GROUP FINANCE DIRECTOR'S REVIEW

ACCOUNTING POLICIES

The Company and Group accounts have been prepared under the dual compliance framework of both Singapore Financial Reporting Standards (International) ("SFRS(I)") and ("IFRS"). The Directors continue to review the appropriateness of the accounting policies adopted by the Group, having regard to developments in SFRS(I) and IFRS. The Group adopted IFRS 16 Leases when it became effective from 1st January 2019. The adoption of this new standard does not have a material effect on the financial statements, but the comparative financial statements have been restated as the Group applied this standard using the retrospective approach.

RESULTS

In 2019, the Group's revenue fell by 2% to US$18.6 billion, mainly due to declines in Astra's automotive, agribusiness and heavy equipment businesses, partly offset by increases in Astra's financial services and infrastructure and logistics businesses. Gross revenue, including 100% of revenue from associates and joint ventures, which is a measure of the full extent of the Group's operations, increased marginally to US$40.7 billion. The increase in revenue from Astra's associates and joint ventures was offset by a fall in revenue from Truong Hai Auto Corporation ("THACO") due to a decline in vehicle sales and the slowdown of the property market.

Underlying operating profit from the Group's parent company and subsidiaries of US$2,194 million was US$30 million or 2% higher than the previous year. Astra's underlying operating profit was relatively stable compared to the previous year. The Group's Direct Motor Interests saw a US$17 million or 21% decrease in contribution due to weaker margins in Cycle & Carriage Singapore, and an impairment loss recognised in Cycle & Carriage Bintang for its Sungei Besi site, which had been previously acquired for network expansion. Dividends from Vinamilk increased by US$4 million to US$36 million. Corporate costs excluding net financing charges were US$43 million lower mainly due to US$17 million exchange gains arising from the translation of US dollar net borrowings, compared with US$31 million of losses in the previous year.

Net financing charges, excluding those relating to the Group's consumer finance and leasing activities, increased by US$101 million to US$269 million, mainly due to the higher levels of average net debt at the Group's parent company, Astra's parent company as well as Astra's heavy equipment, mining, construction and energy operations. Interest cover (calculated as underlying operating profit before the deduction of amortisation/depreciation of right-of-use assets, net of actual lease payments, and share of results of associates and joint ventures divided by net financing charges excluding interest on lease liabilities) excluding the financial services companies decreased to 9 times (2018: 14 times) due to the increase in consolidated debt.

	2019			Restated 2018		
Group results	Underlying profit US$m	Non-trading items US$m	Total US$m	Underlying profit US$m	Non-trading items US$m	Total US$m
Revenue	**18,591**	**–**	**18,591**	18,992	–	18,992
Operating profit	**2,194**	**2**	**2,196**	2,164	(440)	1,724
Net financing charges	**(269)**	**–**	**(269)**	(168)	–	(168)
Share of results of associates and joint ventures	**601**	**21**	**622**	615	1	616
Profit before tax	**2,526**	**23**	**2,549**	2,611	(439)	2,172
Tax	**(573)**	**(1)**	**(574)**	(599)	4	(595)
Profit after tax	**1,953**	**22**	**1,975**	2,012	(435)	1,577
Attributable to:						
Shareholders of the Company	**863**	**18**	**881**	856	(438)	418
Non-controlling interests	**1,090**	**4**	**1,094**	1,156	3	1,159
	1,953	**22**	**1,975**	2,012	(435)	1,577

The Group's share of underlying results of associates and joint ventures fell by 2% to US$601 million. Contributions from Astra's associates and joint ventures increased by US$6 million with better performance from the financial services and infrastructure and logistics businesses, partly offset by lower share of results from the automotive business. The contribution from Direct Motor Interests' associates and joint ventures increased by US$2 million due to improved performance at Tunas Ridean. In Other Strategic Interests, the contribution from Siam City Cement ("SCCC") was higher than the previous year due to an improved domestic performance in Thailand. This was offset by weaker performances by Refrigeration Electrical Engineering Corporation's ("REE") hydropower investments, and THACO across both its automotive and property businesses.

The underlying effective tax rate of the Group in 2019, excluding associates and joint ventures was 30%, which remains fairly comparable to 2018.

The Group's underlying profit attributable to shareholders for the year was up by 1% at US$863 million.

NON-TRADING ITEMS

In 2019, the Group had net non-trading gains of US$18 million, principally due to unrealised fair value gains related to non-current investments. In 2018, the net non-trading losses was US$438 million mainly due to unrealised fair value losses related to non-current investments.

DIVIDENDS

The Board is recommending a final one-tier tax-exempt dividend of US¢69 per share (2018: US¢69 per share) which together with the interim dividend, will produce total dividend for the year of US¢87 per share (2018: US¢87 per share). The final dividend is intended to be payable on 25th June 2020 or such other date as may be subsequently advised by the Company, subject to approval at the Annual General Meeting to be held in 2020, to those persons registered as shareholders, as at the Record Date of the final dividend. Shareholders will have the option to receive the dividend in Singapore dollars and in the absence of any election, the dividend will be paid in US dollars. Dividends are usually declared on a semi-annual basis for every six-month period ending 30th June (in respect of an interim dividend) and 31st December (in respect of a final dividend).

