

Astra Leverages Strengths to Further Growth



Capital city Jakarta is at the heart of Indonesia's economic growth.

As one of Indonesia's largest business groups, with operations across the country and a presence in many major sectors of the economy, Astra is well positioned to benefit from Indonesia's economic growth, infrastructure development and natural resources.

As well as being the world's fourth most populous nation and the tenth largest economy in terms of purchasing power parity, Indonesia has enjoyed impressive economic growth during the 2000s fuelled by its emergence and development as a middle-income country. This is reflected in the growth of GDP per capita from US\$857 in 2000 to US\$3,603 in 2016. For Astra with its strong reputation for high quality, trusted and reliable products and services, as well as adherence to rigorous corporate governance and environmental standards, this has created great potential for further growth.

"By leveraging Astra's strengths and abilities from its existing businesses and capitalizing on the increasing middle class, we have been able to expand into new and adjacent sectors with the aim of developing their potential as valuable revenue streams," explained Astra President Director Prijono Sugiarto. "Good examples are our toll road and life insurance operations and most recently, new property line and power plant project. All these new businesses support Astra's commitment to be an asset to the nation and its mission to develop the country for a better future."

Over the years, Astra, which has been celebrating its 60th anniversary during 2017 and employs more than 200,000 people in 218 companies, has developed its business operations by implementing a model based on synergies and diversification within

Indonesia Facts and Figures

WORLD'S
4TH
MOST
POPULOUS
NATION



10th
largest
economy in
terms of
purchasing
power parity



US\$3,603
(2016)

The growth
of GDP per
capita

US\$857
(2000)

Indonesia's middle
and upper middle
class population

96 million
(2015)

141 million
(2020)



seven main business lines – Automotive, Financial Services, Heavy Equipment, Mining and Energy, Agribusiness, Infrastructure and Logistics, Information Technology, and Property, which was added in 2016.

“With such a diverse portfolio of businesses, Astra touches many aspects of national life through its products and services,” said Mr Sugiarto. “In everyday life, the people of Indonesia use motorcycles and cars, toll roads, and printers, as well as financial services, banking and insurance from Astra. Business owners continue partnerships with Astra and utilize a variety of our commercial vehicles, heavy equipment, logistics services, information technology systems and mining services. Many products, including palm oil, coal and motor vehicles, are exported, thus allowing Astra to contribute in generating foreign exchange revenue for the country.”



While the expansion into new and adjacent sectors is a key part of the group's overall strategic development, we shall continue to grow our existing operations.



Astra President Director
Prijono Sugiarto

As economic growth in Indonesia continues to gather momentum, in spite of the external pressures created by global issues, Astra is focused on further developing its business portfolio and revenue streams while also building on its strengths in product excellence, customer service and efficiency.

“While the expansion into new and adjacent sectors is a key part of the group's overall strategic development, we shall continue to grow our existing operations. In particular we are seeking to take advantage of the changes in the business environment, not least the enhancement of digital capabilities in many of the sectors in which we operate,” said Mr Sugiarto. “We are also looking at new investments on the digital front to ensure that we stay close to our customers by capitalizing on new technologies.

“All of this will aid our determination to maintain our leadership position as one of Indonesia's most prominent companies and to be one of the best managed corporations in Asia with an emphasis on sustainable growth,” concluded Mr Sugiarto.



Palimanan Toll Gate.

Infrastructure Projects Aid Economic Growth

Government support for infrastructure development to aid Indonesia's economic growth and improve social prosperity has provided the opportunity for Astra to forge a strong reputation as a leading investor and operator of infrastructure assets.

Astra first entered the toll road business in 2005 when it led a consortium to acquire a majority stake in PT Marga Mandala Sakti, concession holder of the 72.5 kilometre-long Tangerang-Merak toll road, which is part of the Trans-Java Toll Road network. The road supports economic growth in Banten province and, over the last six years, has exhibited year-on-year traffic volume growth of 3%.

