FINANCIAL REVIEW

Accounting Policies
The Directors continue to review the appropriateness of the accounting policies adopted by the Group having regard to developments in International Financial Reporting Standards. In 2014, a number of new or amended standards became effective and the Group adopted those which are relevant to the Group's operations although their overall impact on the Group's financial statements has been modest.

Results
The Group's revenue decreased by 6% to US$18.7 billion in 2014. Revenue from Astra fell by 8% to US$17.0 billion as increases in all segments except automotives in rupiah terms were offset by the impact on translation of the rupiah, which was on average 11% lower against the US dollar. Revenue from the Group's other interests increased by 25% to US$1.7 billion due to increases in vehicle sales in Singapore and Malaysia. Gross revenue, including 100% of revenue from associates and joint ventures, which is a better measure of the extent of the Group's operations, was 1% lower at US$32.5 billion.

Operating profit at US$1,778 million was US$285 million or 14% down on the previous year. Excluding non-trading items, which amounted to a net gain of US$4 million (2013: net gain of US$60 million), underlying operating profit was US$1,774 million, 11% lower. Improved results mainly from Astra's agribusiness and contract mining operations were offset by lower earnings from its automotive businesses as margins declined in the car sector, and an impairment charge of US$231 million recorded in relation to its coal mining properties. The Group's other motor interests in Singapore experienced a growth in earnings due to an increase in the number of vehicles sold while in Malaysia, good demand for new models led to higher earnings.

The non-trading items referred to above comprised mainly a US$36 million revaluation gain from investment properties and a fair value loss of US$34 million on oil palm plantations.

Net financing charges, excluding those relating to consumer finance and leasing activities, decreased by US$13 million to US$15 million as a result of significantly lower net debt in most of Astra's businesses. Interest cover excluding financial services companies remained strong at 44 times (2013: 48 times), calculated as the sum of underlying operating profit and share of associates' and joint ventures' results after tax, divided by net financing charges.

The Group's share of associates' and joint ventures' results after tax at US$576 million which included a non-trading gain was 2% lower than the previous year. The non-trading gain comprised mainly US$37 million due to the recognition of negative goodwill arising on the acquisition of a 50% interest in Astra Aviva Life. The 2013 result included a non-trading loss of US$23 million due to the write-down of Astra's interest in a joint venture.

Excluding these non-trading items, the Group's share of associates' and joint ventures' results after tax was US$537 million, 12% down on the previous year as the lower results in Astra's automotive and financial services associates and joint ventures were further impacted on translation of a weaker rupiah. The Group's Vietnam associate, Truong Hai Auto Corporation saw its results grow significantly due to strong sales, good margins and lower financing costs. The results of the Group's Indonesian joint venture, Tunas Ridean, declined due to margin pressure on motor cars and lower gains on the disposal of ex-rental vehicles.

The effective tax rate of the Group at 27% was 1% up on the previous year. Excluding non-trading items, the effective tax rate was 28%, also 1% up on 2013.

The Group's profit after tax for the year was US$1,860 million, 11% down on the previous year. The profit attributable to shareholders was 10% down at US$820 million. Excluding non-trading items, underlying profit attributable to shareholders was 11% lower at US$793 million.

Dividends
The Board is recommending a final one-tier tax-exempt dividend of US¢67 per share (2013: US¢90 per share), which together with the interim dividend will give a total dividend of US¢85 per share (2013: US¢108 per share) for the year. The decline in dividend per share reflects the reduced level of underlying profit for the year and the desire to lower the level of debt within the Company so as to leave it better placed to take advantage of investment opportunities. 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$1,240 million, US$691 million lower than the previous year, due to an increase in working capital mainly in respect of Astra's heavy equipment business.

The cash outflow from investing activities was US$834 million, slightly down from the previous year. Cash outflow from investing activities comprised mainly

Astra's capital expenditure in the automotive, mining, agribusiness and toll road businesses, acquisition of a new plantation company, capital injections in associates and joint ventures, subscription to Permata Bank's rights issue and the net purchase of other investments by Astra's general insurance business.

The cash outflow from financing activities was US$274 million, US$225 million lower than the previous year. This was due mainly to a higher net drawdown of loans, a reduction in dividends paid to non-controlling interests, and a lower 2013 final dividend of US¢90 per share (2012: US¢105 per share) paid by the Company, in line with the profit decline in that year.

At the year-end, the Group had undrawn committed facilities of some US$2.0 billion. In addition, the Group had available liquid funds of US$1.8 billion. The Group's net debt excluding borrowings within Astra's financial services subsidiaries was US$239 million, 2% of consolidated total equity, compared to US$303 million at the end of 2013 which represents 3% of consolidated total equity. Net debt within Astra's financial services operations was US$3.7 billion, slightly higher than the level at the end of 2013, as the translation impact of the weaker rupiah largely offset the increase in volume financed. The Company ended the year with net debt of US$47 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 8% to US$4.6 billion. Property, plant and equipment declined by US$198 million to US$3.5 billion, largely due to the impairment charge of U$231 million on its mining properties. Interests in associates and joint ventures grew by US$261 million to US$2.6 billion, from the Group's share of profit, participation in Bank Permata's rights issue and the purchase of new and additional interests. Financing debtors rose by US$394 million to US$4.9 billion due to an increase in volumes financed. Stocks at US$1.5 billion were US$192 million higher, due to an increase in inventory days for certain stock, including heavy equipment.

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.

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26th February 2015

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