

EDARAN OTOMOBIL NASIONAL BERHAD

(119767 - X)

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS
FOR THE PERIOD ENDED 30 JUNE 2006**

The Board of Directors is pleased to announce the unaudited financial results of the Group for the financial period ended 30 June 2006.

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	3 months ended		6 months ended	
		30-06-06	30-06-05	30-06-06	30-06-05
		Unaudited		Unaudited	
		RM'000	RM'000	RM'000	RM'000
Revenue		388,451	682,693	1,005,999	1,361,719
Operating expenses		(393,284)	(670,048)	(1,009,375)	(1,329,488)
Other operating income		3,296	2,868	7,302	7,406
Profit from operations		(1,537)	15,513	3,926	39,637
Finance cost		(346)	(107)	(794)	(139)
Share of results of jointly controlled entities		2,807	2,559	3,679	3,895
Share of results of associates		2,572	(184)	3,015	1,620
Profit before tax		3,496	17,781	9,826	45,013
Tax	13	(566)	(511)	(2,722)	(8,101)
Profit after tax		2,930	17,270	7,104	36,912
Profit attributable to equity holders of the parent		2,930	17,270	7,104	36,912
		-	-	-	-
		sen	sen	sen	sen
Earnings per share:	25				
- Basic	(a)	1.18	6.94	2.85	14.82
- Diluted	(b)	1.18	6.94	2.85	14.82

The Condensed Consolidated Income Statements should be read in conjunction with the Group's annual financial report for the financial year ended 31 December 2005.

EDARAN OTOMOBIL NASIONAL BERHAD
CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited As At 30-06-06 RM'000	Audited As At 31-12-05 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	261,871	302,661
Investments	6,454	6,454
Jointly controlled entities	98,660	88,366
Associates	41,535	39,806
Deferred tax assets	8,436	10,515
	416,956	447,802
CURRENT ASSETS		
Inventories	627,733	421,602
Receivables	152,548	350,427
Amounts due from jointly controlled entities	332	747
Tax recoverable	272	272
Cash and bank balances and deposits with financial institutions	69,319	377,469
	850,204	1,150,517
Non-current assets held for sale	40,735	-
	890,939	1,150,517
CURRENT LIABILITIES		
Payables	223,436	484,422
Amounts due to jointly controlled entities	26,015	20,101
Taxation	922	10,274
Provisions for liabilities and charges	11,149	12,176
	261,522	526,973
NET CURRENT ASSETS	629,417	623,544
NON-CURRENT LIABILITIES		
Deferred tax liabilities	9,996	10,038
Provision for retirement benefits	10,336	9,604
Long-term lease payables	1,101	490
	21,433	20,132
	1,024,940	1,051,214
SHARE CAPITAL	248,993	248,993
RESERVES	775,947	802,221
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	1,024,940	1,051,214
	-	-
	RM	RM
Net assets per share attributable to equity holders of the parent	4.12	4.22

The Condensed Consolidated Balance Sheet should be read in conjunction with the Group's annual financial report for the financial year ended 31 December 2005.

EDARAN OTOMOBIL NASIONAL BERHAD

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Note</u>	<u>Non-distributable</u>		<u>Distributable</u>	<u>Total</u> RM'000	
		<u>Share Capital</u> RM'000	<u>Share Premium</u> RM'000	<u>Currency Translation Reserves</u> RM'000		<u>Retained Earnings</u> RM '000
(Unaudited)						
At 1 January 2006		248,993	8,367	4,617	789,237	1,051,214
Movements in equity during the period						
Share of associates' reserves				(1,109)		(1,109)
Income/(expenses) recognised directly in equity		-	-	(1,109)	-	(1,109)
Net profit for the period					7,104	7,104
Total income and expenses recognised for the period		-	-	(1,109)	7,104	5,995
Dividends	7				(32,269)	(32,269)
At 30 June 2006		248,993	8,367	3,508	764,072	1,024,940
(Unaudited)						
At 1 January 2005		248,993	8,367	5,694	902,191	1,165,245
Movements in equity during the period						
Share of associates' reserves				(643)		(643)
Income/(expenses) recognised directly in equity		-	-	(643)	-	(643)
Net profit for the period					36,912	36,912
Total income and expenses recognised for the period		-	-	(643)	36,912	36,269
Dividends		-	-	-	(182,860)	(182,860)
At 30 June 2005		248,993	8,367	5,051	756,243	1,018,654

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's annual financial report for the financial year ended 31 December 2005.

