GROUP MANAGING DIRECTOR'S REVIEW

The Group's structure comprises three business pillars: (i) Astra; (ii) Direct Motor Interests ("DMI"), which consists of the Group's non-Astra automotive businesses; and (iii) Other Strategic Interests, which covers a range of business interests and which now includes THACO following its expansion beyond automotive into property and agriculture. The contribution to JC&C's underlying profit attributable to shareholders by business segments was as follows:

UNDERLYING PROFIT ATTRIBUTABLE TO SHAREHOLDERS BY BUSINESS

	2019 US$m	Restated 2018 US$m
Astra		
Automotive	**268.9**	271.7
Financial services	**215.9**	171.4
Heavy equipment, mining, construction & energy	**238.3**	230.2
Agribusiness	**4.5**	43.2
Infrastructure & logistics	**9.9**	6.7
Information technology	**6.8**	7.3
Property	**2.7**	18.5
	747.0	749.0
Less: withholding tax on dividend	**(31.3)**	(30.9)
	715.7	718.1
Direct Motor Interests		
Singapore	**57.1**	60.4
Malaysia	**(5.6)**	1.7
Myanmar	**(4.3)**	(4.9)
Indonesia (Tunas Ridean)	**18.8**	17.5
Less: central overheads	**(3.1)**	(4.0)
	62.9	70.7
Other Strategic Interests		
Siam City Cement	**23.5**	20.2
Refrigeration Electrical Engineering	**18.3**	19.0
Vinamilk	**35.7**	31.9
Truong Hai Auto Corporation		
– automotive	**46.3**	65.8
– real estate	**1.7**	7.2
– agriculture	**0.5**	–
	48.5	73.0
	126.0	144.1
Less: Corporate costs		
Central overheads	**(23.5)**	(18.9)
Dividend income from other investments	**5.0**	4.9
Net financing charges	**(40.2)**	(32.4)
Exchange differences	**17.2**	(30.5)
	(41.5)	(76.9)
Underlying profit attributable to shareholders	**863.1**	856.0

ASTRA

Astra contributed US$716 million to JC&C's underlying profit, a stable performance compared to the previous year. Astra reported a net profit equivalent to US$1.5 billion under Indonesian accounting standards, largely unchanged from the previous year. There were lower contributions from Astra's automotive and agribusiness divisions, which offset a higher contribution from its financial services business and gold mining operation.

Automotive

Net income from Astra's automotive division was down 1% at US$594 million. This was mainly due to lower car sales volumes and increased manufacturing costs, partially offset by higher motorcycle sales volumes. Highlights were as follows:

- Car sales were 8% lower at 536,000 units. The Indonesian wholesale market declined by 11% to 1.0 million units in 2019. Astra launched 15 new models and 11 revamped models during the year and increased its market share from 51% to 52%.
- Motorcycle sales increased by 3% to 4.9 million units. The Indonesian wholesale market increased by 2% to 6.5 million units. Astra's market share was slightly higher at 76%. Six new models and 21 revamped models were launched during the year.
- Astra Otoparts reported a 21% increase in net income at US$52 million. This was largely due to higher revenue from the replacement market and lower production costs.

Financial Services

Net income from Astra's financial services division increased by 22% to US$415 million, mainly due to a larger loan portfolio and an improvement in non-performing loans. Highlights were as follows:

- Consumer finance businesses saw an 8% increase in the amount financed to US$6.2 billion. The net income contribution from Astra's car-focused finance companies increased by 29% to US$106 million, with lower non-performing loan losses. The net income contribution from the group's motorcycle-focused finance business increased by 11% to US$187 million, mainly due to a larger loan portfolio.
- Heavy equipment-focused finance operations saw an 18% decrease in the amounts financed to US$302 million. The net income contribution from this business grew, however, by 14% to US$7 million, as a result of lower loan provisions.
- Permata Bank reported a 66% increase in net income to US$106 million, due to improved revenue and lower loan impairment levels, attributable to improved loan quality and better levels of recovery from non-performing loans. The bank's gross and net non-performing loan ratios improved to 2.8% and 1.3%, respectively, compared to 4.4% and 1.7% at the end of 2018.
- General insurance company Asuransi Astra Buana reported 4% growth in net income at US$77 million, with increased investment income.

