

GROUP MANAGING DIRECTOR'S REVIEW

OVERVIEW

The Group's profit declined in 2015 due to challenging trading conditions in Indonesia, exacerbated by the weaker rupiah. Astra faced weaker commodity prices and reduced domestic consumption, as well as increased competition in the car sector and a deterioration in corporate credit quality, which together with a higher impairment charge recorded in relation to its coal mining properties, resulted in reduced profit contributions from all its major segments. This was partly compensated for by improved results in the Group's Direct Motor Interests and a contribution from its Other Interests.

PERFORMANCE

The Group reported an underlying profit of US\$638 million for 2015, 20% down on the previous year. Profit attributable to shareholders was 16% lower at US\$688 million, after accounting for a net non-trading gain of US\$50 million, arising mainly from the reversal of an impairment charge of US\$43 million in respect of the Group's investment in Truong Hai Auto Corporation and revaluation gain of US\$17 million on investment properties which offset a fair value loss of US\$8 million on plantations. This compares to a profit attributable to shareholders in 2014 of US\$820 million, which was after a net non-trading gain of US\$27 million, comprising mainly negative goodwill on the acquisition of a 50% interest in Astra Aviva Life and a revaluation gain on investment properties, partly offset by a fair value loss on plantations.

The Group moved from a consolidated net debt position at the end of 2014 of US\$239 million (excluding borrowings within Astra's financial services subsidiaries) to having net cash of US\$255 million at the end of 2015. The movement was due mainly to the surplus proceeds from the Company's rights issue after debt repayment, together with improved operating cash flows from the Astra parent company and United Tractors. Net debt within Astra's financial services subsidiaries was US\$3.3 billion, compared to US\$3.7 billion at the end of 2014 as the translation impact of the weaker rupiah largely offset the new volume financed. JC&C parent company had net cash of US\$136 million at the end of 2015, compared to net debt of US\$47 million at the end of 2014.

GROUP REVIEW

ASTRA

Astra reported a net profit equivalent to US\$1,075 million under Indonesian accounting standards, 25% down in its reporting currency with lower contributions from all major segments due to the challenging trading conditions.

Automotive

Overall automotive demand in Indonesia weakened during the year due to a general slow-down in the economy. In addition, discounting in the car market caused by manufacturing overcapacity continued to have a negative impact on earnings. The group's component businesses also made a reduced contribution due to lower volumes and a weakening of the rupiah exchange rate.

The wholesale market for cars fell by 16% to just over 1 million units. Astra's car sales were 17% lower at 510,000 units, with its market share decreasing from 51% to 50%. The group launched 17 new models and 13 revamped models during the year.

The wholesale market for motorcycles decreased by 18% to 6.5 million units. Astra Honda Motor's sales were reduced by 12% to 4.5 million units, resulting in its market share increasing from 64% to 69%. Astra Honda Motor launched nine new models and eight revamped models during the year.

The group's component business, Astra Otoparts, saw net income fall by 63% to US\$24 million. This was due to a lower contribution from its manufacturing activities brought about by a decline in the OEM market and a weaker rupiah,

despite seeing a slight improvement in export and after-market revenue.

Financial Services

Net income from the group's financial services businesses decreased 25% to US\$264 million. Excluding the one-time gain from the acquisition of a 50% stake in Astra Aviva Life in May 2014, net income from the group's financial services businesses declined by 18%. Increased earnings at Federal International Finance and Toyota Astra Financial Services were offset by a decline in the contributions from its other financial services interests.

The consumer finance businesses saw the amount financed decreased by 6% to US\$4.5 billion, including balances financed through joint bank financing without recourse.

The car-focused Astra Sedaya Finance reported net income 17% lower at US\$72 million, while motorcycle-focused Federal International Finance's net income was up 15% at US\$112 million, benefiting from improved market share and product diversification. The amount financed through the group's heavy equipment-focused finance operations increased by 7% to US\$290 million.

Astra's 45%-held joint venture, Permata Bank, reported net income 84% lower at US\$18 million, despite recording 14% higher net interest income, as loan loss provisions increased following a rise in non-performing loans to 2.7% from 1.7% in 2014.

The group's general insurance company, Asuransi Astra Buana, recorded net income down 10% at US\$68 million primarily due to lower investment earnings.



Honda Motorcycle Assembly Plant
Indonesia

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The group's new life insurance joint venture with Aviva plc, which markets its products and services as "Astra Life powered by Aviva", acquired 28,500 individual life customers and more than 180,000 participants of its corporate employee benefits programmes.

Heavy Equipment and Mining

United Tractors, which is 60%-owned, reported a 28% decline in net income to US\$286 million, following a 7% decline in revenue and a further impairment charge made on the carrying value of its coal mining properties, despite the benefit of a weaker rupiah on its US dollar denominated income and US dollar denominated monetary assets.

In its construction machinery business, Komatsu heavy equipment sales fell by 40% to 2,124 units, although this was partly offset by higher parts revenue, leading to an overall 9% decline in revenue. The contract mining operations of subsidiary, Pamapersada Nusantara, reported a 9% decrease in revenue as contract coal production declined 4% to 109 million tonnes and contract overburden removal declined 5% to 767 million bank cubic metres.

United Tractors' mining subsidiaries reported coal sales 18% lower at 4.6 million tonnes, with revenue decreasing by 18%. United Tractors and its subsidiaries own interests in nine coal mines with combined reserves estimated at 395 million tonnes.

United Tractors completed a further review of the carrying value of its coal mining properties in response to continuing weak market conditions and uncertainty over the extent and timing of any recovery in coal prices. As a consequence, it has decided to recognise an impairment of the carrying value of its coal mining properties at year end. The net impact of the impairment on its attributable profit after minorities and taxes was US\$192 million, compared to US\$130 million in 2014.

