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. On 1st January 2020, the Group has adopted the new or amended IFRS and interpretations of IFRS that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and interpretations of IFRS.

The adoption of these new or amended IFRS and interpretations of IFRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

RESULTS

In 2020, the Group's revenue fell by 29% to US$13.2 billion, mainly due to declines in Astra's automotive and heavy equipment, mining, construction and energy businesses. Direct Motor Interests also reported lower revenue particularly in Singapore. The Group's gross revenue, including 100% of revenue from associates and joint ventures, which is a measure of the full extent of the Group's operations, decreased by 30% to US$28.5 billion, which also saw declines from Astra's associates and joint ventures mainly from the automotive sector.

Underlying operating profit from the Group's parent company and subsidiaries of US$996 million was 55% lower than the previous year. Astra's underlying operating profit fell by 56% to US$923 million compared to the previous year, which saw declines mainly in its automotive, financial services, and heavy equipment and mining businesses. The Group's Direct Motor Interests also saw a 58% decrease in contribution mainly due to lower profit by Cycle & Carriage Singapore. Dividends from Vinamilk contributed US$37 million. Corporate costs excluding net financing charges were lower mainly due to higher exchange gains arising from the translation of foreign currency loans compared to the previous year.

Net financing charges, excluding those relating to the Group's consumer finance and leasing activities, decreased by US$132 million to US$137 million, mainly due to lower interest rates at the Group's parent company and improved funding positions at 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 8 times (2019: 9 times), as the impact from the decrease in net financing charges was offset by the lower operating profit.

The Group's share of underlying results of associates and joint ventures fell by 52% to US$287 million. Contributions from Astra's associates and joint ventures decreased by US$290 million mainly due to weaker performances by the automotive business, while the share of Permata

	2020			2019		
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	**13,234**	**–**	**13,234**	18,591	–	18,591
Operating profit	**996**	**521**	**1,517**	2,194	2	2,196
Net financing charges	**(137)**	**–**	**(137)**	(269)	–	(269)
Share of results of associates and joint ventures	**287**	**(187)**	**100**	601	21	622
Profit before tax	**1,146**	**334**	**1,480**	2,526	23	2,549
Tax	**(231)**	**(4)**	**(235)**	(573)	(1)	(574)
Profit after tax	**915**	**330**	**1,245**	1,953	22	1,975
Attributable to:						
Shareholders of the Company	**429**	**111**	**540**	863	18	881
Non-controlling interests	**486**	**219**	**705**	1,090	4	1,094
	915	**330**	**1,245**	1,953	22	1,975

Bank's result was lower compared to 2019, following its disposal in May 2020. The contribution from Direct Motor Interests' joint ventures decreased by US$17 million mainly due to lower sales and lending volumes in Tunas Ridean and increased loan provisioning from its consumer finance operations. In Other Strategic Interests, the contribution from Refrigeration Electrical Engineering Corporation was higher than the previous year due to a stronger contribution from real estate and the effect of an increase in the Group's shareholding from 24.9% to 29.8% over 2019 and 2020, partly offset by weaker performances from its hydro power investments and its M&E business. Contribution from Siam City Cement ("SCCC") was higher than previous year due to improved operational efficiencies, which offset the decline in sales. However, Truong Hai Auto Corporation ("THACO") saw weaker performances in its automotive and agriculture businesses, partly offset by higher earnings in the real estate business.

The underlying effective tax rate of the Group in 2020, excluding associates and joint ventures was 27%.

The Group's underlying profit attributable to shareholders for the year was 50% lower at US$429 million.

NON-TRADING ITEMS

In 2020, the Group had net non-trading gains of US$111 million. This included a US$188 million gain on the disposal of Astra's investment in Permata Bank and unrealised fair value gains related to non-current investments, partly offset by an impairment loss of US$182 million in respect of the Group's investment in SCCC due to the challenging market conditions. In 2019, the net non-trading gains were US$18 million mainly due to unrealised fair value gains related to non-current investments.

DIVIDENDS

The Board is recommending a final one-tier tax exempt dividend of US¢34 per share (2019: US¢69 per share) which together with the interim dividend, will produce total dividend for the year of US¢43 per share (2019: US¢87 per share). The final dividend will be payable on 25th June 2021, subject to approval at the Annual General Meeting to be held on 27th April 2021, to those persons registered as shareholders, on 28th May 2021. 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	2020 US$m	2019 US$m
Operating cash flow	**2,468**	1,259
Dividends from associates and joint ventures	**286**	453
Cash flow from operating activities	**2,754**	1,712
Capital expenditure and investments	**(1,033)**	(1,974)
Disposals	**1,618**	325
Cash flow from investing activities	**585**	(1,649)
Cash flow before financing activities	**3,339**	63

The Group has been focused on reducing operational and capital expenditure, managing working capital and ensuring liquidity during the COVID-19 pandemic.