EDARAN OTOMOBIL NASIONAL BERHAD
CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months ended 30-06-06 RM'000	Unaudited 6 months ended 30-06-05 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit attributable to equity holders of the parent	7,104	36,912
Adjustments for investing and financing items and non-cash items:		
Tax	2,722	8,101
Share of results of jointly controlled entities	(3,679)	(3,895)
Share of results of associates	(3,015)	(1,620)
Depreciation	11,285	9,847
Other investing and financing items and non-cash items	754	558
Operating profit before working capital changes	15,171	49,903
Net changes in other working capital	(274,355)	(359,665)
Cash generated used in operations	(259,184)	(309,762)
Add/(Less) :		
Interest received	2,683	2,924
Interest paid	(794)	(139)
Income tax paid	(10,026)	(10,831)
Net cash flow from operating activities	<u>(267,321)</u>	<u>(317,808)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends received	205	4,943
Proceeds from sale of property, plant and equipment	6,047	606
Investment in a jointly controlled entity	-	(28,800)
Purchase of property, plant and equipment	(13,992)	(6,980)
Net cash flow from investing activities	<u>(7,740)</u>	<u>(30,231)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	-	104,000
Payment of finance lease	(820)	(864)
Payment of cash dividends	(32,269)	(182,860)
Net cash flow from financing activities	<u>(33,089)</u>	<u>(79,724)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(308,150)	(427,763)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	377,469	557,842
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>69,319</u>	<u>130,079</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's annual financial report for the financial year ended 31 December 2005.

EDARAN OTOMOBIL NASIONAL BERHAD
EXPLANATORY NOTES TO THE FINANCIAL REPORT

Disclosure requirements pursuant to Financial Reporting Standard 134 (formerly known as Malaysian Accounting Standard Board 26)

1. Basis of preparation and Accounting policies

The interim financial report is prepared in accordance with the Financial Reporting Standard (FRS) 134 on Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Listing Requirements, and should be read in conjunction with the Group's annual financial report for the year ended 31 December 2005.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2005 except for the adoption of the new/revised FRS that are applicable to the Group with effect from 1 January 2006.

The adoption of the new/revised FRS do not have a significant impact to the Group except for the following FRS:

(i) FRS 5: Non-current assets held for sale and Discontinued operations

Certain land and buildings have been reclassified as "Non-current assets held for sale" pursuant to FRS 5 which requires an asset to be classified as "Held for Sale" if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, and stated at the lower of their carrying amount and fair value less costs to sell.

Prior to the adoption of FRS 5, these assets were included in property, plant and equipment.

The reclassification to non-current assets held for sale does not have any impact to the Group's results for the period ended 30 June 2006.

(ii) FRS 101: Presentation of Financial Statements

The Group's share of results (before tax) and share of taxes of jointly controlled entities and associates which were previously presented as 2 separate lines have now been presented as one line item, i.e. net of tax to comply with FRS 101.

The effects of the change in presentation on the Group's prior period's Income Statements are as follows :

	As previously reported	Reclassificati on	As restated
	RM '000	RM '000	RM '000
<u>Income Statement for the 3 months ended 30 June 2005</u>			
Profit before tax	19,300	(1,519)	17,781
Tax	2,030	(1,519)	511
Profit after tax	17,270	-	17,270
<u>Income Statement for the 6 months ended 30 June 2005</u>			
Profit before tax	49,109	(4,096)	45,013
Tax	12,197	(4,096)	8,101
Profit after tax	36,912	-	36,912
<u>Income Statement for the year ended 31 December 2005</u>			
Profit before tax	108,644	(6,811)	101,833
Tax	29,774	(6,811)	22,963
Profit after tax	78,870	-	78,870

2. Audit report of the preceding annual financial statements

The audit report of the Group's preceding audited annual financial statements did not contain any qualification.

3. Seasonality or cyclicity of operations

The business operations of the Group are not materially affected by seasonal or cyclical fluctuations.

4. Items of unusual nature, size or incidence

There were no items of unusual nature, size or incidence affecting assets, liabilities, equity, net income or cash flows of the current interim financial period.

5. Changes in estimates

There were no material change in estimates of amounts reported in prior financial years that have a material effect on the financial statements of the current interim financial period.

6. Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities and, no share buy-backs, shares held as treasury shares and resale of treasury shares during the current interim financial period.

7. Dividends paid

Dividends paid by the Company during the current interim financial period were as follows:

	Gross per share	Dividend net of 28% tax
	Sen	RM'000
Final dividend in respect of the year ended 31 December 2005, paid on 22 June 2006.	18	32,269

8. Segment reporting

The Group's activities are focused on the motor sector.

9. Property, plant and equipment

There is no revaluation of property, plant and equipment brought forward from the previous audited annual financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

10. Subsequent events

On 8 August 2006, the Company announced that EON Properties Sdn Bhd, a wholly owned subsidiary of EON, had entered into a Sale and Purchase Agreement with Jalur Casa Sdn Bhd to dispose the property located at Lot 495 in the Mukim of Damansara, District of Petaling Jaya, State of Selangor for a total consideration of RM27,787,113.30.

11. Changes in the composition of the group

There was no change in the composition of the Group during the current interim financial period.

12. Commitments and contingent liabilities

There were no material commitments and contingent liabilities as at the end of the current interim financial period.

