



GROUP MANAGING DIRECTOR'S REVIEW

The Group's underlying profit increased by 28% to US\$477 million in 2008, and profit attributable to shareholders was US\$448 million after accounting for a net non-trading loss of US\$29 million. The non-trading loss was mainly due to the fair value loss on plantations caused by the sharp decline in crude palm oil prices in the latter part of the year, partly offset by gains on the disposal of certain plantation and property assets and a writeback of a surplus restructuring provision. This compares with a profit attributable to shareholders of US\$340 million in 2007, which was after a net non-trading loss of US\$34 million.

Profit growth was recorded by all of Astra's major businesses, producing a 29% higher underlying profit contribution of US\$460 million to the Group's results for the year. The contribution from Astra's automotive and financial services operations was up 20% while its resources and other businesses also performed well with their profit contribution growing 35%. The underlying profit contribution from the Group's other directly-held motor interests grew 4%.

The Company's corporate costs of US\$11 million were 27% lower than the previous year, following a reduction in interest expenses, while US\$16 million of withholding tax on dividends from Indonesia was incurred during the year. In addition, the Group's share of Astra's corporate costs together with the adjustments required to align Astra's results with the Group's accounting policies was 21% lower at US\$26 million.

The Group's consolidated net debt, excluding borrowings within Astra's financial services operations, was US\$157 million at 31 December 2008, US\$78 million lower than at the end of 2007. This was a result of strong operating cash flows attributable to Astra. The debt within the Group's financial services operations of US\$1.2 billion was US\$84 million lower than at the prior year end, following a reduction in joint financing with recourse. At the end of the year, Jardine Cycle & Carriage had parent company net cash of US\$4 million, compared to the net debt of US\$31 million at the end of 2007.

ASTRA

The Indonesian economy grew by 6.1% in 2008 and Astra benefited from strong consumer demand and high crude palm oil prices for most of the year. Under Indonesian accounting standards, Astra reported a net profit equivalent to US\$942 million for 2008, an increase of 41% over the previous year in its reporting currency.

Astra's financial position benefited from strong operating cash flows, a substantial dividend received from Astra Honda Motor and proceeds from a rights issue by United Tractors, although this was largely offset by the cost of acquisitions and investment in shares in Group companies. Net debt, excluding borrowings within its financial services operations, was reduced slightly to US\$169 million at the end of 2008.

The performance of Astra Agro Lestari was enhanced by the high crude palm oil prices that existed for most of the year, making it one of Astra's largest profit contributors in 2008.

Automotive and Financial Services

Astra's automotive and financial services businesses grew strongly for most of 2008, and produced a contribution of US\$303 million to the Group's underlying profit, up 20%.

The Indonesian wholesale motor vehicle market rose by 40% to 608,000 units in 2008. Astra's sales grew at a higher rate of 43%, resulting in an improved market share of 52%. Its sales during the year were supported by the launch of four new models and six revamped models.

The wholesale motorcycle market in Indonesia grew by 33% in 2008 to 6.2 million units, with particularly strong demand seen in areas outside Java. This was driven in large part by the increased prosperity following high crude palm oil ("CPO") prices for most of the year and, to a lesser extent, coal prices. Demand has recently declined following the sharp fall in commodity prices and tight liquidity. Sales of the Astra Honda Motor manufacturing and distribution joint venture rose by 34%, achieving a market share of 46%. Three new models and three revamped models were launched in 2008.

The component manufacturing sector benefited from the strong automotive market and Astra Otoparts reported a 24% increase in profit. Sales rose 27% with increases in both the domestic and export markets. Astra now holds an interest of 93.9% in Astra Otoparts, up from 86.7%.

The performance of Astra's consumer finance operations improved in line with the growth in automotive sales. The volume financed by Federal International Finance and Astra Credit Companies was US\$2.7 billion, 29% higher in its reporting currency. At the end of 2008, the consumer finance loan book was US\$1.3 billion, the same as the previous year as most of the growth was in joint finance without recourse.

Bank Permata, a 44.5%-held associate, saw its net profit reduce by 9% as the effect of changes in future tax rates on deferred tax assets more than offset the improvement in profitability of its banking operations.

Resources and Other

Astra's resources and other businesses comprising agribusiness, heavy equipment, mining, information technology and infrastructure, contributed US\$183 million to the Group's underlying profit, an increase of 35%.

