

## **REPORT of the Board of Directors**

### **Dear Valued Stakeholders,**

Praise to be God Almighty for His grace which allowed PT Astra Graphia Tbk (Astragraphia) able to finish challenging year. Please allow us to submit the Annual Report of Astragraphia 2019.

### **Economic Conditions in 2019**

The global economic growth in 2019 weakened compare to the previous year. The slowdown was a result of rising international trade tensions, as well as several geopolitical risks that led to the weakening in global investment, trade, and manufacturing activities. This had an impact on economic growth in developing countries, including Indonesia. To quote the official data from BPS, the Indonesian economy only grew by 5.02% in 2019, a decrease from 5.17% in 2018.

### **Corporate Strategy and Strategy Policy**

In order to maintain good business growth and market share, the Board of Directors set a number of strategies and policies for 2019. The Company's business strategy was implemented in accordance with the 2019 Annual Budget Work Plan, and included: maximizing revenue and profit from the core business, increasing revenue contribution from business initiatives, increasing market share of *e-commerce businesses*, and developing Astragraphia's new business lines to maintain future business sustainability.

Taking into account the business situation and the increasingly fierce competition, the company aims to strengthen its core business while exploring the potential of new business growth. The company's main agenda involves business transformation, which will enable Astragraphia to continue providing excellent services, as well as contributing positively to the Astra business group as well as the country.

Several strategic initiatives measures were taken in 2019, including, as follows:

1. The signing of the partnership agreement with PT FUJIFILM Indonesia on 22 April 2019 move that is expected to accelerate the business growth of Astragraphia's document solution in the commercial printing industry. Through this partnership, Astragraphia has become the sole distributor for sales and aftersales service for FujiFilm's digital offset printing products throughout Indonesia.
  2. Organizational strengthening that focuses on developing business initiatives and competencies, both in terms of hard and soft skills, as well as leadership. The development of business initiatives is dividend into 3 areas namely *e-business, own solutions & digital services*, serta *product expansion*. The development of employee competency to ensure that Astragraphia's organization is ready to support future business needs and development. The development of the expert track aims to accelerate compentency improvements to support business.
-

3. Business initiatives evaluation process based on the Astra Management System to ensure that all initiatives have been implemented within the established corridor and to adjust the company's strategy in accordance with current economic developments rapidly.
4. Strengthening the corporate culture to encourage a culture of sustainable innovation provides through the annual Quality Innovation program.
5. Astragraphia encourages the implementation of Organizational Agility to encourage the organization's ability to adapt to any business dynamics.

## Company Performance in 2019

Amid challenging economic conditions in 2019 Astragraphia was still able to post a net income growth of 17%, with an achievement of Rp4.77 trillion. This growth was contributed to by the company's core business, which grew by 7%, the subsidiary business, AXI, which grew by 58%, as well as stable revenues in the services category from the subsidiary AGIT. From these results, Astragraphia posted a net profit of Rp251 billion, a 7% decrease from the previous year.

Astragraphia managed to achieve the revenue target with the main contribution from the office solution business segment. Nonetheless, in terms of margin, the company's total profit decreased from 2018. This was due to the increasingly fierce market competition.

In the core business, significant growth was achieved in the Fuji Xerox's multifunction digital device portfolio (EDS/ Enterprise Document Solution), a series of strategies managed to optimize the potential of the company's core business. An aggressive market penetration of untapped markets and market competitors succeeded in bringing multifunction digital installations to a double digit growth from last year. In addition, significant growth was also achieved in digital document management software sub-portfolios, an indication of the changes in the work patterns of the customers caused by digitalization.

Amid increasingly fierce e-commerce business competition, the company's subsidiary AXI still managed to maintain the AXIQoe's business revenue growth above 50% from the previous year. Another positive signal was the growth of transactions on AXI's online printing platform, namely PrintQoe.

In line with its focus on becoming a Digital Services Preferred Partner, AGIT has been able to maintain this year's revenue from the Services category. In addition, as one of indicators to achieve AGIT Pride of the Nation, Own Solutions has successfully penetrated in all provinces in Java. Several other important achievement was the appointment of AGIT as a Microsoft LSP Partner and the company also won several awards from the principal, as well as strategic partners and the media.

## Challenges

The slowdown in the Indonesian economy followed by a weakening demand for goods and services has had a significant influence on the market. On the other hand, the Industrial Revolution 4.0 has changed the working environment and mindsets of Indonesians. This has led to a relatively stagnant growth in the digital multifunction device market. To address this,

---

the company has invested in several product updates and digital solutions, and continues to improve the competency of its human capital so that they remain relevant to customer needs.

The increase in registered aggregators with the National Procurement Board (LKPP) continued to be a challenge for the e-commerce business in 2019.

### **Analysis of Business Outlook for 2020**

It is predicted that global economic growth will not fully recover in 2020. The trade war between China and the United States continues, and the post-Brexit European economic conditions, as well as the geopolitical turmoil, will stand as obstacles to the recovery of the global economy in 2020. Business challenges are likely to be further exacerbated by the Corona virus outbreak, which has had a direct impact on the global economy.

Developing countries including Indonesia are not immune to the global economic slowdown. The economic slowdown in developed countries will be followed by a decline in demand for developing countries. Amid the challenging conditions, we still believe and have placed its confidence in the Indonesia Maju Cabinet to provide policy breakthroughs to realize government targets.

