

# Group Finance Director's Review

## Accounting Policies

The Company and Group accounts have been prepared under the dual compliance framework of both Singapore Financial Reporting Standards (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS"), collectively referred to as "IFRS". The Directors continue to review the appropriateness of the accounting policies adopted by the Group, having regard to developments in IFRS. From 1st January 2021, the Group has adopted the new or amended IFRS and Interpretations of IFRS that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and Interpretations of IFRS.

The adoption of these new or amended IFRS and Interpretations of IFRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

## Results

In 2021, the Group's revenue increased by 34% to US\$17.7 billion, mainly due to improvement in Astra's automotive and heavy equipment, mining, construction & energy businesses. Direct Motor Interests also reported higher revenue particularly in Singapore. The Group's gross revenue, including 100% of revenue from associates and joint ventures, which is a measure of the full

extent of the Group's operations, increased by 31% to US\$37.2 billion, which also saw higher revenue from Astra's associates and joint ventures mainly from the automotive businesses.

Underlying operating profit from the Group's parent company and subsidiaries of US\$1,831 million was 84% higher than the previous year. Astra's underlying operating profit increased by 94% to US\$1,789 million compared to the previous year, largely contributed by its automotive, financial services, and heavy equipment, mining, construction & energy businesses. The Group's Direct Motor Interests also saw a 58% increase in contribution mainly due to higher profit by Cycle & Carriage Singapore. Dividends from Vinamilk contributed US\$39 million. Corporate costs excluding net financing charges were higher mainly due to exchange loss arising from the translation of foreign currency loans compared to exchange gain in the previous year.

Net financing charges, excluding those relating to the Group's consumer finance and leasing activities, decreased by US\$85 million to US\$52 million, mainly due to lower interest rates at the Group's parent company and improved funding positions at Astra's parent company as well as Astra's heavy equipment, mining, construction & energy operations. Interest cover\* excluding the financial services companies increased significantly to 38 times (2020: 8 times), as a result of higher profit and lower net financing charges.

The Group's share of underlying results of associates and joint ventures more than doubled to US\$581 million. Contributions from Astra's associates and joint ventures

	2021			2020		
	Underlying profit US\$m	Non-trading items US\$m	Total US\$m	Underlying profit US\$m	Non-trading items US\$m	Total US\$m
Revenue	17,688	–	17,688	13,234	–	13,234
Operating profit	1,831	(136)	1,695	996	521	1,517
Net financing charges	(52)	–	(52)	(137)	–	(137)
Share of results of associates and joint ventures	580	10	590	287	(187)	100
Profit before tax	2,359	(126)	2,233	1,146	334	1,480
Tax	(514)	(1)	(515)	(231)	(4)	(235)
Profit after tax	1,845	(127)	1,718	915	330	1,245
Attributable to:						
Shareholders of the Company	786	(125)	661	429	111	540
Non-controlling interests	1,059	(2)	1,057	486	219	705
	1,845	(127)	1,718	915	330	1,245

\* Calculated as underlying profit before the deduction of amortisation/depreciation of right-of-use assets, net of actual lease payments, and share of results of associates and joint ventures divided by net financing charges excluding interest on lease liabilities.

increased by US\$250 million mainly due to improved performances by its automotive businesses. The contribution from Direct Motor Interests' joint ventures increased by US\$14 million mainly due to higher profits in Tunas Ridean. In Other Strategic Interests, the contribution from Refrigeration Electrical Engineering Corporation ("REE") was higher than the previous year mainly due to improved performances from its power and water investments as a result of favourable hydrography. The contribution from Siam City Cement ("SCCC") increased mainly due to a reduction in corporate tax rates in respect of its Sri Lanka operations. THACO reported 60% higher profit than the previous year, mainly due to stronger automotive results.

The underlying effective tax rate of the Group in 2021, excluding associates and joint ventures was 29%.

The Group's underlying profit attributable to shareholders for the year was 83% higher at US\$786 million.

## Non-trading items

In 2021, the Group had a net non-trading loss of US\$125 million as compared to a non-trading gain of US\$111 million in 2020. These non-trading items in 2021 comprise mainly the unrealised fair value loss related to non-current investments. In 2020, the non-trading items included a US\$188 million gain on the disposal of Astra's investment in Permata Bank and unrealised fair value gains related to non-current investments, partly offset by an impairment loss of US\$182 million in respect of the Group's investment in SCCC.

## Dividends

The Board is recommending a final one-tier tax exempt dividend of US¢62 per share (2020: US¢34 per share) which together with the interim dividend, will produce total dividend of US¢80 per share (2019: US¢43 per share) for the year. The final dividend will be payable on 29th June 2022, subject to approval at the Annual General Meeting to be held on 27th April 2022, to those persons registered as shareholders, on 31st May 2022. Dividends are usually declared on a semi-annual basis for every six-month period ending 30th June (in respect of an interim dividend) and 31st December (in respect of a final dividend).

## Cash Flow

### Summarised Cash Flow

	2021 US\$m	2020 US\$m
Operating cash flow	2,684	2,468
Dividends from associates and joint ventures	344	286
Cash flow from operating activities	3,028	2,754
Capital expenditure and investments	(966)	(1,033)
Disposals	278	1,618
Cash flow from investing activities	(688)	585
Cash flow before financing activities	2,340	3,339

Cash inflow from the Group's operating activities was US\$3.0 billion, US\$0.2 billion higher than the previous year, mainly due to improved profit and higher dividends received from associates and joint ventures.

