

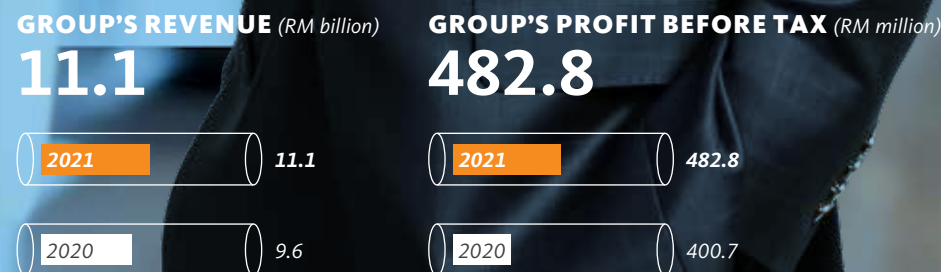
# PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

## Dear Valued Shareholders,

The UMW Group navigated yet another unprecedented and challenging year in 2021, bolstered by the resilience of our diverse businesses as we set a firm path towards achieving sustainable growth through our **CREST@2021** strategic transformation framework.

Despite the challenges, the Group performed commendably and delivered better results compared with the previous year. Most importantly, we continued persistently to strengthen the resilience of our core businesses to achieve long-term sustainable growth in line with our CREST@2021 strategic transformation framework (CREST@2021 strategy).

The Group and its employees were unrelenting in this regard, executing the plans we had laid out in the CREST@2021 strategy and achieving many of the milestones we had set. This was an encouraging development as we look forward to further improvements in our operations and the expansion of our businesses on the journey ahead. Of particular importance is our very firm pivot to sustainability and Environmental, Social and Governance (ESG) principles as the driving force behind our business initiatives. I will detail our efforts in this regard on pages 38 and 39.



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## FINANCIAL RESULTS

The Group recorded revenue of RM11.1 billion in the financial year ended 31 December 2021 (FY2021), a 15.6% increase from RM9.6 billion, primarily attributed to the higher revenue from the Automotive and Equipment segments following the longer sales tax exemption period and the easing of movement restrictions. Consequently, the Group's profit before tax (PBT) for FY2021 improved by 20.5% to RM482.8 million from RM400.7 million in FY2020.

The Automotive segment's revenue for FY2021 of RM9,030.3 million was 20.7% higher than the revenue of RM7,483.7 million recorded in FY2020, mainly due to the continued strong demand following the introduction of improved and new models as well as the sales tax exemption. The higher revenue, together with the higher share of profit from our associate company, resulted in the segment recording PBT of RM476.7 million, 42.5% higher than the RM334.6 million reported in the previous year. The extension of the vehicle sales tax holiday, first to the end of the year and then extended to June 2022, has also contributed to improve the Automotive segment's earnings.

The Equipment segment's revenue of RM1,313.4 million in FY2021 was 15.5% higher than the RM1,137.3 million in FY2020, mainly due to the improved demand for the segment's products and services in both its local and overseas operations, supported by the reopening of the economy. The PBT was RM107.0 million, higher than the RM102.9 million recorded in the previous year.

The M&E segment recorded revenue of RM578.7 million in FY2021 compared with RM606.0 million in FY2020, due to the lower contribution following the disposal of a subsidiary as well as lower demand for lubricant segment. The segment's PBT was RM59.9 million, higher than the RM56.0 million reported in FY2020.

The Aerospace segment's revenue of RM147.6 million in FY2021 was lower than the RM312.3 million following lower delivery of fan cases. The segment recorded LBT of RM33.8 million in FY2021 compared with PBT of RM1.7 million in FY2020.

During the year, the Group undertook a cost optimisation exercise that yielded a cost reduction of RM131 million.

