

Group Managing Director's Review

The Group's business comprises three pillars: (i) Astra; (ii) Direct Motor Interests; and (iii) Other Strategic Interests. The contribution to JC&C's underlying profit attributable to shareholders by business pillar was as follows:

Underlying Profit Attributable to Shareholders by Business

	2021 US\$m	2020 US\$m
Astra		
Automotive	232.4	64.3
Financial services	172.5	110.8
Heavy equipment, mining, construction & energy	216.9	122.7
Agribusiness	53.9	22.0
Infrastructure & logistics	2.4	1.2
Information technology	2.3	0.5
Property	5.7	2.9
	686.1	324.4
Less: withholding tax on dividend	(31.3)	(15.0)
	654.8	309.4
Direct Motor Interests		
Singapore	29.1	18.5
Malaysia	0.8	(0.7)
Myanmar	(5.3)	(3.4)
Indonesia (Tunas Ridean)	16.4	0.8
Less: central overheads	(2.2)	(1.5)
	38.8	13.7
Other Strategic Interests		
Siam City Cement	28.5	24.2
Refrigeration Electrical Engineering	22.2	20.6
Vinamilk	38.9	36.7
Truong Hai Group Corporation		
– automotive	60.2	39.3
– real estate	4.7	7.4
– agriculture	(3.0)	(8.1)
	61.9	38.6
	151.5	120.1
Corporate costs		
Central overheads	(20.4)	(21.4)
Dividend income from other investments	5.6	5.1
Net financing charges	(16.9)	(21.7)
Exchange differences	(27.5)	23.9
	(59.2)	(14.1)
Underlying profit attributable to shareholders	785.9	429.1

Astra

Astra contributed US\$655 million to JC&C's underlying profit, compared to US\$309 million in the previous year. Under Indonesian accounting standards, Astra reported a net income equivalent to US\$1.4 billion, reflecting improved performances particularly from its automotive, financial services, heavy equipment and mining, and agribusiness operations.

Automotive

Net income increased significantly to US\$509 million in 2021, mainly due to the recovery from the negative impact in 2020 of the pandemic and related containment measures. Sales volumes increased during the year, particularly in the car segment, which benefited from temporary luxury sales tax incentives. Key points were as follows:

- The wholesale car market increased by 67% to 887,000 units. Astra's car sales were 81% higher at 489,000 units, with its market share increasing from 51% to 55%.

- The wholesale market for motorcycles increased by 38% to 5.1 million units. Astra's Honda motorcycle sales grew 36% to 3.9 million units, but saw a slight decrease in market share from 79% to 78%.
- Components business, Astra Otoparts, reported a net profit of US\$43 million compared to a profit of less than US\$1 million in 2020, mainly due to higher revenues from the original equipment manufacturer, replacement market and export segments.



Financial Services

Net income increased by 49% to US\$345 million, due to higher contributions from the consumer finance and general insurance businesses. Key points were as follows:

- Consumer finance businesses saw a 25% increase in the amounts financed to US\$5.8 billion. The net income contribution from the car-focused finance companies increased by 70% to US\$98 million, and the contribution from the motorcycle-focused financing business increased by 66% to US\$174 million. Both increases were mainly due to lower loan loss provisioning.
- Heavy equipment-focused finance operations saw an 88% increase in the amounts financed to US\$467 million. The net income contribution from this business increased by 85% to US\$5 million.
- General insurance company, Asuransi Astra Buana, reported a 21% increase in net income to US\$77 million, due to higher investment and underwriting income.

Heavy Equipment, Mining, Construction & Energy

Net income increased by 79% to US\$427 million, mainly due to higher Komatsu heavy equipment sales and improved coal prices. Key points were as follows:

- United Tractors reported a 71% increase in net income to US\$718 million.
- Komatsu heavy equipment sales increased by 97% to 3,088 units.
- Mining contracting operations reported 3% higher overburden removal volume at 852 million bank cubic metres, while coal production was 1% higher at 116 million tonnes.
- Coal mining subsidiaries achieved 3% higher coal sales at 9 million tonnes, including 2.4 million tonnes of metallurgical coal.
- Agincourt Resources saw 3% higher gold sales at 330,000 oz.
- General contractor, Acset Indonusa, reported a net loss of US\$49 million, mainly due to the slowdown of several ongoing projects and reduced construction project opportunities during the pandemic.

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Agribusiness

Net income from agribusiness increased significantly to US\$110 million, mainly as a result of a 32% increase in average crude palm oil prices.

Infrastructure & Logistics

Astra's infrastructure and logistics division reported a net profit of US\$5 million, 53% higher than last year, mainly due to improved performances in its toll road and Serasi Autoraya operations. Key points were as follows:

- Toll road revenues were 25% higher. Astra has 396km of operational toll roads along the Trans-Java network and in the Jakarta Outer Ring Road.



- Serasi Autoraya's net income increased by 26% to US\$10 million, mainly due to improved operating margins and a 5% increase in the number of vehicles under contract to 24,300 units, despite lower used car sales.

Direct Motor Interests

The Group's Direct Motor Interests contributed US\$39 million to JC&C's underlying profit, compared to US\$14 million in the previous year. Key points were as follows:

- Cycle & Carriage Singapore contributed US\$29 million, 58% up from the previous year, supported by higher profits from its premium and used car operations, which were less impacted than its mass market operations by high Certificate of Entitlement ("COE") prices. Total passenger car sales fell 10% to 6,783 units, with market share decreased from 17% to 15%.
- In Indonesia, Tunas Ridean contributed US\$16 million, compared to US\$1 million last year, mainly due to higher profits from its automotive and financial services businesses.
- Cycle & Carriage Bintang in Malaysia contributed a profit of US\$1 million, compared to a loss of US\$1 million in the previous year.



Other Strategic Interests

Other Strategic Interests contributed US\$151 million, 26% up on the previous year. Key points were as follows:

- THACO contributed a profit of US\$62 million, 60% higher than the previous year, mainly due to stronger automotive results, as margins benefited from an improved sales mix which offset a 5% decline in unit sales.
- Refrigeration Electrical Engineering Corporation's contribution of US\$22 million was 8% 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") was US\$28 million, 18% up from 2020, mainly due to a reduction in corporate tax rates in respect of its Sri Lanka operations. Excluding the favourable tax impact, SCCC's contribution would have been flat, with the benefit of continued cost-saving initiatives offset by continued lower cement volumes, as market demand was affected by the pandemic, and reduced margins as a result of an increase in coal prices.

- The Group's investment in Vinamilk delivered a dividend income of US\$39 million. Vinamilk reported a 5% decrease in net profit mainly due to higher input and transportation costs.



Corporate Costs

Corporate costs increased from US\$14 million in 2020 to US\$59 million, primarily due to the impact on costs of the translation of foreign currency loans, which led to a foreign exchange loss of US\$28 million in 2021, compared to a gain of US\$24 million in the previous year.

Summary

We saw a strong recovery across the JC&C portfolio in 2021 and I am encouraged that we have achieved results which are close to the Group's pre-pandemic 2019 performance. Overall, we are pleased that the portfolio has demonstrated resilience during these challenging times.

Ben Birks

Group Managing Director