GROUP MANAGING DIRECTOR'S REVIEW

OVERVIEW
A number of the Group's businesses faced challenging trading conditions in 2013. However, the principal reason for the decline in earnings was the reduction in Astra's contribution due to a weaker rupiah exchange rate.

PERFORMANCE
The Group reported an underlying profit of US$894 million for 2013, down 12%. Profit attributable to shareholders was US$915 million, 7% lower, after a profit of US$21 million from non-trading items, which included gains of US$23 million arising from Astra's sale of an interest in a subsidiary to an affiliate, Hongkong Land, and US$10 million from the revaluation of investment properties, partly offset by a loss of US$12 million from the write-down of Astra's interest in a joint venture. This compares to a net loss of US$29 million from non-trading items in 2012.

Astra's underlying profit contribution to the Group at US$849 million was 13% lower than the previous year. Astra's little changed rupiah earnings translated into an 11% decline in US dollar terms. Astra saw strong results from its financial services and mining contracting businesses and a slightly improved performance from its automotive activities, but there was a decline in earnings in its heavy equipment and palm oil businesses. The underlying profit contribution from the Group's other motor interests at US$59 million was in line with the previous year.

The Group's consolidated net debt at the end of 2013 was US$303 million, excluding borrowings within Astra's financial services subsidiaries, compared to the net debt of US$867 million at the end of 2012. The reduction was largely due to proceeds arising from the sale by Astra of part of its interest in Astra Otoparts and a reduction in working capital in its heavy equipment businesses. The consolidated net debt from Astra's financial services subsidiaries was US$3.5 billion at the end of December, down from US$3.8 billion at the end of 2012 as the impact of the weaker rupiah on translation more than offset the increase in volumes financed.

GROUP REVIEW

ASTRA
Astra reported a net profit for 2013 equivalent to US$1,838 million under Indonesian accounting standards, which in rupiah terms was unchanged from the prior year.

Automotive
Automotive demand remained favourable during 2013; however, increased competition from additional domestic capacity coupled with higher labour costs led to the earnings contribution from the car sector being little changed.
The group's automotive component businesses achieved higher sales volumes, but earnings fell due to rises in both material and labour costs. There was, however, an improved contribution from the motorcycle businesses, which benefited from good demand and a higher market share.

Astra Toyota Agya
Indonesia

The wholesale market for cars in Indonesia grew by 10% to 1.2 million units. Astra's car sales rose by 8% to 655,000 units, leading to its market share dipping from 54% to 53%. The group launched 23 new models and 12 revamped models during the year, which included the release in September of the two Low Cost Green Car models, the Astra Toyota Agya and the Astra Daihatsu Ayla.

The wholesale market for motorcycles increased by 10% to 7.7 million units. Astra Honda Motor's sales rose 15% to 4.7 million units, with its market share increasing from 58% to 61%. Astra Honda Motor launched two new models and nine revamped models during the year.

Astra Otoparts, the 80%-owned automotive component manufacturing business, reported a net income down 4% to US$95 million despite higher volumes in the original equipment manufacturer, replacement and export markets. This was due largely to higher raw material and labour costs that could not be covered by increased prices.

Financial Services

Net income from Astra's financial services businesses grew by 15% to US$405 million in 2013. Strong growth in Permata Bank and the automotive-focused Astra Credit Companies, Toyota Astra Financial Services and Federal International Finance, was offset in part by a decline in the finance companies serving the heavy equipment sector, Surya Artha Nusantara Finance and Komatsu Astra Finance.

The amount financed through Astra's automotive-focused consumer finance operations grew by 13% to US$5.4 billion, including joint bank financing without recourse. The amount financed in the heavy equipment sector declined by 30% to US$473 million, reflecting a significant reduction in equipment sales.

Astra's 45%-held joint venture, Permata Bank, reported net income of US$163 million, an increase of 26%, with growth in net interest income arising from a 26% increase in the loan book, partly offset by higher operating costs.

Group insurance company, Asuransi Astra Buana, recorded higher earnings with strong growth in gross written premiums and investment income, partly offset by higher claims and operating expenses.

Heavy Equipment and Mining

United Tractors, which is 60%-owned, reported a decline in revenue of 9% and net income reducing 16% to US$458 million.

Sales of Komatsu heavy equipment declined 32% to 4,200 units and revenue fell 29% as weaker coal prices led to lower demand in the mining sector. The earnings impact was partly mitigated by growth in service revenue.

Astra Daihatsu Ayla
Indonesia

Mandiri Tunas Finance
Indonesia

Toll Road Service
Indonesia

The coal mining contracting operations of subsidiary, Pamapersada Nusantara, benefited from increased mine site capacity. It reported a 13% improvement in revenue as contract coal production increased 11% to 105 million tonnes, although contract overburden removed was 1% down at 845 million bank cubic metres.