## KEY OPERATIONAL HIGHLIGHTS



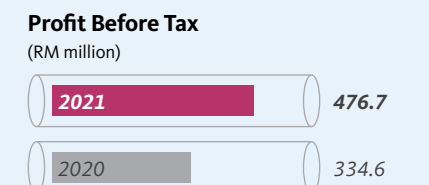
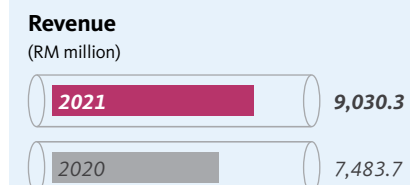
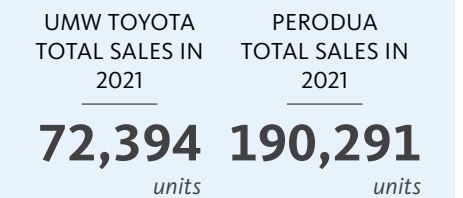
- It was a challenging year for the Automotive sector due to the 11-week shutdown during the Full Movement Control Order (FMCO), the global shortage of semiconductors and the disruptions to supply chains brought about by the COVID-19 pandemic as well as the flooding in December 2021. Nevertheless, UMW Toyota managed to exceed its sales target and reclaimed its position as the number one non-national automotive brand in Malaysia.
- Perodua maintained its position as the number one national brand in 2021, but was not able to meet its sales target due to the FMCO and the shortage of semiconductors, as well as the shutdown caused by the flooding in December 2021. We are confident that Perodua will bounce back stronger as it continues to register a strong order book going into 2022.

UMW GROUP'S MARKET SHARE OF 2021 TIV: **51.6%**

### MODELS LAUNCHED IN 2021

Toyota: Innova and Fortuner facelifts, New Harrier model, Hilux facelift, Corolla Cross, Corolla Cross Hybrid

Perodua: Ativa, new Myvi, Aruz facelift



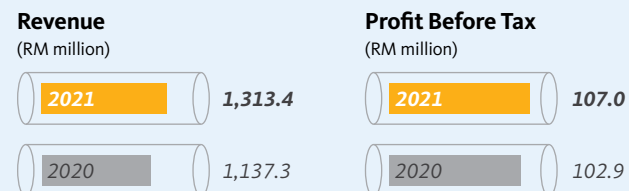


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EQUIPMENT



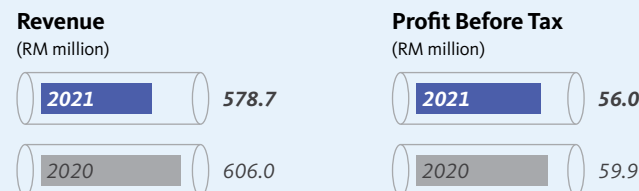
- The Equipment Division delivered a significant milestone for the Group with the completion of its first combined heat and power plant in 2021. It also continued to introduce new products into the market and strengthened its relationships with its existing principals.
- The Industrial Equipment segment promoted more automation solutions, such as collaborative robots, automated guided vehicles and automated storage & retrieval systems, to help customers remain resilient and efficient. It also introduced forklift refurbishment services and flexible rental arrangements. Our Industrial Equipment regional operations in Singapore, Vietnam and China all performed well with increased number of units and market share.
- The Heavy Equipment segment saw strong acceptance from the forestry, palm oil and construction sectors for new Komatsu models, special financing scheme to ease cash flow constraints for customers. The segment performed well in Papua New Guinea as we met the needs of customers alongside the increased activity in construction, fisheries, agriculture and mining. The situation in Myanmar has, however, become more challenging for us due to the ongoing political uncertainty.



MANUFACTURING & ENGINEERING



- The M&E Division strengthened its position as a "one-stop centre" for automotive parts and lubricants, launching 15 new products ranging from shock absorbers and automatic transmission fluids to coolants and green products.
- KYB-UMW is focusing on expanding the number of countries it exports to while working closely with KYB Japan to tap into new opportunities and capability.
- The Lubricants business will be expanding its capacity by about 70% with the construction of a smart plant equipped with IR 4.0 capability, while expanding our industrial product range to include bio-hydraulic lubricants.
- The division has also completed the disposal of UMW-Advantech as it seeks to move away from the commoditised automotive parts business and instead, to focus on developing more green products such as bio-lubricants, battery revival services and membrane filtration technology.

