



Financial services  
Indonesia

## FINANCIAL REVIEW

### Accounting Policies

There have been no changes to the Group's accounting policies except for the adoption of the following interpretations to existing standards;

IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new interpretations did not have a material impact on the results of the Group.

### Results

The Group recorded an excellent set of results. Group revenue rose by 25% to US\$11.2 billion in 2008 with increases reflected in all major business segments, while underlying profit attributable to shareholders grew by 28% to US\$477 million. Profit attributable to shareholders at US\$448 million was 32% higher than the previous year after accounting for a net non-trading loss of US\$29 million.

Underlying profit contribution from Astra rose by 29% to US\$460 million. The contribution from Astra's automotive and financial services operations was up 20% at US\$303 million, while its resources and other businesses also performed well with

their profit contribution growing 35% to US\$183 million. The underlying contribution from the Group's other motor interests increased by 4% to US\$44 million.

Net financing income was US\$9 million, compared with the net financing charge of US\$44 million in the previous year due to lower borrowings. The underlying effective tax rate of the Group was 32% (2007: 31%).

### Dividends

The Board is recommending a final tax exempt dividend of US\$36.00 per share, giving a total dividend of US\$50.00 per share, an increase of 16% over the previous year. This represents a dividend payout equivalent to 37% based on underlying earnings per share, compared to 40% in the previous year. The final dividend is payable in US Dollars or Singapore Dollars.

### Cash Flow

The cash inflow from operating activities was US\$1.1 billion, slightly lower than the previous year as the cash flow from higher profit was offset by higher working capital requirements. The cash outflow from investing activities at US\$836 million was higher than the previous year and consisted mainly of capital expenditure and investments in subsidiaries and associates. The cash outflow from financing activities was US\$23 million compared to US\$774 million in the previous year, due to a net increase in loans drawn

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down compared to a net repayment in 2007 and the net receipt of US\$153 million from the minority shareholders in respect of United Tractors' rights issue.

At year end, the Group had undrawn committed facilities of around US\$780 million. In addition, the Group had available liquid funds of US\$848 million. The Group's net debt excluding those relating to Astra's financial services operations was US\$157 million, US\$78 million lower than the previous year end due to strong operating cashflows, proceeds received from United Tractors' rights issue and a large dividend received from Astra Honda Motor. These were substantially offset by the cost of acquisitions and investment in shares in Group companies. The debt within the Group's financial services operations of US\$1.2 billion was US\$84 million lower than at the prior year end, following a reduction in joint financing with recourse. The Company ended the year with net cash of US\$4 million, compared to the net debt of US\$31 million at the end of 2007.

#### **Balance Sheet**

At the end of 2008, the Group's total assets, excluding bank balances and other liquid funds were US\$8 billion, US\$248 million higher than the previous year end. Total liabilities excluding borrowings increased by US\$145 million to US\$1.8 billion due mainly to higher trade creditors in Astra. Shareholders' funds increased by 5% to US\$2.3 billion.

#### **Treasury Policy**

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

#### **Risk Management Review**

A review of the major risks facing the Group is set out on page 31.

S C Chiew  
Group Finance Director  
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