

Chairman's Statement

OVERVIEW

Difficult trading conditions persisted in Indonesia throughout 2006 and led to a reduced contribution from Astra. Reductions in interest rates did, however, lead to some improvement in consumer confidence in the latter part of the year. Following the distribution in specie of MCL Land in January 2006, the Group is now focused on its strategic investment in Astra and its motor businesses in Southeast Asia.

PERFORMANCE

The consolidation of Astra, following it becoming a subsidiary on 1 August 2005, led to the Group's revenue for the year ended 31 December 2006 to increase by 89% to US\$7.2 billion. Underlying profit for the year fell by 29% to US\$211 million in 2006. The 2005 comparative included 13 months' contribution from Astra, required

Honda Supra Fit, Indonesia



to align its accounting period to that of the Group and a US\$19 million contribution from the Group's stake in MCL Land, which was distributed in specie in early 2006. Without these elements, the year-on-year decline would have been 18%. Underlying earnings per share on a comparable basis were down 19% at US\$62.33.

The contribution from Astra in 2006, compared to the 12 months of 2005, declined by 18% to US\$208 million due to the poor market conditions in Indonesia, particularly in the automotive sector. The impact on Jardine Cycle & Carriage's results was mitigated to some extent by the strengthening of the Rupiah against the US Dollar. The contribution from the Group's other motor interests increased marginally to US\$32 million.

Profit attributable to shareholders benefited from non-trading gains of US\$13 million arising from asset sales in Malaysia, gains on the liquidation of the Australian operation and revaluation gains on investment properties in Indonesia, compared with non-trading losses of US\$15 million in 2005.

The Group's consolidated net debt, excluding borrowings within Astra's financial services operations, was US\$9 million lower at US\$600 million. The decrease was due to the disposal of Malaysian properties, the exclusion of MCL Land's net debt, offset partly by the purchase of additional shares in Bank Permata and capital expenditure within United Tractors. The Company's balance sheet was strengthened during the year as net debt was reduced by US\$101 million to US\$153 million at 31 December 2006.





Peugeot 407, Malaysia

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The Board is recommending a final dividend of US\$17.00 per share less tax which, together with the interim dividend paid in November 2006, will give a total dividend for the year of US\$20.00 per share less tax, compared with US\$18.00 per share less tax in the previous year. This excludes the dividend in specie of MCL Land shares that was made in January 2006. The final dividend is available in cash in US Dollars or Singapore Dollars with a scrip alternative.

GROUP REVIEW

Astra

The Indonesian economy was affected by a sharp increase in inflation and high interest rates following the removal of fuel subsidies in late 2005, although consumer confidence improved towards the end of 2006 as interest rates were lowered. Within Astra's automotive operations, motor car sales in 2006 were down 32%, although its market share rose from 49% to 55% with a number of new model launches. The decline in motorcycle sales was less severe at 12% as volumes increased in the second half, albeit at lower margins, and Astra's market share was stable at some 53%. The performances of Astra's financial services

businesses, which primarily support its automotive operations, declined in line with the market sector and recorded an increase in doubtful debt provisions and losses on repossessions. Its automotive component manufacturing operations were similarly affected.

Astra's agribusiness produced an improved profit contribution in US Dollar-terms due to the appreciation of the Rupiah, but the underlying performance was relatively flat as higher production costs offset an 11% increase in crude palm oil sales volumes and firmer prices. Nevertheless, prospects remain promising and Astra is continuing to source land for new oil palm and rubber plantations. Astra's heavy equipment business, United Tractors, produced satisfactory growth in contract mining with 20% increases achieved in both overburden removal and coal extraction, although additional provisions for doubtful debts were required for mining contracts. The company's overall profit was also affected by lower sales of Komatsu equipment despite its market share remaining stable at 48%. In January 2007, United Tractors, through its mining subsidiary, invested US\$34 million to



Mitsubishi Colt Ralliart Version-R, Singapore

acquire five companies, which together hold the rights to mine and market the coal from concessions located in South Kalimantan.

In September 2006, Astra increased its shareholding in Bank Permata from 31.6% to 44.5% in tandem with its partner, Standard Chartered Bank. Bank Permata produced a marginal increase in profit, but further steps are being taken to improve productivity and profitability. In infrastructure, Astra's investment in a toll road project performed satisfactorily and, in July 2006, it acquired a 30% interest in the franchise for the Western Jakarta water utility. It is reviewing further infrastructure investments.

Motor

Profit from Jardine Cycle & Carriage's motor operations in Singapore improved strongly in 2006 with Mitsubishi and Mercedes-Benz performing particularly well, offsetting declines in Cycle & Carriage Bintang in Malaysia and Tunas Ridean in Indonesia and the cessation of contribution from Australia. The underlying performance from Cycle & Carriage Bintang was impacted by the new National Automotive Policy and

profits declined, although the efficiency of its balance sheet was improved with the payment of a special dividend. Tunas Ridean was also impacted by the poor market conditions in Indonesia.

PEOPLE

Neville Venter retired as Group Finance Director on 31 October 2006, and was succeeded on 1 November 2006 by S C Chiew. Adam Keswick steps down as Group Managing Director on 31 March 2007 and will be replaced by Ben Keswick on 1 April 2007. I would like to thank both Neville and Adam for their significant contributions to the Group.

Mark Greenberg, Group Strategy Director of Jardine Matheson Limited, joined the Board as a non-executive director on 7 June 2006.

On behalf of the Directors, I wish to thank all the employees of the Company, its subsidiaries and associates for their dedication and loyal service. I also wish to thank all our customers, shareholders and business partners for their support.

PROSPECTS

Astra's performance is expected to show steady improvement as Indonesian markets continue to recover, although competitive pressures remain significant. In the medium term, Astra's leadership in the automotive sector, its strong market positions in financial services, agribusiness and heavy equipment and its infrastructure investments provide excellent opportunities for growth.

Anthony Nightingale
Chairman
1 March 2007