Cash inflow from the Group's operating activities was US$2.8 billion, US$1.0 billion higher than the previous year, mainly due to improved working capital management, partly offset by lower dividends received from associates and joint ventures.

Cash outflow from investing activities before disposals amounted to US$1.0 billion, US$1.0 billion lower than the previous year, reflecting the Group's actions in curtailing capital expenditure. This included the following:

- US$97 million for the purchase of intangible assets, which included US$30 million for the acquisition costs of contracts in Astra's general insurance business and US$52 million for the mining exploration costs in Astra's mining business;
- US$309 million of property, plant and equipment comprising US$173 million of heavy equipment and machinery for Astra's heavy equipment and mining, construction and energy businesses, US$49 million of equipment and network development for its automotive businesses and US$31 million for its agribusiness;
- US$6 million for additions to investment properties in Astra and US$35 million for additions to bearer plants in Astra;
- US$84 million for acquisitions and capital injection into various subsidiaries, associates and joint ventures;
- US$483 million for investments mainly by Astra's insurance business.

The contribution to the Group's cash flow from disposals for the year amounted to US$1.6 billion, which arose mainly from the sale of Astra's 44.6% interest in Permata Bank.

GROUP FINANCE DIRECTOR'S REVIEW

TREASURY POLICY

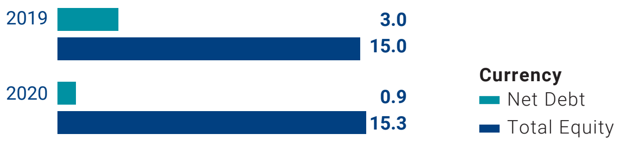
The Group manages its exposure to financial risks using a variety of techniques and instruments. The main objectives are to limit foreign exchange and interest rate risks to provide a degree of certainty on costs. The investment of the Group's cash resources is managed so as to minimise risk, while seeking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

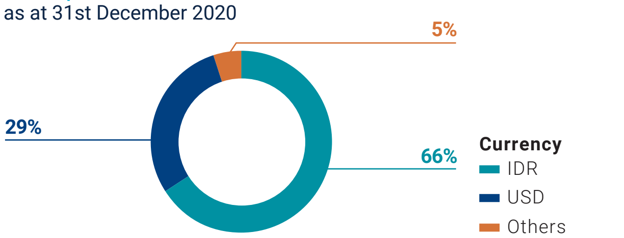
The Group's financial risk factors are set out on pages 86 to 91.

Net Debt* and Total Equity
(US$ billion)



* *Excluding net debt of Astra's financial services companies*

Debt profile
as at 31st December 2020



FUNDING

The Group is well-financed with strong liquidity. The Group's consolidated net debt, excluding Astra's financial services subsidiaries, was US$0.9 billion at the end of December 2020, representing gearing of 6%, down from US$3.0 billion at the end of 2019, with gearing at 20%, mainly due to the receipt of proceeds from the disposal of Astra's investment in Permata Bank. Net debt within Astra's financial services subsidiaries decreased from US$3.3 billion to US$2.8 billion. JC&C parent company's net debt was US$1.5 billion, similar to the previous year-end.

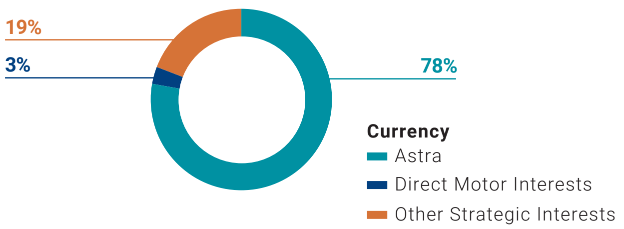
At the year-end, the Group had undrawn committed facilities of some US$2.9 billion. In addition, the Group had available liquid funds of US$3.5 billion.

71% 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 59% of the Group's borrowings, exclusive of Astra's financial services companies, were at floating rates and the remaining 41% were at fixed rates including those hedges with derivative instruments with major creditworthy financial institutions. For Astra's financial services companies, 96% of their borrowings were at fixed rates.

SHAREHOLDERS' FUNDS

Shareholders' funds as at 31st December 2020 are analysed by business. There were no significant changes from the prior year.

By Business



RISK MANAGEMENT REVIEW

A review of the major risks facing the Group is set out on pages 38 to 40.

Stephen Gore
Group Finance Director