"This purchase represented a strategic step, signalling our strong interest in participating in the overall development of the Indonesian infrastructure as the bridge toward greater social welfare and stronger local economies," explained Prijono Sugiarto. "Investment in infrastructure complements Astra's extensive business portfolio, particularly in providing stable revenue inflows over the medium and long-term horizon."

Astra's infrastructure projects are under the management of subsidiary PT Astratel Nusantara (Astratel), operating under the brand name 'Astra Infra'.

Today Astratel is one of the largest private companies to own and operate toll road projects in Indonesia with a portfolio totalling 353 kilometres and comprising six concessions, four of which are in full operation. As well as the Tangerang-Merak toll road, this includes the 116 kilometre-long Cikopo-Palimanan toll road, which became fully operational in June 2015 and is the longest toll road in Indonesia.

Astratel also operates a port and logistics facility which serves as a supply base for the oil and gas industry in the Makassar Strait region of East Kalimantan.

"Astra's investment strategy in infrastructure is designed to generate optimum revenue potential with minimized risks," said Mr Sugiarto. "Tactical strategy is focused on accelerating land acquisition and construction activities for toll road projects under development, and delivering operational excellence."

By 2020, Astra hopes to have increased its toll roads portfolio to 500 kilometres. Further business development initiatives will be directed into new toll road projects, particularly along the Trans-Java Toll Road network and urban toll roads within the Jabodetabek area, as well as other segments of the infrastructure sector, including seaports and airports.

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Best of Both Worlds with Astra Life Insurance

Indonesia's insurance industry offers promising prospects. The mix of one of the world's youngest populations and a rapidly growing middle class, combined with improved social welfare and living standards, has created greater public awareness of the benefits of insurance protection. In addition, the life insurance segment shows significantly low penetration levels, giving this particular sector considerable potential for the future in one of the world's fastest growing markets.

PT Astra Aviva Life (Astra Life), a joint venture between Astra and Aviva, was established in 2014 under the banner of 'Best of Both Worlds' representing the experience and expertise of Aviva as a world-class insurance company for more than 320 years, and the strength of Astra in Indonesia with its well-established distribution network and highly respected reputation in other insurance and financial services.

"Astra sees life insurance as an extension of our financial services value chain to complement our portfolio, alongside PermataBank, Asuransi Astra Buana, Astra Credit Companies and Federal International Finance," explained Astra Director Suparno Djasmin. "The Astra philosophy of providing high quality, trusted and affordable products and services is particularly important in building a life insurance business, both from a customer and stakeholder perspective. Astra Life can offer individuals and families greater peace of mind, financial security and a better quality of life overall."

The move into life insurance is also in line with Astra's strategy to expand and diversify, entering new areas in which it believes that it can create a market-leading business. This has been borne out by Astra Life's performance over its first two years of operation.

At the end of 2016, Astra Life recorded total assets of Rp3.8 trillion (US\$280 million), double those from the previous year's position, and a gross written premium of Rp2.9 trillion (US\$214 million), up 115% from 2015. Astra Life also outperformed the industry by recording a higher growth rate for a new business segment compared to the 2016 average of 6%. At the end of the first half of 2017, Astra Life had successfully acquired 304,000 life insurance individuals and 652,000 participants for its corporate employee benefits programmes.

As Astra Life aims for a premium growth target of 50% during 2017, its marketing strategy is focused on strengthening the distribution channels for both individual products and employee benefits, in line with its multi-product, multi-segment and multi-channel strategy. Future strategies will optimize the extensive synergistic partnership scheme for insurance and bancassurance operations and develop 'Blue Ocean' digital distribution channels for finance assurance as well as for its Sharia business unit.

"Astra Life is positioned as 'insurance for Indonesians to love life' and all of our current strategies will support Astra Life's aspiration to become one of the five top life insurance companies in Indonesia over the next ten years," said Priyono Sugiarto.



Astra Life offers a wide range of protection and investment products to individual and group customers.