Recently acquired general contractor, Acset Indonusa which is 50%-held, reported net income of US\$3 million, increasing its new contracts during the year to US\$228 million from US\$52 million in 2014.

Agribusiness

Astra Agro Lestari, which is 80%-held, reported net income of US\$46 million, down 75%. Average crude palm oil prices achieved were 16% lower at Rp6,971/kg compared with last year, and crude palm oil sales were 24% lower at 1 million tonnes, while olein sales increased by 62% to 412,000 tonnes. The benefit of a weaker rupiah on its US dollar denominated and linked income was more than offset by the impact on its US dollar monetary liabilities.

Infrastructure, Logistics and Others

Net income from infrastructure, logistics and others fell by 17% to US\$30 million, mainly due to initial losses arising on the commencement of operations of section 1 of the Kertosono-Mojokerto toll road and lower car leasing and rental volumes.

The 72.5 km Tangerang-Merak toll road, operated by 79%-owned Marga Mandalasakti, reported a 7% increase in traffic volumes to 46 million vehicles. Construction continues at the wholly-owned greenfield 40.5 km Kertosono-Mojokerto toll road near Surabaya. Section 1, which is 14.7 km long, began operations in October 2014 and further stages are expected to be operational during 2016 and 2017, subject to the timely completion of land acquisitions. In July 2015, Astratel acquired a 25% interest in the 73 km Semarang-Solo toll road, of which sections 1 and 2, being 23 km, are operational. Taken together with Astratel's 40% interest in the greenfield 11.2 km Kunciran-Serpong toll road on Jakarta's outer ring road, the group has an interest in 197.2 km of toll roads.

PAM Lyonnaise Jaya, which operates the western Jakarta water utility system, experienced flat sales volume of 160 million cubic metres.

Serasi Autoraya's revenue declined by 5% and net income decreased by 68% to US\$4 million, with a 15% decline in the number of vehicles under contract at its car leasing and rental business to 25,000 units.

Anandamaya Residences, the group's 60%-held luxury residential development project located in Jakarta's Central Business District, continues to achieve market-leading pricing and strong buyer interest with more than 90% of the 509 units sold. Completion of Anandamaya Residences and the group's adjacent grade A office tower, Menara Astra, is expected in 2018, as planned.

Information Technology

Astra Graphia, which is 77%-owned, and active in the area of document information and communication technology solutions and is the sole distributor of Fuji Xerox office equipment in Indonesia, reported a 2% improvement in net income to US\$20 million. Excluding the one-time gain from the sale of a 51% stake in AGIT Monitise in June 2014, net income increased by 20% on higher revenue.

DIRECT MOTOR INTERESTS

The Group's Direct Motor Interests contributed a profit of US\$141 million, 71% up on the previous year due to good performances in Singapore, Malaysia and in particular, Vietnam.

Vietnam

In Vietnam, 27%-owned Truong Hai Auto Corporation ("Thaco") had an excellent year, with its contribution of US\$85 million more than twice that of 2014, due to strong vehicle sales and good margins. The vehicle market grew by 58% to 282,000 units, while Thaco's overall sales rose by 89% to 79,500 units, producing an increase in market share from 24% to 28%. Thaco's passenger car sales doubled to 41,300 units and its commercial vehicle sales increased by 78% to 38,100 units.

Singapore

The Singapore passenger car market almost doubled to 57,600 units following an increase in the number of certificates of entitlement, although the improvement largely favoured the non-premium segment. Earnings from the Group's wholly-owned Singapore motor operations rose 17% to US\$39 million as sales increased by 62% to 8,600 units, while its market share declined from 18% to 15%. The used car operations also did well with a 53% increase in sales to 7,000 units.

Malaysia

In Malaysia, 59%-owned Cycle & Carriage Bintang's contribution of US\$8 million was significantly higher, reflecting a good trading environment and the recognition of dividend income received from Mercedes-Benz Malaysia. Mercedes-Benz unit sales were 55% up with good margins, particularly from hybrid models.

Indonesia

In Indonesia, 44%-owned Tunas Ridean's contribution was 6% up at US\$9 million as the impact of the decline in unit sales and margin pressure in the automotive business was more than offset by improved earnings of the 49%-owned Mandiri Tunas Finance. Motor car sales were 19% lower at 43,400 units, while motorcycle sales were 1% lower at 206,300 units.

OTHER INTERESTS

The Group's Other Interests comprise two new associates, 25%-held listed Siam City Cement in Thailand and 23%-held REE in Vietnam. Both companies represent a meaningful exposure to markets that offer good growth prospects over the medium term. In 2015, they made a profit contribution of US\$30 million.

Alex Newbigging

Group Managing Director
25th February 2016

The underlying profit attributable to shareholders by business is shown below:

	2015 US\$m	2014 US\$m
Astra International		
Automotive	247.2	332.6
Financial services	132.3	181.6
Heavy equipment and mining	87.2	137.8
Agribusiness	18.4	84.1
Infrastructure, logistics and others	9.1	18.1
Information technology	7.6	7.2
	501.8	761.4
Less: Withholding tax on dividend	(25.3)	(37.4)
	476.5	724.0
Direct Motor Interests		
Vietnam	84.9	38.6
Singapore	39.2	33.6
Malaysia	7.8	1.9
Indonesia (Tunas Ridean)	9.4	8.9
Myanmar	(0.2)	(0.7)
	141.1	82.3
Other Interests		
Siam City Cement	21.3	-
Refrigeration Electrical Engineering	8.7	-
	30.0	-
Corporate costs		
	(10.1)	(13.5)
Underlying profit attributable to shareholders		
	637.5	792.8



THACO Hyundai Truck
Vietnam