



## FINANCIAL REVIEW

### Accounting Policies

There have been no changes to the Group's accounting policies except for the adoption of the following new standards, amendments and interpretations as shown below:

|                                 |  |
|---------------------------------|--|
| IFRS 8                          | Operating Segments   |
| IAS 1 (revised 2007)            | Presentation of Financial Statements   |
| IAS 23 (revised 2007)           | Borrowing Costs  |
| Amendments to IFRS 1 and IAS 27 | Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| Amendments to IFRS 2            | Vesting Conditions and Cancellations   |
| Amendments to IFRS 7            | Improving Disclosures about Financial Instruments                              |
| IFRIC 13                        | Customer Loyalty Programmes  |
| IFRIC 16                        | Hedges of a Net Investment in a Foreign Operation                              |
| Improvements to IFRSs (2008)    |  |

The Group also early adopted the following standard and amendments which are relevant to its operations:

|                       |  |
|-----------------------|--|
| IFRS 3 (revised 2008) | Business Combinations                          |
| Amendments to IFRS 8  | Operating Segments                             |
| Amendments to IAS 27  | Consolidated and Separate Financial Statements |

The adoption of these new standards, amendments and interpretations did not have a material impact on the results of the Group.

### Results

The Group recorded a fine set of results despite the global recession. This was primarily due to record profits achieved by Astra, which benefited from the continued growth in the Indonesian economy.

The Group's revenue for 2009 at US\$10.6 billion was marginally below the previous year. Decreases were reflected in Astra, due to lower revenue from its agribusiness and motorcycle operations alongside the impact of the weaker Rupiah, and in the Group's other motor interests in Singapore and Malaysia.

Operating profit at US\$1.3 billion was 14% up on the previous year. This was due to improvements across most businesses within Astra and lower losses from non-trading items, both of which more than offset the lower contribution from the Group's other motor businesses.

Net financing income was US\$6 million, compared to US\$9 million in the previous year, as lower amounts were placed on deposit, partly offset by lower non-financial services borrowings within Astra. The Group's share of associates' and joint ventures' results after tax increased slightly to US\$275 million. Improvements



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in contribution from Astra's motor vehicle, automotive component and financial services associates and from the Group's other motor associates, Tunas Ridean and Truong Hai Auto Corporation ("Thaco"), more than compensated for the decline in Astra's motorcycle associate. Tunas Ridean's contribution was higher despite lower trading results due to a non-trading item consisting of a gain on sale of 51% of its wholly owned finance subsidiary while Thaco made a strong turnaround in 2009.

The effective tax rate of the Group was 30%, compared to 32% in 2008, mainly due to the reduction in tax rates in Indonesia.

The Group's profit after tax for the year ended 31st December 2009 rose by 12% to US\$1.2 billion, while profit attributable to shareholders at US\$503 million also grew by a similar percentage. Excluding non-trading items, underlying profit attributable to shareholders was US\$515 million, 8% up on 2008.

#### Dividends

The Board is recommending a final one-tier tax exempt dividend of US\$47.00 per share, which together with the interim dividend paid will give a total dividend of US\$58.00 per share (2008: US\$50.00 per share), an increase of 16% over the previous year. This represents a dividend payout equivalent to 40% of underlying

earnings per share, compared to 37% in the previous year. The final dividend is payable in US Dollars or Singapore Dollars.

#### Cash Flows

Net cash inflow from operating activities was US\$1.1 billion, similar to the previous year, as the cash flows from higher profit was offset by higher tax payments. The cash outflow from investing activities at US\$508 million, consisted mainly of capital expenditure for operations and purchase of investments. The cash outflow from financing activities at US\$548 million was higher than the previous year, due to a net repayment of loans and the payment of higher dividends.

At year end, the Group had undrawn committed facilities of around US\$671 million. In addition, the Group had available liquid funds of US\$962 million. The Group's net cash excluding borrowings within Astra's financial services operations improved to US\$64 million, compared to the net debt of US\$157 million at the previous year end, due to strong operating cash flows and lower purchases of subsidiaries, associates, joint ventures and investments. The debt within the Group's financial services operations of US\$1.5 billion was higher than the prior year end, reflecting an increase in lending activities. The Company ended the year with net cash of US\$1 million.

#### Balance Sheet

At the end of 2009, the Group's total assets, excluding bank balances and other liquid funds, were US\$10.1 billion, US\$2.1 billion higher than the previous year end, due mainly to higher financing debtors, trade debtors and property, plant and equipment in Astra. Total liabilities excluding borrowings increased by US\$436 million to US\$2.3 billion, due mainly to higher trade creditors and accruals in Astra. Shareholders' funds increased by US\$709 million to US\$3 billion, due to retained profit for the year and the translation gain arising from the appreciation of the Rupiah compared with the previous year end.

#### Treasury Policy

The Group manages its exposure to financial risk using a variety of techniques and instruments. The main objectives are to limit foreign exchange and interest rate risks and 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.

#### Risk Management Review

A review of the principal risks facing the Group is set out on page 42.

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