

GROUP CHAIRMAN'S MESSAGE

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Tan Sri Dato' Sri Hamad Kama Piah Che Othman | CHAIRMAN

Dear Valued Shareholders,

The Board's priority in 2022 for the UMW Group was to strengthen resilience by actively managing risks, while operating in a world facing global macro-economic and geo-political headwinds.

Group Revenue Growth
43.0%

RM15.8 billion
compared with RM11.1 billion in 2021



Refer to pages 36 to 37 of our Market Landscape and Outlook



The global economic outlook became more uncertain and growth of activity slowed. Inflation also rose to rates higher than in recent decades. In October 2022, the International Monetary Fund (IMF) reported that global growth had almost halved, from 6.0% in 2021 to 3.2% in 2022. It is forecasted to lessen further to 2.7% in 2023. The IMF also noted that global inflation rose from 4.7% in 2021 to 8.8% in 2022. However, it is expected to ease to 6.5% in 2023 and 4.1% by 2024 due to inflation control measures.

Key causes of the global economic slowdown include rising living costs, energy and labour shortages, currency fluctuations, tightening financial conditions, Russia's invasion of Ukraine, and the still persistent COVID-19 variants.

Our priority in the wake of such challenges had been to focus on building resilience in operations, financials and human capital. The UMW Group took the opportunity to become leaner and more efficient, which prepared us well for future growth, as both revenue and profitability improved significantly while risks were being managed prudently.

In 2022, we realised that the Group, when collectively harnessed, could deliver on targets. To stay resilient, our priorities during the year under review were to closely identify sources of risks that could jeopardise UMW Group's current position. As a hyper-aware organisation, we constantly monitor the changing dynamics in our operating environment and the various second-order effects.

REMAINING RESILIENT

The Board is dedicated to long-term strategies, especially when operating in volatile, rapidly emerging contexts. With a laser-sharp focus on our long-term vision, supported by Management's ability in executing strategies, value creation agenda is delivered. This is also with the crucial support from the government and our stakeholders.

We continued to exercise strong capital discipline across our business portfolios. A vigorous returns-orientation guided our capital allocation strategy, alongside stringent capex restraint. These lines of action enabled us to increase the degree of operating leverage for our key businesses, improving profitability and free cash flow generation.

Our tactical capital restructuring via judicious balance-sheet enhancement allowed us to tap into pockets of opportunity. Additionally, restructuring our balance sheet during the brief period of low interest rates enabled us to refinance at better rates and reduce borrowing in an inflationary macro-environment. The Board also diligently monitored emergent risks across our portfolio of businesses, geographies, sectors and financial risks. Along with this, we set in place corresponding mitigation plans as operating environments constantly evolved.

While the Group continues to deliver in these aspects, we realised that value creation requires deliberate re-thinking. This applies not only to our existing business model, which has traditionally been highly capital-intensive. The Group continues to explore opportunities for expansion in the green economy in line with our CREST@UMW aspiration of Innovising Mobility.

Ultimately, UMW Group is much stronger today, supported by sustained value creation in its major businesses. At this juncture, the Board is committed to generating immediate value creation to reward our shareholders for their continued support, especially during such difficult times.

Our financial year ended 31 December 2022 showed Group revenue growing by 43.0% to RM15.8 billion, compared with RM11.1 billion in 2021. The Board declared a total dividend of 14.2 sen per share, a 144.8% increase from the previous year's dividend of 5.8 sen per share.

We continuously strive to generate stakeholder value while keeping the focus on fundamentals, profitability and risk. Indeed, we firmly believe that value creation follows delivery based on sound fundamentals.

SUSTAINABILITY-CENTRED

“Our CREST@UMW strategy extends to playing a larger role in building a sustainable nation, as we work closely with partners to promote climate change awareness.”

Under the leadership of Dato' Ahmad Fuaad Kenali, President & Group Chief Executive Officer, and his Management team, UMW Group is now well on its way to achieving CREST@UMW aspirations ahead of time. Our record sales at UMW Toyota, Perodua and UMW Development are 101,035 units, 282,019 units and RM460 million, respectively, surpassing expectations. Our profit after taxation and zakat (PATZ), improved by 31.5% to RM677.9 million in 2022, compared with RM515.6 million in 2021.

Achievements such as this provide a morale boost for the UMW Group team, and we look forward to building upon this strength. This is because, across our businesses, our expansive footprint encompasses a collaborative ecosystem, ranging from our workforce and dealers to suppliers and customers. A stronger UMW enables us to keep developing and strengthening each of these areas.