CASH FLOW

SUMMARISED CASH FLOW

Group results	2019 US$m	Restated 2018 US$m
Operating cash flow	**1,259**	2,057
Dividends from associates and joint ventures	**453**	557
Cash flow from operating activities	**1,712**	2,614
Capital expenditure and investments	**(1,974)**	(3,105)
Disposals	**325**	264
Cash flow from investing activities	**(1,649)**	(2,841)
Cash flow before financing activities	**63**	(227)

Cash inflow from the Group's operating activities was US$1.7 billion, US$902 million lower than the previous year, mainly due to higher outflow from working capital changes and lower dividends received from associates and joint ventures.

Cash outflow from investing activities before disposals amounted to US$2.0 billion, US$1.1 billion lower than the previous year. This included the following:

- US$154 million for the purchase of intangible assets, which included US$40 million for the acquisition costs of contracts in Astra's general insurance business and US$86 million for the mining exploration costs in Astra;
- US$838 million of property, plant and equipment comprising US$626 million of heavy equipment and machinery for Astra's heavy equipment and mining, construction and energy businesses, US$87 million of equipment and network development for its automotive businesses and US$44 million for its agribusiness;
- US$18 million for additions to investment properties in Astra and US$44 million for additions to bearer plants in Astra;
- US$478 million for acquisitions and capital injection into various associates and joint ventures, including additional interest in THACO and investments in toll roads;
- US$401 million for investments mainly by Astra's general insurance business and additional interest in Gojek.

The contribution to the Group's cashflow from disposals for the year amounted to US$325 million which arose mainly from the sale of investments by Astra's general insurance business and the disposal of its 49% shareholding in Mercedes-Benz Malaysia Sdn Bhd.

GROUP FINANCE DIRECTOR'S REVIEW

TREASURY POLICY

The Group manages its exposure to financial risks using a variety of techniques and instruments. The Group's treasury policies are designed to mitigate the financial impact of fluctuations in interest rates and exchange rate and to minimise the Group's financial risks. The investment of the Group's surplus cash resources is managed so as to minimise risk while seeking to enhance yield. Appropriate credit guidelines are in place to manage counterparty risk.

When economically sensible to do so, borrowings are taken in local currency to hedge foreign exposures on investments. A portion of borrowings is denominated in fixed rates. Adequate headroom in committed facilities is maintained to facilitate the Group's capacity to pursue new investment opportunities and to provide some protection against market uncertainties. Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt from banks and capital markets, both short and long term, to give flexibility to develop the business.

The Group's treasury operations are managed as cost centres and are not permitted to undertake speculative transactions unrelated to underlying financial exposures.

The Group's financial risk factors are set out on pages 88 to 93.

FUNDING

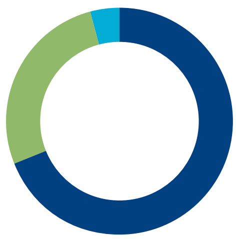
The Group is well-financed with strong liquidity. The Group's consolidated net debt, excluding borrowings within Astra's financial services subsidiaries, was US$3.0 billion at the end of 2019, representing gearing of 20%, compared to net debt of US$2.2 billion at the end of 2018, with gearing at 16%. The Group parent company's net debt increased from US$1.3 billion to US$1.5 billion.

Net debt within Astra's financial services operations was US$3.3 billion at the end of 2019, relatively flat compared with the end of 2018.

At the year-end, the Group had undrawn committed facilities of some US$3.7 billion. In addition, the Group had available liquid funds of US$1.8 billion.

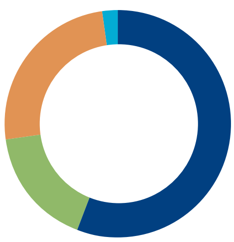
Approximately 73% of the Group's borrowings were non-US dollar denominated and directly related to the Group's businesses in the countries of the currencies concerned. At the year-end, approximately 63% of the Group's borrowings, excluding Astra's financial services companies, were at floating rates and the remaining 37% were at fixed rates including those hedges with derivative instruments with major creditworthy financial institutions. For Astra's financial services companies, 92% of their borrowings were at fixed rates.

Debt Profile
as at 31st December 2019



Currency

- IDR 69%
- USD 27%
- Others 4%



Maturity

- <1 years 56%
- 1-2 years 17%
- 2-5 years 25%
- >5 years 2%

Net Debt* and Total Equity
(US$ billion)

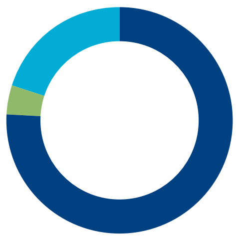
- Net Debt
- Total Equity

* Excluding net debt of Astra's financial services companies

SHAREHOLDERS' FUNDS

Shareholders' funds as at 31st December 2019 are analysed by business below. There were no significant changes from the previous year.

By Business



- Astra 76%
- Direct Motor Interests 4%
- Other Strategic Interests 20%

RISK MANAGEMENT REVIEW

A review of the major risks facing the Group is set out on pages 44 to 45.

Stephen Gore
Group Finance Director