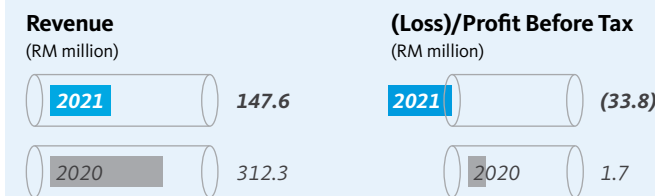


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AEROSPACE



- In 2021, the Aerospace Division experienced the delayed effects of the slowdown in orders for aircraft engines, impacting its revenue and profitability. The lower delivery of fan cases was a direct result of the global travel restrictions affecting the aerospace industry.
- The Aerospace Division was inducted into Rolls-Royce's Top 5% High Performing Supplier Group. By being in the top 5%, we will be accorded more opportunities to engage with the top management of Rolls-Royce and prioritised for new projects.



THE PROGRESS OF CREST@2021

I am pleased to report that we have made good progress in rolling out our CREST@2021 strategic initiatives. This first year has been particularly important as it was the foundation year of the implementation of the CREST@2021 strategy. In this context, I believe the Group has progressed well, despite the challenges brought about by the COVID-19 pandemic and the global semiconductor supply disruption, in strengthening our fundamentals as well as resilience to achieve the aspirations under our CREST@2021 strategy.

To summarise, the CREST@2021 strategy encompasses the five strategic pillars of Customer, Relationship, Excellence, Sustainability and Teamwork that aim to transform the UMW Group. Our strategic initiatives are aligned to the five pillars and cascaded down to the respective business divisions for execution. Essentially, when CREST@2021 is completed in 2030, the UMW Group will not only be creating more value for our stakeholders, but also doing so more efficiently, effectively and sustainably.

In the year under review, the CREST@2021 strategy enabled us to achieve many significant milestones, which included the following:

- The launch of the Corolla Cross Hybrid by UMW Toyota, signifying our intention to grow our market share in hybrid vehicles;
- UMW Toyota reclaiming its position as the No. 1 non-national automotive brand;
- Committing to achieving net-zero carbon by 2050 based on our Sustainability Roadmap;
- Establishing our green credentials through the commissioning of our first combined heat and power plant, and forklift refurbishment, as well as initiatives driven by our Group Mobility & Innovation Division.
- Continuing aggressively to improve cost efficiency through cost savings of about RM161.4 million in 2021;
- Introducing more automation and digitalisation into our businesses to increase efficiency;
- Establishing new partnerships with a range of organisations to drive green innovation, nurture technological advancement and attract foreign investments; and
- Organising a lecture series for our employees on technology, leadership and spirituality as a means to further align knowledge and experience with our WoWrriors to achieve the aspirations under our CREST@2021 strategy.

Please refer to our Strategic Review for further details about the outcomes of the CREST@2021 strategy.



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### REDEFINING SUSTAINABILITY

In line with the CREST@2021 strategic framework, the Group is aligning its growth strategy with sustainability and is therefore seeking to redefine sustainability as a key theme in achieving resilience, competitiveness and growth. While embedding sustainability in the value creation process is nothing new to UMW, we believe that the approach we will take from now on will outline our deep commitment to being a responsible and sustainable organisation.

In Redefining Sustainability, we take a strategic approach to sustainability that balances between investment returns and the impact on the environment and the communities. We can no longer afford to be passive in this regard, considering the urgency required to address the climate change that threatens our very existence and sustainability. As a business, we must play our role in ensuring that we are taking the necessary measures to prevent the potentially catastrophic rise in average global temperatures.

In this context, the UMW Group is committed to achieving net-zero carbon by 2050, and in doing so, we have chosen to truly integrate sustainability into our entire business strategy and approach. We fully support our principals' initiatives in rolling out energy-efficient and sustainable products to be distributed in our markets and promoting more sustainable business approaches, such as optimising the use of renewable energy as well as encouraging Reducing, Reusing and Recycling (3Rs) whenever practicable in our operations through innovative and practical solutions.