Additional disclosure requirements pursuant to paragraph 9.22 of the Bursa Malaysia Listing Requirements

13. Tax

Tax comprises the following:

	3 months ended		6 months ended	
	30-06-06 RM'000	30-06-05 RM'000	30-06-06 RM'000	30-06-05 RM'000
Current tax	347	6,829	717	12,639
Deferred tax	219	(1,009)	2,005	771
	566	5,820	2,722	13,410
Over provision in prior years	-	(5,309)	-	(5,309)
	566	511	2,722	8,101

The effective tax rate for the current interim financial period was higher than the statutory tax rate due mainly to expenses not deductible for tax purposes and unrecognised tax losses.

14. Sale of unquoted investments and/or properties

There were no sales of unquoted investment during the current interim financial period. Gain on disposal of properties is as follows:

	3 months ended 30-06-06 RM'000	6 months ended 30-06-06 RM'000
Gain from disposal of properties	552	945

15. Purchase or disposal of quoted securities

(a) There were no purchases or disposal of quoted securities for the current interim financial period.

(b) Total investments in quoted securities are as follows:

(i) At cost	338
(ii) At carrying value / book value	521
(iii) At market value	1,527

As at
30-06-06
RM'000

338
521
1,527

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16. Status of corporate proposals

The Group does not have any corporate proposals announced but not completed at the date of this report.

17. Group borrowings and debt securities

The Group does not have any borrowings and debt securities as at the end of the current interim financial period.

18. Financial instruments with off balance sheet risk

Forward foreign exchange contracts are entered into by the Group in currencies other than the functional currency to manage exposure to fluctuations in foreign currency exchange rates on specific transactions. Foreign currency transactions that are hedged by forward foreign exchange contracts are accounted for at their contracted rates.

As at 17 August 2006, the Group had entered into the following outstanding foreign currency contracts with maturity of less than one month:

	Contract amount	
	Foreign currency ('000)	Ringgit equivalent (RM '000)
Japanese Yen	13,157	420
Euro	42	197

19. Material litigation

As at the date of this report, the Group does not have any material litigation which would have a material adverse effect on the financial position of the Group.

20. Profit before tax for the current quarter compared to the immediate preceding quarter

The Group's profit before tax of RM3.5 million for the current quarter was 45% lower than the preceding quarter due primarily to lower earnings from the Proton and Mitsubishi businesses. Proton vehicle sales fell by 43% to 6,775 units whilst Mitsubishi vehicle sales decreased by 48% to 453 units compared to the preceding quarter. Sales remained slow despite various campaigns and incentives introduced due to weak consumer sentiment and stiff competition from other marques.

21. Review of performance for the current interim financial period compared to the corresponding period in the preceding year

The Group's revenue of RM1,006.0 million and profit before tax of RM9.8 million for the half year ended 30 June 2006 were lower by 26% and 78% respectively compared to the corresponding period in 2005. Profit before tax was substantially lower primarily due to lower Proton car sales in 2006. Total Proton car sales volume dropped from 75,983 units for the 1st half of 2005 to 60,246 units for the 1st half of 2006 whilst EON's share of Proton vehicle sales reduced from 29,610 units to 18,562 units respectively.

In addition, the write-back of certain provisions in 2005 also contributed to lower earnings for the current interim financial period.

22. Prospects

The Malaysian Automotive Association in its recent forecast has revised the total industry volume (TIV) for passenger cars for 2006 downwards to 368,000 units from the earlier forecast of 413,000 units, down 8% from the actual TIV for 2005.

Higher interest rates and more stringent approval terms for hire purchase financing as well as higher fuel prices and the weak used car market are expected to affect the passenger car sales moving forward.

In response to the challenging and competitive business landscape in the auto industry, the Company has on 25 July 2006 launched a voluntary staff separation (VSS) exercise. As part of the right sizing, the Company is also undertaking a review of its network including the closure of under performing branches and the subsequent disposal of surplus properties. In this respect, the Company has recently announced the closure of a total of 14 sales and after sales branches.

Going forward, the Board expects the Group's results for the second half of 2006 to be adversely affected after taking into account the above factors.

23. Profit forecast / profit guarantee

The Group neither made any profit forecast nor issued any profit guarantee.

24. Dividends

No interim dividend is recommended for the current interim financial period.

25. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	3 months ended		6 months ended	
	30-06-06	30-06-05	30-06-06	30-06-05
Profit attributable to equity holders of the parent (RM'000)	2,930	17,270	7,104	36,912
Weighted average number of ordinary shares in issue	248,992,823	248,992,823	248,992,823	248,992,823
Basic earnings per share (sen)	1.18	6.94	2.85	14.82

(b) Diluted earnings per share

Diluted earnings per share is not calculated as the Company does not have any dilutive potential ordinary shares.

BY ORDER OF THE BOARD
NOOR AZWAH SAMSUDIN
Company Secretary

Shah Alam, 23 August 2006