

# GROUP MANAGING DIRECTOR'S REVIEW

The Group's structure comprises three business pillars: (i) Astra; (ii) Direct Motor Interests, which consists of the Group's non-Astra automotive businesses; and (iii) Other Strategic Interests. The contribution to JC&C's underlying profit attributable to shareholders by business segment was as follows:

## CONTRIBUTION TO JC&C'S UNDERLYING PROFIT

| Group results                                  | Year ended 31st December |               |             |
|------------------------------------------------|--------------------------|---------------|-------------|
|                                                | 2020<br>US\$m            | 2019<br>US\$m | Change<br>% |
| Astra                                          | 309                      | 716           | (57)        |
| Direct Motor Interests                         | 14                       | 63            | (78)        |
| Other Strategic Interests                      | 120                      | 126           | (5)         |
| Corporate Costs                                | (14)                     | (42)          | (66)        |
| Underlying profit attributable to shareholders | 429                      | 863           | (50)        |

## ASTRA

Astra contributed US\$309 million to JC&C's underlying profit, 57% down from the previous year. Excluding the gain on disposal of its investment in Permata Bank, Astra reported a net profit equivalent to US\$702 million under Indonesian accounting standards, 53% lower in its local currency terms than the same period last year. There were weaker performances from its automotive, financial services, and heavy equipment and mining divisions.

### AUTOMOTIVE

Net income fell by 68% to US\$185 million, reflecting a significant drop in sales volume. After suffering a net loss in the second quarter, the automotive division saw a return to profitability in the second half of the year, following a partial easing of the pandemic containment measures.

Key points were as follows:

- The wholesale car market declined by 48% to 532,000 units in 2020. Astra's car sales were 50% lower at 270,000 units, reflecting a slight decline in market share. 16 new models and 18 revamped models were launched in the year.

- The wholesale market for motorcycles declined by 44% to 3.7 million units in 2020. Astra's Honda motorcycle sales fell by 41% to 2.9 million units but it saw an increase in market share. Five new models and 11 revamped models were launched in the year.
- Components business, Astra Otoparts, reported a net income of less than US\$1 million, compared to US\$52 million in 2019, mainly due to lower revenues from the original equipment manufacturer, replacement market and export segments.



## FINANCIAL SERVICES

Net income from financial services fell by 44% to US\$226 million, primarily due to increased loan loss provisions to cover higher non-performing loan losses in the consumer and heavy equipment-focused finance businesses.

Key points were as follows:

- Consumer finance businesses saw a 23% decrease in the amounts financed to US\$4.6 billion. The net income contribution from the car-focused finance companies decreased by 46% to US\$55 million, while the contribution from the motorcycle-focused financing business fell by 42% to US\$105 million, in both cases due to higher loan loss provisioning, as non-performing loans increased.
- Heavy equipment-focused finance operations saw a 17% decrease in the amounts financed to US\$246 million, with the net income contribution from this business down 59% to US\$3 million.
- General insurance company, Asuransi Astra Buana, reported a 16% decrease in net income to US\$62 million, caused by lower underwriting income.

## HEAVY EQUIPMENT, MINING, CONSTRUCTION & ENERGY

Net income decreased by 49% to US\$234 million, mainly due to lower heavy equipment sales and mining contracting volume, caused by weaker coal prices for most of the year.

Key points were as follows:

- United Tractors reported a 47% decrease in net income to US\$410 million.
- Komatsu heavy equipment sales fell by 47% to 1,564 units, and parts and service revenues were also lower.

- Mining contracting operations reported 17% lower overburden removal volume at 825 million bank cubic metres and 13% lower coal production at 115 million tonnes.
- Coal mining subsidiaries achieved 9% higher coal sales at 9.3 million tonnes, including 1.9 million tonnes of coking coal sales, but profits were affected by lower coal prices.
- Agincourt Resources saw 22% lower gold sales at 320,000 oz.
- General contractor, Acset Indonusa, reported a net loss of US\$90 million, mainly due to the slowdown of several ongoing projects and reduced project opportunities.

## INFRASTRUCTURE & LOGISTICS

Net income from Astra's infrastructure and logistics division decreased from US\$21 million to US\$3 million, due to lower toll road revenues and lower operating margins in Serasi Autoraya.

Key points were as follows:

- Traffic volumes were 12% lower. Astra has interests in almost 358km of operational toll roads along the Trans-Java network and in the Jakarta Outer Ring Road.
- Serasi Autoraya's net income decreased by 55% to US\$8 million, mainly due to lower operating margins in its car rental business and lower used car sales, despite a 2% increase in vehicles under contract at 23,000 units.

## AGRIBUSINESS

Net income from Agribusiness increased significantly to US\$45 million, mainly as a result of a 28% increase in average crude palm oil prices, which offset a 14% decline in crude palm oil and derivative sales.

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### DIRECT MOTOR INTERESTS

Direct Motor Interests faced challenging trading conditions during the year and made a reduced contribution of US\$14 million to the Group's underlying profit, 78% lower than the prior year.

Key points were as follows:

- Cycle & Carriage Singapore contributed US\$19 million, 68% down from the previous year, due to lower sales and weaker margins. Passenger car sales fell by 44% to 7,572 units and market share was reduced from 19% to 17%.
- In Indonesia, Tunas Ridean's contribution of US\$1 million was 94% lower. Its automotive business saw reduced sales, while its consumer finance operations were adversely impacted by lower lending volumes and increased loan provisioning.
- Cycle & Carriage Bintang in Malaysia contributed a loss of US\$1 million, compared to a loss of US\$6 million in 2019. Despite challenging trading conditions, the financial performance of the business benefited from improved sales in the second half of the year due to a sales tax reduction, as well as cost savings initiatives.

### OTHER STRATEGIC INTERESTS

Other Strategic Interests contributed US\$120 million to the Group's underlying profit, 5% down on the previous year.

Key points were as follows:

- THACO contributed US\$39 million, which included an adjustment of US\$7 million in respect of its 2019 results. Excluding the adjustment, the profit contribution would have been US\$46 million, 9% up from the previous year. THACO's automotive business contributed US\$39 million, this was impacted by lower margins attributable mainly to difficult market conditions in the first half of the year as a result of the pandemic, but was partly offset by higher unit sales for the full year. THACO's real estate business contributed US\$7 million, compared to US\$2 million in the previous year as sales resumed on the back of a market recovery, while its new venture in the agriculture sector contributed a loss of US\$8 million.



- Siam City Cement's contribution of US\$24 million was 3% higher than the previous year. Margins benefited from improved operational efficiencies, which helped to offset the decline in sales.
- The contribution of US\$21 million from REE was 13% higher than the previous year, due to a stronger contribution from real estate and the effect of an increase in the Group's shareholding to 29.8%, partly offset by weaker performances from its hydropower investments and its M&E business.
- The Group's investment in Vinamilk delivered dividend income of US\$37 million, compared to US\$36 million in the previous year. Vinamilk's 2020 profit was 5% higher in local currency terms as its export business continued to grow, while its domestic dairy segment remained relatively stable.



## CORPORATE COSTS

Corporate costs were US\$14 million, compared to US\$42 million in the previous year, which improved the overall underlying profit of the Group. This was primarily due to lower net financing charges and higher foreign exchange gains from the translation of foreign currency loans.

## SUMMARY

The operating environment remains uncertain and trading conditions are expected to remain challenging for some time. The Group remains confident, however, in the long-term economic prospects for Southeast Asia and it will remain focused on delivering its strategic objectives.

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Group Managing Director