Our CREST@UMW strategy extends to playing a larger role in building a sustainable nation, as we work closely with partners to promote climate change awareness. UMW's Sustainability Roadmap charts our aspiration to reduce our carbon footprint. At the same time, we actively participate in our nation's transition towards a low-carbon economy.

We have spared no effort in integrating sustainability into our business strategies. This is in line with the accelerated reach for conscious consumerism, the basis of the Environmental, Social and Governance (ESG) framework. Since climate change will accelerate financial risk, the Board and the Management are required to extend their understanding of climate-related risk management and strategic planning processes.

ESG concerns are becoming more significant to investors as a metric too. Non-financial factors incorporating environmental impact and the organisation's social impact on staff, customers and the community are imperative as a mark of business credibility. From the governance perspective, we recently enhanced the Board's capabilities in order to strengthen our level of expertise. Expanding this capacity will ensure the Board has cognitive diversity in decision-making.



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“Our aim is to plant 300,000 mangrove trees across Malaysia by 2023, investing in nature-based solutions for carbon sequestration.”



Overall, at UMW Group, our portfolio of businesses is consistently adopting various ESG elements, ensuring our production meets sustainable standards. Underpinning UMW's commitment to lowering carbon emissions are comprehensive mitigation strategies included in our Sustainability Roadmap, which is aimed at launching green initiatives and products.

For example, our Manufacturing & Engineering Division is focused on developing more green products such as bio-lubricants, battery revival services and membrane filtration technology. In our most recent initiative, the UMW Group, in collaboration with UMW Toyota and UMW's associate company, Perodua, officially launched the UMW Green Shoots (UGS) Initiative in June 2022. Our aim is to plant 300,000 mangrove trees across Malaysia by 2023, investing in nature-based solutions for carbon sequestration. This initiative aligns with the Group's commitment to achieving carbon neutrality by 2050, as well as Malaysia's National 100-million Tree-Planting Campaign 2021-2025.

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LOOKING FORWARD



“Our 2022 results were very positive, yet we remain cautious of the many challenges we expect in 2023 and beyond.”

The Board is unwavering in its commitment to independence of thought, warranting critical thinking in generating novel ideas. Both the Board and the Management consider varied, divergent perspectives to ensure a more meaningful and comprehensive decision-making emerges as a result, oriented towards rapid problem-solving. The Board and the Management are very open during discussions, coming together respectfully after much reflection and re-evaluation to resolve various strategic issues. This ensures that we observe the highest governance standards as we maintain transparency and accountability across the board in companies, principals and stakeholders.

Our 2022 results were very positive, yet we remain cautious of the many challenges we expect in 2023 and beyond. The World Bank and IMF have revised 2023 global growth downwards, and Malaysia's GDP growth is projected to moderate between 4% and 5% in 2023. However, we see reasonable growth, with considered awareness of risk and a clear value creation plan. UMW is prudent in ensuring it does not pursue growth that will expose it to unnecessary risks.

To meet market anticipation of further growth, the UMW Group is actively seeking significant inorganic growth opportunities to help complement our current organic growth trajectory. At the core, we are leveraging on our strong cash flow generation capability, which is being supported by improved margins and top-line growth. In order to capture new value, the Group is developing its talent pool to be more alert and conscious of the various sources of innovative opportunities.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to extend my deepest appreciation to our shareholders for their continued trust in the UMW Group. My sincere gratitude to all our stakeholders, especially the Malaysian Government for their generous support during the difficult pandemic period.

To all our principals and business partners, who came together to find solutions in supporting our businesses, thank you. I am indeed indebted to the Board of Directors for their utmost dedication, open engagement and strategic perspectives.

On behalf of the Board and the Management, I extend our gratitude and appreciation to esteemed members of our Board, Tan Sri Hasmah Abdullah, Salwah Abdul Shukur and Lim Tze Seong whom, during their tenures, motivated and inspired us. Their contribution is greatly valued.

I would like to take this opportunity to welcome Dato' Azmi Mohd Ali, Datuk (Dr.) Yasmin Mahmood, Shahin Farouque Jammal Ahmad and Mohd Shahazwan Mohd Harris, who joined our Board in 2022. We look forward to their significant contributions, from years of considerable experience in their fields of expertise.

I would like to commend Dato' Ahmad Fuaad Kenali for steering the Group, with his Management team's formidable execution. And, of course, we are indeed indebted to UMW Group staff, who have resolutely supported us through these difficult years.

As we head into 2023, I am proud of our tenacious teams that will lead our strategies. I am very optimistic that the UMW Group is poised to grow only stronger in the immediate future.

Tan Sri Dato' Sri Hamad Kama Piah Che Othman

Group Chairman