

## FINANCIAL REVIEW

### Accounting Policies

The Directors continue to review the appropriateness of the accounting policies adopted by the Group having regard to developments in the International Financial Reporting Standards. There were no significant changes to the accounting policies in 2015.

### Results

In 2015, the Group's revenue declined by 16% to US\$15.7 billion. Astra's revenue fell by 19% to US\$13.7 billion, with declines in almost all business segments in rupiah terms further reduced on translation to US dollars. Revenue from the Group's Direct Motor Interests grew by 20% to US\$2.0 billion reflecting improved vehicle sales in the Singapore motor operations and Cycle & Carriage Bintang in Malaysia. The Group's revenue, including 100% of revenue from its associates and joint ventures, which should be a better measure of the extent of the Group's operations, was 7% lower at US\$30.2 billion.

Operating profit was 34% lower at US\$1,165 million. Excluding non-trading items, which amounted to a net gain of US\$5 million (2014: US\$4 million), the Group's underlying operating profit was 35% lower at US\$1,160 million. Astra's underlying operating profit was 37% down at US\$1,097 million, with all its major business segments recording lower results due to weaker commodity prices, reduced domestic consumption, increased competition in the car sector and a deterioration in corporate credit quality. Astra's result also included a net impairment charge of US\$349 million taken against the carrying value of its coal mining properties, and related assets and liabilities. The Group's Direct Motor Interests saw an increase in underlying operating profit, as vehicle sales in Singapore grew following the increase in the number of certificates of entitlement released by the Government, while the Malaysian operations benefited from good demand for hybrid models at improved margins and dividend income from Mercedes-Benz Malaysia.

The non-trading items in 2015 referred to above comprised mainly revaluation gains on investment properties of US\$34 million, which more than offset a fair value loss on oil palm plantations of US\$28 million.

Net financing charges, excluding those relating to the Group's consumer finance and leasing activities, increased by US\$6 million to US\$21 million mainly due to lower financing income. Interest cover excluding the financial services companies remained strong at 29 times (2014: 44 times).

The Group's share of associates' and joint ventures' results after tax at US\$471 million, which included a non-trading gain of US\$45 million, was 18% lower than the previous year. The non-trading gain comprised mainly the reversal of an impairment charge in respect of the Group's investment in its Vietnam associate, Truong Hai Auto Corporation ("Thaco"), while the 2014 result included the negative goodwill arising on the acquisition of a 50% interest in

Astra Aviva Life. Excluding non-trading items in both years, the Group's share of associates' and joint ventures' results after tax was US\$426 million, 21% down on the previous year due mainly to lower share of results in Astra's automotive and financial services associates and joint ventures. This was partly offset by significant profit growth from Thaco, which enjoyed strong sales at good margins and the benefit of the contribution from two new associates, Siam City Cement Public Company Limited ("Siam City Cement") and Refrigeration Electrical Engineering Corporation ("REE").

The effective tax rate of the Group, excluding associates and joint ventures in 2015 was 29% compared with 27% in the previous year. Excluding non-trading items, the Group's effective tax rate was 28%, similar to 2014.

The profit attributable to shareholders for the year at US\$688 million was 16% down compared with the previous year. Excluding non-trading items, the underlying profit attributable to shareholders would have been 20% lower at US\$638 million, with Astra's contribution 34% down at US\$477 million, partly mitigated by Direct Motor Interests which was 71% up at US\$141 million and the US\$30 million contribution from the Group's Other Interests, while central overheads were lower at US\$10 million, due mainly to exchange gains arising from loan repayment.

### Dividends

The Board is recommending a final one-tier tax-exempt dividend of US\$51 per share (2014: US\$67 per share), which together with the interim dividend will give a total dividend of US\$69 per share (2014: US\$85 per share) for the year. Shareholders will have the option to receive the dividend in Singapore dollar and in the absence of any election, the dividend will be paid in US dollar.

### Cash Flow

Cash inflow from the Group's operating activities was US\$1,877 million, US\$637 million higher than the previous year, due to improved working capital flows mainly in respect of Astra's automotive and heavy equipment operations.

The cash outflow from investing activities was US\$1,161 million, US\$326 million higher than the previous year. Cash outflow from investing activities comprised mainly Astra's capital expenditure in respect of its automotive, mining, agribusiness and toll road operations, the purchase of subsidiaries which included Astra's purchase of a 50.1% interest in PT Acset Indonusa Tbk, a general contractor in Indonesia, and the purchase of new associates and joint ventures which included the Company's purchase of a 24.9% interest in Siam City Cement and Astra's purchase of a 25% interest in toll road operator, PT Trans Marga Jateng.

The cash outflow from financing activities was US\$188 million, US\$87 million lower than the previous year. This was due mainly to surplus proceeds after debt repayment from the

Company's rights issue which raised US\$748 million, a reduction in dividends paid to non-controlling interests and a lower 2014 final dividend of US\$67.00 (2013: US\$90.00) paid by the Company.

At the year-end, the Group had undrawn committed facilities of some US\$1.9 billion. In addition, the Group had available liquid funds of US\$2.2 billion. The Group moved from a consolidated net debt position in 2014 of US\$239 million, excluding borrowings within Astra's financial services subsidiaries, to having net cash of US\$255 million. Net debt within the Astra's financial services operations was US\$3.3 billion, lower than the level at the end of 2014, as the translation impact of the weaker rupiah largely offset the new volume financed. The Company ended the year with net cash of US\$136 million.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, both short and long-term, to give flexibility to develop the business.

#### Balance Sheet

The Group continues to have a strong balance sheet. Shareholders' funds increased by 14% to US\$5.3 billion. Property, plant and equipment declined by US\$670 million to US\$2.9 billion, largely due to the impairment charge taken against the carrying value of its coal mining properties. Interests in associates and joint ventures grew by US\$637 million to US\$3.3 billion, reflecting the purchase of new associates, Siam City Cement, REE and PT Trans Marga Jateng, alongside the Group's share of profit. Financing debtors decreased by US\$523 million to US\$4.4 billion due to translation losses and decrease in volumes financed. Stocks at US\$1.5 billion were unchanged, as higher inventories in Astra's businesses, Singapore Motor Operations and Cycle & Carriage Bintang were offset by the translation impact of the weaker rupiah.

#### 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 32.

#### SC Chiew

Group Finance Director  
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Banking  
Indonesia



Toyota Motor Vehicle Financing Services  
Indonesia



Life Insurance  
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