GROUP MANAGING DIRECTOR'S REVIEW

Heavy Equipment, Mining, Construction & Energy

Net income from Astra's heavy equipment, mining, construction and energy division increased by 1% to US$475 million, mainly due to the contribution from the new gold mining operation, offset by the impact of lower heavy equipment sales and a loss incurred in the general contracting business. Highlights were as follows:

- United Tractors reported a 2% increase in net income to US$801 million.
- Agincourt Resources achieved gold sales of 410,000 oz.
- Komatsu heavy equipment sales fell by 40% to 2,926 units, while parts and service revenues were also lower.
- Mining contracting operations saw a 1% higher overburden removal volume at 989 million bank cubic metres, and 5% higher coal production at 131 million tonnes.
- Coal mining subsidiaries delivered 21% higher coal sales at 8.5 million tonnes, including 1.2 million tonnes of coking coal. However, the business was impacted by lower coal prices.
- General contractor Acset Indonusa reported a net loss of US$77 million, compared to a net income of US$1 million the year before. This was mainly due to increased project and funding costs for several ongoing contracts.

Infrastructure & Logistics

Net income from Astra's infrastructure and logistics division increased by 49% to US$21 million, mainly due to improved toll road revenue. Highlights were as follows:

- Toll road revenue increased, with 22% higher traffic volume in Astra's 350km of operational toll roads along the Trans-Java network and Kunciran-Serpong toll road.
- Serasi Autoraya's net income decreased by 17% to US$18 million, due to lower used car sales and a decline in its car leasing business.

Agribusiness

Net income from Astra's agribusiness was down 85% at US$12 million. This was primarily due to an 8% fall in average crude palm oil prices, despite a 3% increase in crude palm oil and derivatives sales to 2.3 million tonnes. There have, however, recently been signs of improvement in prices.

DIRECT MOTOR INTERESTS

Direct Motor Interests contributed US$63 million to the Group's underlying profit, 11% lower than the prior year. Highlights were as follows:

- Cycle & Carriage Singapore ("CCS") contributed US$57 million, 5% lower than the previous year. Its passenger car sales grew by 2% to 13,500 units, despite a 10% decrease in the overall Singapore passenger car market. This was, however, partly offset by lower margins due to stronger competitive pressure. CCS' market share increased from 17% to 19%, with the launch of new models and competitive pricing.
- In Indonesia, Tunas Ridean contributed US$19 million, 7% higher than the previous year. The stronger contribution from its automotive and consumer finance operations was partially offset by a lower contribution from its rental business.
- Cycle & Carriage Bintang in Malaysia contributed a loss of US$6 million, compared to a profit of US$2 million in 2018. This was the result of vehicle sales having benefited from a period of zero GST in 2018, and the 2019 results being impacted by a one-off impairment charge in respect of a property asset.

OTHER STRATEGIC INTERESTS

Other Strategic Interests contributed US$126 million to the Group's underlying profit, 13% down on the previous year. Other Strategic Interests now include THACO following its diversification into property and agriculture. Highlights were as follows:

- THACO's contribution of US$49 million was 34% lower than last year. The contribution of US$46 million from its automotive business was 30% down on the previous year, due to a 9% decline in THACO's vehicle sales and lower margins. Tariffs were eliminated following the full implementation of the ASEAN Trade in Goods Agreement in 2018, which led to intense competition in the completely built-up import segment. THACO's real estate business contributed US$2 million, significantly lower than the US$7 million in 2018 due to the slowdown in the property market.
- Siam City Cement's contribution of US$24 million was 16% higher than the previous year. Its improved domestic performance in Thailand was, however, offset by a lower contribution from its regional operations, mainly South Vietnam.

- The contribution of US$18 million from REE was 4% lower than the previous year, due to weaker performances from its hydropower investments and its M&E business, which were partially offset by a stronger contribution from real estate and the effect of an increase in the Group's shareholding in 2019.
- The Group's investment in Vinamilk delivered dividend income of US$36 million, compared to US$32 million in the previous year. Vinamilk's 2019 profit was up 3% in local currency terms, with the progressive recovery of the fast-moving consumer goods sector in Vietnam.

CORPORATE COSTS

Corporate costs were US$42 million, compared to US$77 million in the previous year, which has improved the underlying profit of the Group overall. This was primarily due to a foreign exchange gain from the translation of foreign currency loans in 2019 compared to a foreign exchange loss in the previous year, partly offset by higher net financing charges and overheads.

SUMMARY

While conditions over the next year are likely to remain challenging in our key markets, the Group has a track record of delivering strong performance over time. Our portfolio of market-leading businesses is well-placed to benefit from increasing urbanisation and the growth of the emerging consumer class in Southeast Asia.

Ben Birks
Group Managing Director