GROUP MANAGING DIRECTOR'S REVIEW

The Group's underlying profit rose 12% in 2018, due mainly to increased contributions from Astra's heavy equipment, mining, construction and energy, and financial services businesses, which more than offset lower contributions from its agribusiness and automotive businesses. The Group's Direct Motor Interests and Other Strategic Interests also saw higher contributions than the previous year.

UNDERLYING PROFIT ATTRIBUTABLE TO SHAREHOLDERS BY BUSINESS

	2018 US$m	Restated 2017 US$m
Astra		
Automotive	**271.7**	283.7
Financial services	**171.4**	124.6
Heavy equipment, mining, construction & energy	**230.6**	167.7
Agribusiness	**43.2**	59.9
Infrastructure & logistics	**6.9**	4.2
Information technology	**7.3**	7.4
Property	**18.5**	0.2
	749.6	647.7
Less: withholding tax on dividend	**(30.9)**	(25.4)
	718.7	622.3
Direct Motor Interests ("DMI")		
Singapore	**61.6**	57.0
Malaysia	**1.9**	(1.3)
Myanmar	**(4.9)**	(2.5)
Indonesia (Tunas Ridean)	**17.5**	14.9
Vietnam	**73.0**	56.5
– automotive	**65.8**	48.8
– real estate	**7.2**	7.7
	149.1	124.6
Less: DMI central overheads	**(4.5)**	(3.3)
	144.6	121.3
Other Strategic Interests		
Siam City Cement	**20.2**	11.3
Refrigeration Electrical Engineering Corporation	**19.0**	13.7
Vinamilk	**31.9**	9.3
	71.1	34.3
Less: Corporate costs	**(76.4)**	(8.4)
Central overheads	**(18.4)**	(18.8)
Dividend income from other investments	**4.9**	–
Net financing charges and exchange differences	**(62.9)**	10.4
Underlying profit attributable to shareholders	**858.0**	769.5

PERFORMANCE

The Group reported an underlying profit attributable to shareholders of US$858 million, 12% up on the previous year, while underlying profit per share also grew by 12% to US¢217. Profit attributable to shareholders was down 55% from US$939 million to US$420 million, after accounting for net non-trading losses of US$438 million, principally unrealised fair value losses related to non-current investments. These resulted from the adoption of a new accounting standard which requires the unrealised gains and losses arising from the revaluation of equity investments at the end of each financial period to be included in the profit and loss account.

The Group's consolidated net debt, excluding Astra's financial services subsidiaries, was US$2.2 billion at the end of 2018, representing gearing of 16%, compared to US$819 million at the end of 2017, when gearing was 6%. This increase was largely due to investments by Astra in its toll road businesses, a gold mining concession and GOJEK, together with the Group's investment in Toyota Motor Corporation and further purchases in Vinamilk and in its associates and joint ventures. Net debt within Astra's financial services subsidiaries was US$3.3 billion, compared with US$3.4 billion at the end of 2017. JC&C parent's net debt was US$1.3 billion at the end of 2018, an increase from US$1.2 billion at the end of 2017.

GROUP REVIEW

ASTRA

Astra reported a net profit equivalent to US$1.5 billion, under Indonesian accounting standards, 15% higher in its local currency terms.

Automotive

Net income from Astra's automotive division was 4% lower at US$597 million, mainly due to lower operating margins despite higher automotive sales.

The wholesale market for cars was 7% higher in the year compared to 2017 at 1.2 million units. Astra's car sales were 1% higher at 582,000 units, but increased competition resulted in a decline in market share from 54% to 51%. The group launched 18 new models and seven revamped models during the year.

The wholesale market for motorcycles increased by 8% to 6.4 million units. Astra Honda Motor's domestic sales increased by 9% to 4.8 million units, with its market share stable at 75%. The group launched six new models and 19 revamped models during the year.

Astra Otoparts, the group's automotive components business, reported net income 11% higher at US$43 million, with increased revenues from its original equipment manufacturing and replacement market segments.

Financial Services

Net income from the group's financial services division increased by 28% to US$337 million. This resulted from improved contributions from its consumer finance, banking and general insurance businesses.

The net income contribution from the group's car-focused finance companies increased by 26% to US$86 million, mainly due to lower loan loss provisions and an increased shareholding in Astra Sedaya Finance. The net income contribution from motorcycle-focused

15%

Increase in Astra's net profit

Federal International Finance was 16% higher at US$162 million, reflecting a larger loan portfolio. The group's consumer finance businesses overall saw a 1% decrease in the amount financed to US$5.6 billion during the year, due to a reduction in the amount financed in the low-cost car segment.

The net income contribution from the group's heavy equipment-focused finance operations increased by 30% to US$6 million, partly due to lower loss provisions. The amount financed decreased by 12% to US$363 million, mainly due to reduced lending to the small and medium-sized segment.

Permata Bank, in which Astra holds a 44.6% interest, reported net income of US$63 million, compared to US$56 million in 2017, mainly due to increased net interest income and recoveries from non-performing loans. The bank's gross non-performing loan ratio was 4.4% at the end of 2018 compared to 4.6% at the end of 2017, while its net non-performing loan ratio was stable at 1.7%.

Asuransi Astra Buana, the group's general insurance company, reported net income 4% higher at US$73 million, primarily due to higher investment income. During the year, the group's life insurance joint venture, Astra Aviva Life, acquired more than 339,000 new individual life customers and more than 713,000 new participants for its corporate employee benefits programmes.

Heavy Equipment, Mining, Construction & Energy

Net income from Astra's heavy equipment, mining, construction and energy division increased by 48% to US$465 million.

