest car manufacturer in the country. Combined, the Group commands more than half of the country's annual total industry volume (TIV). This speaks volumes about future potential for the Group to move quickly to seize the opportunities in the mobility sector and its adjacencies.
- The Equipment Division has both TICO and Komatsu, which are market leaders in their respective segments globally, and continues to add more world-renowned partners to its portfolio. Whilst there has been increasing competition and a structural shift in the industry landscape, measures have been taken to adjust our strategy accordingly to ensure it is ahead of market trends, as evidenced by our efforts to digitalise our operations.
- For the M&E Division, Kayaba is the world leader in shock absorbers for cars and in the lubricants space, and we are working effectively with renowned brands such as Pennzoil and Repsol while making significant progress in penetrating regional markets with our own brand, Grantt.
- The Aerospace segment, despite being our youngest business, has already taken on an important role as it contributes to Malaysia's Fourth Industrial Revolution (IR4.0) aspirations through the upskilling of workers and the introduction of advanced technology. Being recognised as a Tier-1 supplier to Rolls-Royce has also opened up opportunities for us to potentially work with other original equipment manufacturers and position Malaysia as the hub for the aerospace and high-value manufacturing industries.

The Group is indeed progressing from a position of strength with many opportunities ahead. Making the most of these prospects will require a sustained focus and hunger for success driven by effective strategies to unlock the Group's potential. Against this backdrop, it is timely for us to introduce a new long-term strategy that will strengthen our relevance, improve our resilience and bring us closer to delivering more value in the future.

In transitioning to this new strategic framework, I would like to acknowledge that the Perdana 7 strategic plan, which has guided the Group's transformation over the past three (3) years, has certainly achieved most of what it had set out to do. Its broader initiatives, such as cost optimisation, innovation and digitalisation, will be retained moving forward as the Group continues to see these as important enablers of sustainable growth.

To find out more about what the Group has achieved under the Perdana 7 Strategy, please turn to pages 36 to 37.



CREST@2021 – Innovising Mobility

With a great sense of optimism, I am pleased to introduce the CREST@2021 strategic framework, which was launched in January 2021. This strategic framework will drive our aspirations to fully exploit the opportunities available in the mobility space and its adjacencies throughout the Group's various businesses. I believe mobility is indeed the key to realising future potential as it becomes increasingly clear that the world is changing due to the evolution in customers' need.

CREST@2021 brings us back to the basics of any business – the **Customer**. Aligning the entire organisation towards the unified goals of customer-centricity and the production of mobility solutions is the essential first step for us to progress in this new strategy. To advance further will require a more in-depth assessment of the risks and opportunities present in the medium and longer term trends across all our businesses, especially in the context of mobility. This will then enable us to assess how best to leverage the Group's strengths and partnerships to bridge any gaps identified.

The Group must continue to forge strong **Relationships** with its stakeholders and to have the unwavering pursuit of **Excellence**. We must also not forget about carrying out business in a **Sustainable**

way. For this to happen, measures to mitigate the Group's impact on the environment must be taken at all times while ensuring our people remain healthy, motivated and inspired so that they can continue to contribute effectively to the sustainability of the business. Above all, **Teamwork** is required to turn our aspirations into reality.

The enablers in the successful execution of CREST@2021 are the ability to innovate, implementation of effective digitalisation and digitisation initiatives and most importantly, having the right attitude to deliver. These three factors are key. In the area of innovation, we look forward to future developments from UMW Innovation and R&D Centre Sdn Bhd, which is expected to help create value-accretive processes and products for the Group.

Outlook & Prospects

Going forward, it is clear that the pandemic will be here to stay, at least in the near term, and the Group is prepared to continue operating within the constructs of the new normal. However, consumer and business sentiments are expected to improve as the year progresses,

“I am excited about our prospects with CREST@2021 as the foundation for UMW Group to expand its horizons. There will undoubtedly be some challenges along the way, but these are expected, and we will strive to overcome them to the best of our ability to continue delivering long-term sustainable value to our stakeholders.”

as the roll-out of the vaccines is expected to lessen the concern of the pandemic. For the year 2021, the Group is expected to intensify its business improvement efforts to be bolstered by the initiatives driven by our CREST@2021.

For the Automotive Division, the economic recovery and continued sales tax exemptions until June

2021 will bode well for both Toyota and Perodua sales, and we expect to continue leading in terms of overall market share.

In the Equipment Division, our Industrial segment will push ahead with the development of flexible rental arrangements and focus on automation and digitalisation. The Heavy Equipment segment, meanwhile, will meet the improving demand for equipment and work closely with its principals to secure new businesses in Malaysia and its overseas operations.

The M&E Division is expected to benefit from increased sales of its auto components products in line with the expanded capacity gained from its new plant expansion. The Lubricants segment will be expanding further into the commercial and industrial lubricants space in anticipation of the increased demand for industrial lubricants, especially from the ASEAN region.

For 2021, the Group has also restructured the M&E Division with the carving out of the Aerospace segment as a standalone division. Despite the slow down in the aviation sector, the Aerospace Division is still expected to receive firm orders of fan cases from Rolls-Royce, and will be looking forward to a recovery as the aviation industry recovers.

The Group will ensure our financial position remains strong as we continue to implement prudent cost management, focusing on cost-saving initiatives whilst optimising our businesses further to generate better returns for our shareholders.

Acknowledgements

I would like to record my sincere appreciation to our partners and principals who have continued to stand strong with us as we navigated the unprecedented year of 2020. The Group was able to pull through with the combined efforts of our dedicated employees and management team who have gone over and above to ensure the sustainability of the business.

My heartfelt gratitude also goes out to our customers and shareholders for their support and loyalty, and to the Board of Directors, for their wisdom and counsel. I would also like to acknowledge the invaluable contribution of my predecessor, the late Badrul Feisal Abdul Rahim, in restructuring and rebuilding the UMW Group to what it is today.

I look forward to transforming the UMW Group by leveraging on our CREST@2021 strategic initiatives to ensure that the UMW Group will remain relevant and sustainable for the next 100 years. Insha Allah.

Dato' Ahmad Fuaad Kenali

President & Group Chief Executive Officer