Cash outflow from investing activities before disposals amounted to US\$1.0 billion, and this included the following:

- US\$119 million for the purchase of intangible assets, which included mainly US\$36 million for the acquisition costs of contracts in Astra's general insurance business and US\$63 million for the mining exploration costs in Astra's mining business;
- US\$349 million of property, plant and equipment comprising mainly US\$187 million of heavy equipment and machinery for Astra's heavy equipment and mining, construction & energy businesses, US\$49 million of equipment and network development for its automotive businesses, and US\$53 million for its agribusiness;
- US\$32 million for additions to bearer plants in Astra;
- US\$77 million for acquisitions and capital injections into various subsidiaries, associates and joint ventures; and
- US\$375 million for investments mainly by Astra's insurance business.

The contribution to the Group's cash flow from disposals for the year amounted to US\$0.3 billion, which arose mainly from the sale of investments by Astra's general insurance business. In 2020, the Group's cash flow from disposals of US\$1.6 billion included the sale of Astra's 44.6% interest in Permata Bank.

## Group Finance Director's Review

### Treasury Policy

The Group manages its exposure to financial risks using a variety of techniques and instruments. The main objectives are to limit foreign exchange and interest rate risks to provide a degree of certainty about costs. The investment of the Group's cash resources is managed so as to minimise risk, while seeking to enhance yield. Appropriate credit guidelines are in place to manage counterparty risk.

When economically sensible to do so, borrowings are taken in local currency to hedge foreign exchange exposures on investments. A portion of borrowings is denominated in fixed rates. Adequate headroom in committed facilities is maintained to facilitate the Group's capacity to pursue new investment opportunities and to provide some protection against market uncertainties. Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt from banks and capital markets, both short and long term in tenor, to give flexibility to develop the business.

The Group's treasury operations are managed as cost centres and are not permitted to undertake speculative transactions unrelated to underlying financial exposures.

The Group's financial risk factors are set out on pages 91 to 96.

### Funding

The Group is well-financed with strong liquidity. The Group's consolidated net cash, excluding Astra's financial services subsidiaries, was US\$0.8 billion at the end of December 2021, as compared to net debt of US\$0.9 billion at the end of 2020, with gearing at 6%. Net debt within Astra's financial services subsidiaries decreased from US\$2.8 billion to US\$2.7 billion. JC&C corporate net debt was US\$1.5 billion, similar to the previous year-end.

At the year-end, the Group had undrawn committed facilities of some US\$2.4 billion. In addition, the Group had available liquid funds of US\$4.6 billion.

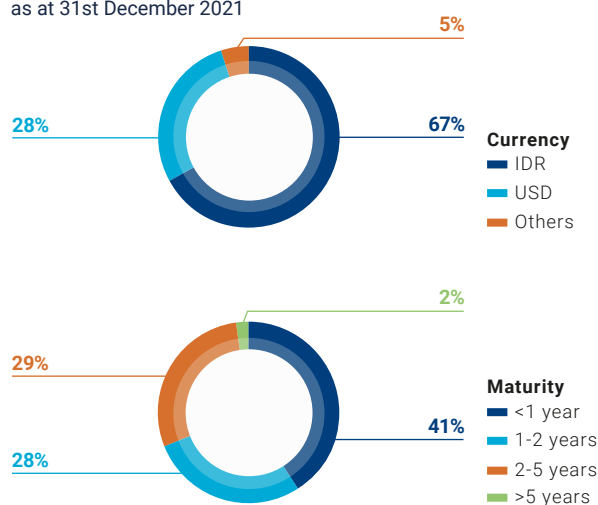
72% of the Group's borrowings were non-US dollar denominated and directly related to the Group's businesses in the countries of the currencies concerned. At the year-end, approximately 42% of the Group's borrowings, excluding Astra's financial services companies, were at floating rates and the remaining 58% were at fixed rates including those hedged with derivative instruments with major creditworthy financial institutions. For Astra's financial services companies, 94% of their borrowings were at fixed rates.

#### Net Debt\* and Total Equity (US\$ billion)



\* Excluding net debt of Astra's financial services companies

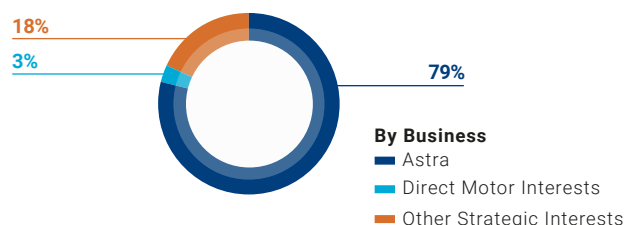
#### Debt profile as at 31st December 2021



### Shareholders' Funds

Shareholders' funds as at 31st December 2021 are analysed by business. There were no significant changes from the prior year.

#### By Business



### Risk Management Review

A review of the major risks facing the Group is set out on pages 44 to 46.

**Stephen Gore**  
Group Finance Director