United Tractors, which is 59.5%-owned, reported net income of US$775 million, 50% higher than the previous year, mainly due to improved performances in its construction machinery, mining contracting and mining operations, all of which benefited from higher coal prices compared with 2017.

Within United Tractors' construction machinery business, Komatsu heavy equipment sales rose 29% to 4,878 units, while parts and service revenues were also higher. The mining contracting operations of wholly-owned Pamapersada Nusantara recorded a 22% increase in overburden removal volume at 979 million bank cubic metres and 11% higher coal production at 125 million tonnes. United Tractors' coal mining subsidiaries reported an 11% increase in coal sales to 7 million tonnes, including sales of 807,000 tonnes of coking coal by 80.1%-owned Suprabari Mapanindo Mineral, which became operational in late 2017.

Agincourt Resources, in which United Tractors acquired a 95% interest in December 2018 and which operates a gold mining concession in Sumatra, reported gold sales of 35,000oz in December 2018.

Acset Indonusa, United Tractor's 50.1%-owned general contractor, reported a 88% decrease in net income to US$1 million, mainly due to increased financing costs. US$112 million of new construction projects were secured during 2018.

25%-owned Bhumi Jati Power is in the process of constructing two 1,000MW power plants in Central Java, which are scheduled to start commercial operation in 2021.

Agribusiness

Net income from Astra's agribusiness division was down 27% at US$80 million.

Astra Agro Lestari, which is 79.7%-owned, reported a 27% decline in net income to US$101 million, primarily due to a fall in crude palm oil prices, which were 12% lower at Rp7,275/kg compared with the average in 2017. This more than offset a 30% increase in crude palm oil and derivatives sales to 2.3 million tonnes.

Infrastructure & Logistics

The group's infrastructure and logistics division reported a net income of US$14 million in 2018, compared to a net loss of US$17 million in the prior year. This was mainly due to improved earnings from the Tangerang-Merak toll road and Serasi Autoraya, as well as the inclusion in the prior year's results of a one-off loss on the disposal of Astra's 49% interest in PAM Lyonnaise Jaya. Astra has interests in 302km of operational toll roads along the Trans-Java network, with a further 11km in Greater Jakarta under construction.

Serasi Autoraya's net income increased by 50% to US$21 million, primarily due to improved operating margins in its car leasing and rental businesses. Its vehicles under contract decreased by 2% to 23,000 units.

Information Technology

Net income from the group's information technology division was 5% higher at US$15 million.

Astra Graphia, which is 76.9%-owned, reported net income of US$19 million, 5% higher than the previous year, as a result of increased revenue from its document and IT solution businesses.

Property

The group's property division reported a 28% lower net profit at US$11 million, due mainly to reduced development earnings recognised from its Anandamaya Residences project as a result of lower percentage completion during the period in its final stages of construction. The group's other property development projects comprise its interests in Arumaya in South Jakarta and Asya in East Jakarta, both residential projects, and a 3-hectare residential and commercial development in Jakarta's Central Business District.

DIRECT MOTOR INTERESTS

The Group's Direct Motor Interests contributed a profit of US$145 million, 19% higher than the prior year.

Singapore

The Singapore passenger car market fell by 13% to 80,300 units, following a decrease in the number of certificates of entitlement issued. The Group's wholly-owned business, Cycle & Carriage Singapore, saw its earnings grow by 8% to US$62 million due to improved margins, despite a 7% decrease in passenger car sales to 13,300 units. The Group's passenger car market share improved from 16% to 17%.

Malaysia

In Malaysia, 59.1%-owned Cycle & Carriage Bintang contributed a profit of US$2 million, mainly comprising dividend income from its investment in Mercedes-Benz Malaysia. At the trading level, a small profit was recorded, compared to a loss in the previous year, as the company benefited from operational improvements and the zero rate of Goods & Services Tax from June to August.

Myanmar

Cycle & Carriage Myanmar, in which the Group owns a 60% interest, contributed a loss of US$5 million, compared to the loss of US$3 million in the prior year, due mainly to higher depreciation charges on new facilities in Yangon and higher stock provisions, partly offset by higher unit sales.

Indonesia

In Indonesia, 46.2%-owned Tunas Ridean's profit contribution of US$18 million was 17% higher than the prior year, reflecting improved performances across all its segments: automotive, rental operations and consumer finance. Motor car sales of 48,300 units were 6% down due to intense competition, while motorcycle sales, which mainly occur in Sumatra, rose by 11% to 248,900 units, benefiting from higher agricultural prices.

Vietnam

In Vietnam, 25.3%-owned Truong Hai Auto Corporation ("THACO") performed well, with a 29% increase in its profit contribution to US$73 million, due mainly to higher unit sales and improved margins. The vehicle market grew by 9% to 362,000 units as tariffs on CBUs were eliminated, following the full implementation of the ASEAN Trade in Goods Agreement in 2018. THACO's overall vehicle sales rose 11% to 97,100 units with market share stable at 27%.

OTHER STRATEGIC INTERESTS

The Group's Other Strategic Interests contributed a profit of US$71 million, more than double the previous year, benefiting in particular from Vinamilk dividends and improved results from Siam City Cement Public Company ("SCCC") and Refrigeration Electrical Engineering Corporation ("REE Corp").

SCCC, which is 25.5%-owned, contributed a profit of US$20 million, compared to US$11 million in the previous year, due to improved domestic performance and lower one-off expenses, partially offset by lower contributions from its regional operations. The Group's 24.9%-owned REE Corp, contributed US$19 million, 39% up on the previous year, due mainly to strong contributions from its power and water investments. The Group's 10.6% interest in Vinamilk, which was acquired in the last quarter of 2017, produced dividend income of US$32 million, compared to US$9 million in 2017.

Alex Newbigging
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