In agribusiness, Astra's 79.7%-held subsidiary, Astra Agro Lestari, achieved strong growth with a 33% increase in reported profit. Palm oil production increased by 7% to 982,000 tonnes and CPO prices achieved were on average 19% higher than the previous year.

In heavy equipment, the 59.5%-held United Tractors also performed well and recorded a 78% increase in profit. Sales of

Sales of Mercedes-Benz passenger cars rose by 5% enhanced by sales of the new C-Class and ongoing demand for the S-Class.

Komatsu equipment rose 26% due to strong demand for most of the year, although demand in the last quarter reduced significantly reflecting decline in commodity prices and tightening of credit. Pamapersada Nusantara, the mining subsidiary of United Tractors, achieved an 8% increase in coal extracted at 59 million tonnes and a 25% increase in overburden removed at 442 million bcm in its contract mining operations, while coal sales from its own mines amounted to almost 4 million tonnes.

The group's information technology business and infrastructure investments performed satisfactorily. Marga Mandalasakti, a toll road operator, became a subsidiary during the year when the group's interest was increased from 34% to 62.6%. It handled a 6% increase in traffic volume. PAM Lyonnaise Jaya, in which Astra has a 30% interest and which operates the western Jakarta water utility system, increased its sales of water by 3% to 135 million cubic metres in 2008.

OTHER MOTOR INTERESTS

Singapore

The profit contribution from the Group's Singapore motor operations increased by 5% to US\$35 million with Mercedes-Benz turning in a good performance.

Although the Singapore economy slipped into recession in the

latter part of 2008, modest GDP growth was achieved for the year as a whole. The overall passenger car market fell by 10% to 99,600 units, while the commercial vehicle market fell by 5% to 10,900 units. The Group's passenger car sales were 16% lower and its market share declined slightly to 13%. Sales of Mercedes-Benz passenger cars rose by 5% enhanced by sales of the new C-Class and ongoing demand for the S-Class. Mitsubishi and Kia passenger car sales fell by 18% and 28%, respectively. Citroën sales were slightly lower than the previous year.

Malaysia

The Group's 59.1%-owned subsidiary, Cycle & Carriage Bintang, completed a major restructuring of its motor activities enabling it to focus on its Mercedes-Benz marque. It contributed an underlying profit of US\$3 million, 52% higher than the previous year.

Indonesia

In the Indonesian automotive market, Tunas Ridean performed well, contributing a profit of US\$9 million, 19% above the previous year. Sales of motor vehicles grew by 23% and motorcycle sales increased by 22%, while new lending volumes declined by 6%. During the year, the Company increased its shareholding in Tunas Ridean by 0.9% to 38.3%. In January 2009, Tunas Ridean completed the sale of a 51%-interest in its wholly-owned automotive finance subsidiary to Bank Mandiri, which is expected to help enhance the growth potential of this business.



Vietnam

Truong Hai Auto Corporation (“Thaco”), in which the Group took a 20.5% interest in July, contributed a US\$3 million loss as sales in the latter part of the year fell sharply owing to a severe shortage of credit in Vietnam. Despite present trading difficulties, the outlook for Thaco over the medium to long term remains positive as the company is expected to recover strongly once the Vietnam economy rebounds.

OUTLOOK

After a good year in 2008, the Group’s businesses are now facing increasingly challenging economic conditions. We are, therefore, fortunate that our operations are well positioned at the forefront of their chosen markets with strong management teams, skilled workforces and the financial capability to weather the current downturn.

Ben Keswick
Group Managing Director
27 February 2009

Underlying profit attributable to shareholders

	2008	2007
	US\$m	US\$m
Astra		
Motor vehicles	111.1	84.9
Motorcycles	82.3	65.0
Other automotive	33.3	24.3
Financial services	76.1	78.6
Total automotive	302.8	252.8
Agribusiness	95.9	86.0
Heavy equipment and mining	81.3	43.6
Other non-automotive	6.3	6.5
Total non-automotive	183.5	136.1
Corporate costs and other	(25.8)	(32.6)
	460.5	356.3
Other motor interests		
Singapore	34.6	32.8
Malaysia	3.5	2.3
Indonesia (Tunas Ridean)	8.9	7.5
Vietnam	(2.9)	–
	44.1	42.6
Corporate costs and withholding tax		
Corporate costs	(10.8)	(14.8)
Withholding tax on dividends from Indonesia	(16.6)	(10.1)
	(27.4)	(24.9)
Underlying profit attributable to shareholders	477.2	374.0