Astra Property – Building for the Future

Astra's addition in 2016 of property as the seventh line of the group's business portfolio was testimony of its firm commitment to pursue selective and sustainable expansion into sectors with favourable future prospects. Despite challenging conditions, the property sector in Indonesia holds promising long-term potential supported by key factors such as the growth of the middle class, and government policy to promote the availability of good quality housing.

"This initiative was driven by Astra's aspiration to capitalize on opportunities and synergy in the property sector," said Prijono Sugiarto. "Backed by our solid reputation, scrupulous strategic planning and a strong experienced team, Astra Property is firmly committed to delivering commercial and residential projects of impeccable quality."

The first major development for the new property line is a 2.4 hectare integrated complex located in the central business district of Jakarta.

The 47-storey Grade A Menara Astra office tower, which is nearing completion, is being built to Platinum Green Building standards and will be complemented by supporting facilities including a convention hall and three storeys of retail units.

Anandamaya Residences, the residential element of the complex, is being built in collaboration with Hongkong Land and will feature one luxury and two premium

towers offering a total of 509 apartment units. Designed to set new standards for exclusive living in metropolitan Jakarta, more than 94% of the apartments had been snapped up by buyers by the end of the first half of 2017.

"This first masterpiece project will showcase Astra's commitment and capabilities in delivering high quality property assets," said Mr Sugiarto.

Meanwhile in September 2017, Astra established joint venture PT Astra Modern Land and through land acquisition in Jakarta Garden City is developing a township with an area of approximately 67 hectares in East Jakarta targeted at middle to upper income consumers. This will consist of houses, apartments, commercial facilities and public open areas.

As the group's newest business, Astra Property is committed to making a significant contribution in optimizing value and synergy to Astra stakeholders with the aspiration to deliver world-class standards and sustainable living.

"It is our intention to expand our horizons and strengthen the business by increasing the value of existing and newly acquired land holdings, and developing them into prospective commercial and residential projects, either independently or by collaborating with strategic partners," said Mr Sugiarto. "Our priority is to deliver operational service excellence."



The premium grade Menara Astra office tower.

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Astra Property is
committed to delivering
world-class standards and
sustainable living.
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Astra President Director
Prijono Sugiarto

Astra's Seven Business Lines



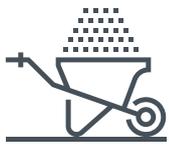
Automotive



Financial Services



Heavy Equipment,
Mining & Energy



Agribusiness



Infrastructure
& Logistics



Information
Technology



Property



Power Plant Boosts Electricity Network

Astra has recently taken on its first power plant project through subsidiary PT United Tractors, which holds a 25% interest in Bhumi Jati Power (BJP), a consortium established to build a coal-fired facility in Central Java as part of a strategic drive by the Indonesian Government to accelerate the development of critical infrastructure facilities across the country.

This move into energy projects is also in line with Astra's goals to diversify and leverage its current business strengths.

"In particular, this project demonstrates United Tractors' strategy to pursue a stronger revenue structure and lower its dependency on the coal business," said PT United Tractors President Director Gidion Hasan.

With energy a vital element of economic growth, the Government and State Electricity Company PT Perusahaan Listrik Negara (PLN), in conjunction with private companies, have targeted the construction of 109 power plants aimed at improving inter-connectivity and capacity nationwide.

The Jawa 4 power plant being built by BJP in Jepara, Central Java will have a capacity of 2 x 1,000 MW and is expected to meet electricity needs in Java-Bali, thus encouraging more companies to invest in the area's industrial growth. The 'build, operate and transfer' project will cost approximately US\$4.2 billion. It is scheduled to come on stream in 2021 and will supply electricity over a period of 25 years to PLN.

The power plant is being built using the latest Ultra-Super-Critical technology, which is 8-10% more efficient when compared to other coal-fired power plants. This is because it requires lower coal consumption and creates less exhaust gas emissions, making it more environmentally friendly.

Speaking at the ground-breaking ceremony for the project, Priyono Sugiarto said that the consortium reflected Indonesian President Joko Widodo's work agenda "to embody economic independence through driving the strategic domestic economy sector," including energy sovereignty.