### **Business Strategies in 2020**

In line with the 2020 Annual Budget Work Plan (RKAT) that was approved by the Board of Commissioners on 28 November 2019, the following strategic initiatives will be implemented in the 2020 fiscal year:

1. Maximize the contribution of revenues and profits from the company's core business through the service package solution approach and the acquisition of competitor markets.
2. Encourage new business growth in the field of printing and digital services.
3. Strengthen the competency of human capital to support business transformation.
4. Strengthen sustainable development through corporate social responsibility that focuses on the pillars of education and environmental sustainability.

### **Dividend Policy**

Astragraphia continues its dividend distribution policy to balance the rate of returns to all shareholder and the need for business growth of Astragraphia, while taking into account the decisions of its shareholders.

During the Annual General Meeting of Shareholders held on 10 April 2019, the company's shareholders approved the distribution of cash dividends amounting to 40% of the company's net income, or Rp80,- per share, which has been calculated with an interim dividend of Rp30,- per share and has been distributed on 22 October 2018.

Dividend distribution shall not reduce Astragraphia's financial capability to fund its investments and new business initiatives in the years to come.

---

## **Implementation of Corporate Governance**

Astragraphia implements the principles of Good Corporate Governance (GCG) in all of its business operations in accordance with the following principles: transparency, accountability, responsibility, independency, equality and fairness.

Astragraphia refers to the prevailing laws and regulations, as well as the OJK regulations, when conducting its business activities.

To improve transparency and accountability, Astragraphia involves external auditors in the audit of the financial statements of the company and its subsidiaries. Astragraphia used one of the four largest auditors in Indonesia to audit the company and its subsidiaries. This aims to enhance the transparency and accountability of the company's reports, as well as ensure the submission of reports to the related authorities in a timely manner.

As a form of commitment in implementing good corporate governance, Astragraphia cooperates with law consultant in conducting "Training for Trainers Indonesia Anti Bribery and Anti-Corruption Legislation". The event was attended by the Directors, Chiefs and Management of Astragraphia to understand Law No. 31 of 1999 as amended by Law No. 20 of 2001 concerning Eradication of Corruption and the creation of improved quality of corporate GCG.

## **Performance Assesment of The Committees Under The Board of Directors**

Astragraphia has not established any Committee under the Board of Directors. Nonetheless, in carrying out our duties and responsibilities, the Board of Directors is assisted by the Chiefs and the senior management who lead various work units at the company.

Throughout 2019, the Board of Directors is of the view that the management under the Board of Directors has demonstrated remarkable performance when conducting their respective duties and responsibilities. Formal evaluation of the operational performance of each business segment is conducted through the monthly review forum attended by the company's Board of Directors, the Boards of Directors of the subsidiaries, the Chiefs, and the senior management. This forum is incorporated into the Meetings of the Board of Directors where it is documented by the Corporate Secretary.

## **Changes In The Composition of The Board of Directors**

In 2019, there were no changes in the composition of Astragraphia's Board of Directors. Pursuant to Astragraphia's Articles of Association, the tenure of the members of the Board of Directors is two years and ended on the closing of the 2020 Annual GMS.

The following is the composition of Astragraphia's Board of Directors as at 31 December 2019:

- President Director : Herrijadi Halim (Harry Halim)
- Director : Hendrix Pramana
- Director : Halim Wahjana
- Direcrtor : Mangara Pangaribuan

The members of Board of Directors have passed the selection and assessment processes conducted by Astragraphia's Nomination and Remuneration Committee.

---

## **Development of Human Capital**

Astragraphia is committed to improving the competence of its Human Capital (HC).

Along with the effort to strengthen its core business and new business initiatives, Astragraphia is continuously building the culture of innovation through the Quality Innovation program. This effort is accompanied by an improvement in employees' capability to enable them to grow with the company. The year 2019 was the moment of acceleration in improving the quality of the company's Human Capital.

To this end, Astragraphia consistently conduct employee development programs through a number of internal and external training activities. Career development through expert track will continue to be implemented to meet the needs of experts in supporting business development.

## **Corporate Social Responsibility**

Astragraphia is committed to participate in contributing sustainable development in line with the first pillar of corporate culture, which is Valuable to the Nation and Life.

The company's implementation of its Corporate Social Responsibility is based on the objective of developing a smart and prosperous society through Astragraphia's technology and capabilities. The Competence Aid Program (CAP) and the distribution of workbooks for early childhood were Astragraphia's flagship programs in the field of educational development in 2019.

Astragraphia is also committed to managing environmentally friendly business activities. In addition to adopting and implementing a Management System certification, the company uses environmentally-friendly materials, energy savings, and waste management in an ongoing effort to minimize the negative impact of the business on the environment.

## **Appreciation to All Stakeholders**

The company has managed to overcome the challenges in 2019. On behalf of the Board of Directors, we wish to express our highest gratitude and appreciation to the Board of Commissioners for their direction, as well as to the shareholders, principals, customers, creditors, and business partners for their support, loyalty, and cooperation.

The Board of Directors also wishes to express its sincere gratitude to all of Astragraphia's employees who have worked professionally and with full dedication to carry out their respective duties and responsibilities.

On behalf of Board of Directors

Jakarta, March 2020

## **Herrijadi Halim (Harry Halim)**

President Director

---

**astragraphia**  
member of **ASTRA**

**PT ASTRA GRAPHIA TBK**

Jl. Kramat Raya No. 43 Jakarta  
10450, Indonesia  
T +6 (21) 390 9444, 390 9190  
F +62 (21) 390 9181  
[www.astragraphia.co.id](http://www.astragraphia.co.id)

---