United Tractors' mining subsidiaries reported a decline in revenue of 34% in rupiah terms, with coal sales 26% lower at 4.2 million tonnes and average coal sale prices declining by 14%. The lower coal prices and increased fuel costs reduced gross profit margins. United Tractors and its subsidiaries own interests in nine coal mines with combined reserves estimated at 409 million tonnes.

Agribusiness

Astra Agro Lestari, which is 80%-held, reported net income down 25% at US$171 million. Crude palm oil sales increased by 11% to 1.6 million tonnes, but average crude palm oil prices achieved were 1% lower. Income was also impacted by lower crop yield, higher labour costs and foreign exchange translation loss on US dollar borrowings.

Infrastructure, Logistics and Other

The contribution to Astra's net income from infrastructure, logistics and other businesses increased by 10% to US$71 million after accounting for a net non-trading gain of US$19 million comprising a revaluation and part disposal of a land holding in Central Jakarta and the write-down of the group's interest in a joint venture. Excluding these non-trading items, net income was 19% lower at US$52 million.

The 72.5 km Tangerang-Merak toll road operated by 79%-owned Marga Mandalasakti reported a 9% increase in traffic volume to 41 million vehicles with 3% higher average tariffs. The group's 95%-owned greenfield 40.5 km Kertosono-Mojokerto toll road near Surabaya remains under construction, and subject to the timely completion of land acquisitions is expected to be completed by the end of 2014. 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 interests in 124.2 km of toll road. Serasi Autoraya's revenue improved despite a modest decrease in the number of vehicles under contract at its TRAC car rental but its net income fell 33% to US$19 million due to higher depreciation and operating costs.

Information Technology

Astra Graphia, 77%-owned, which is active in the area of document information and communication technology solutions and is the sole distributor of Fuji Xerox office equipment in Indonesia, reported net income of US$20 million, up 22%.

GROUP'S OTHER MOTOR INTERESTS

Underlying profit from the Group's other motor interests in 2013 was in line with 2012 at US$59 million despite mixed results from the various businesses in challenging trading environments.

Singapore

The Singapore motor operations produced a profit contribution of US$31 million, marginally down, as lower profits from passenger car sales were largely compensated by an improvement in taxi and commercial vehicle sales as well as after-sales. The Singapore vehicle market was impacted by government measures to reduce demand, including a reduction in the quota for new vehicles and restrictions on vehicle financing. This led to a 19% decline in the passenger car market to 22,500 units. The Group sold some 4,000 passenger cars, 18% lower than the previous year with declines in all brands, while its market share was maintained at 18%.

Mazda CX-5
Vietnam

Malaysia
In Malaysia, the profit contribution from 59%-owned Cycle & Carriage Bintang ("CCB") fell by 74% to US$1 million as it faced an extremely difficult trading environment. CCB's Mercedes-Benz passenger car unit sales were stable but increased competition in the premium segment led to heavy discounting and reduced profitability.

Indonesia
In Indonesia, 44%-owned Tunas Ridean contributed a profit of US$12 million, 36% lower than the previous year. Motor car sales were 15% higher at 54,500 units, but margins were lower owing to intense competition for market share. Tunas Ridean's motorcycle sales, which are concentrated in Indonesia's palm oil provinces, benefited from a modest increase in palm oil prices in the last quarter and ended the year slightly higher at 177,300 units. The contribution from its 49%-owned associate, Mandiri Tunas Finance, was up 51% due to a larger loan portfolio and lower credit losses.

Vietnam
In Vietnam, 32%-owned Truong Hai Auto Corporation ("Thaco") produced an improved performance, with its contribution almost four times the previous year at US$15 million. The motor vehicle market in Vietnam recovered in 2013, with sales increasing by 26% to 129,300 units, while Thaco's sales grew by 14% to 28,200 units. Thaco's earnings benefited from increases in unit sales and margins as well as from lower interest costs.

Alex Newbigging
Group Managing Director
27th February 2014

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

	2013 US$m	2012 US$m
Astra		
Automotive	**443.4**	486.9
Financial services	**202.4**	197.6
Heavy equipment and mining	**141.0**	186.2
Agribusiness	**68.1**	102.2
Infrastructure, logistics and other	**23.2**	36.3
Information technology	**7.6**	7.0
	885.7	1,016.2
Less: Withholding tax on dividend	**(36.7)**	(44.4)
	849.0	971.8
Other motor interests		
Singapore	**31.2**	31.8
Malaysia	**0.8**	3.1
Indonesia (Tunas Ridean)	**12.3**	19.1
Vietnam	**15.3**	4.0
Myanmar	**(1.0)**	–
	58.6	58.0
Corporate costs	**(13.5)**	(14.5)
Underlying profit attributable to shareholders	**894.1**	1,015.3