The more interesting part about this approach to sustainability is its relevance to our existing businesses, especially in driving sustainable growth to meet the needs of our customers. This is likely to be the way forward for UMW as it accomplishes two important goals. Firstly, it improves the resilience and value of the Group and secondly, it helps us to further



strengthen our relationships with our partners and principals, which is critical in charting the future growth of our businesses.

Thus, we are changing the narrative of a typical distributor as we go beyond by collaborating closely with our partners and principals in promoting greener products and services to our customers. We are therefore playing a more active role in utilising the ESG principles to add value, grow the market and make our partners or principals more relevant.

A key enabler of our sustainability approach has been the establishment of the Group Mobility & Innovation Division (GMID) which serves to boost the Mobility and Innovation capabilities of the Group. In the area of Mobility, we aim to better understand market dynamics in the context of mobility solutions within the Automotive sector for a start, which is underpinned by our desire to help the country progress towards a low-carbon economy. We believe that there are

many pathways to achieve this, and we are particularly interested in further exploring the hydrogen economy, as demonstrated by our recent agreement to collaborate with Mitsui & Co, Ltd. and the Malaysian Green Technology and Climate Change Centre.

With Innovation, the GMID houses UMW's Innovation and Research & Development Centre (UIRDC) that develops sustainable innovations and technologies to power our future growth. In the year under review, the UIRDC established four labs, or areas of focus, which included green innovations such as IR4.0, a battery revival system, biolubricants and membrane technology. We cooperate with local universities, as well as government agencies, to advance technology and innovation in these areas to find practical applications that can be commercialised.

We have been able to accelerate the time taken to commercialise these innovations by using the various business ecosystems in UMW as

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our testbeds. For instance, the membrane technology is being tested via a water reclamation plant that we have commissioned at our KYB-UMW factory. Similarly, the battery revival system is being tested in our own industrial vehicles and our biolubricants, which we intend to launch in 2022, have been graded against international standards and tested on our hydraulic industrial equipment.

We hope to continue to build on our capabilities with the support and trust of our partners and principals to bring in more advanced and sustainable products to meet the requirements of our increasingly discerning customers.

### OUTLOOK AND PROSPECTS

Looking ahead, the uncertainties caused by the Omicron variant of the COVID-19 pandemic will continue to weigh on overall sentiment. However, both consumer and business sentiments are far more positive

now when compared with the same period last year, which is encouraging for all our businesses. Barring any major lockdowns, the Group is expected to improve its performance in 2022.

We will remain focused on implementing the CREST@2021 strategy. Our WoWrriors will continue to dedicate their efforts to ensure that the CREST@2021 strategy will be on the right path, as we continue strengthening our fundamentals in order to achieve sustainable growth.

The UMW Group will continue to protect its leading positions in its key businesses and markets through collaboration with its partners and principals. With their strong support and trust, there are many more avenues for potential growth and expansion that can be explored going forward, in products and services as well as markets.

The Group will continue to intensify its cost management through effective cost-saving and optimisation initiatives as well as by improving our process efficiency to strengthen our resilience in an increasingly volatile, complex and challenging business environment.

### ACKNOWLEDGEMENTS

Reflecting on 2021, it was certainly a very challenging year for the Group and we are truly grateful for the unwavering support of our partners and principals in ensuring that we were able to minimise the impact of the global challenges affecting our businesses. A heartfelt thank you for standing by us as we navigated through the many obstacles together.

We would also like to extend our appreciation and thanks to all our WoWrriors, as well as the Management Team, for fully embracing our CREST@2021 strategy and their tireless efforts in going above and beyond what was expected to meet our customers' expectations and delivering a commendable performance in 2021. We look forward to our WoWrriors' stronger commitment in 2022.

To our shareholders, business partners, vendors and suppliers, thank you for the loyalty, support and trust in us and we believe that, together, we can achieve more going forward. To the Chairman and members of the Board of Directors, our utmost appreciation and gratitude for the wisdom and guidance as well as support to ensure we are moving in the right direction. With your full support and faith in us, our WoWrriors and I look forward to transforming the UMW Group into a stronger and more sustainable Group to achieve the aspirations under our CREST@2021 strategy.

**Dato' Ahmad Fuad Kenali**  
President & Group Chief Executive Officer