

Panasonic

Panasonic Manufacturing Malaysia Berhad (6100-K) (Incorporated in Malaysia)

Condensed Combined Entity Statement of Comprehensive Income for the 3rd Quarter Ended 31 December 2017

	(Unaudited)		(Unaudited)	
	3rd Quarter ended		Cumulative period ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Revenue	317,050	285,443	922,425	875,650
Operating expenses	(277,407)	(252,010)	(817,703)	(764,347)
Other operating income	3,633	7,056	18,687	21,876
Other derivative gain / (loss)	5,581	(3,242)	6,254	(9,781)
Profit from operations	48,857	37,247	129,663	123,398
Share of results of associated company (net of tax)	2,004	2,490	3,018	8,341
Profit before taxation	50,861	39,737	132,681	131,739
Taxation	(8,212)	(8,470)	(26,813)	(31,386)
Profit after taxation for the period	42,649	31,267	105,868	100,353
<u>Earnings per share</u> <u>attributable to equity holders:</u>				
Basic and diluted (sen)	70	51	174	165

(The Condensed Combined Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Company for the financial year ended 31 March 2017)

**Condensed Combined Entity Statement of Comprehensive Income
for the 3rd Quarter Ended 31 December 2017**

	(Unaudited)		(Unaudited)	
	3rd Quarter ended		Cumulative period ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Profit after taxation for the period	42,649	31,267	105,868	100,353
Other comprehensive income, net of taxation	-	-	-	-
Total Comprehensive Income for the period	42,649	31,267	105,868	100,353
Profit after taxation attributable to equity holders of the Company	42,649	31,267	105,868	100,353
Total Comprehensive Income attributable to equity holders of the Company	42,649	31,267	105,868	100,353

(The Condensed Combined Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Company for the financial year ended 31 March 2017)

Condensed Combined Entity Statement of Financial Position

	(Unaudited)	(Audited)
	As at 31.12.2017 RM'000	As at Preceding Financial Year End 31.03.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	66,180	74,981
Interest in associated company	130,363	151,553
Deferred tax assets	9,968	9,061
	206,511	235,595
Current assets		
Inventories	49,437	50,284
Trade and other receivables	143,894	116,863
Placement of funds with related company	619,266	601,426
Cash and bank balances	219	1,005
Derivative financial instruments	6,482	271
	819,298	769,849
Total assets	1,025,809	1,005,444
EQUITY		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	804,945	761,038
Total equity	865,691	821,784
LIABILITIES		
Non-current liability		
Provision for liabilities and charges	232	232
	232	232
Current liabilities		
Trade and other payables	148,957	175,546
Taxation	5,096	1,486
Provision for liabilities and charges	5,829	6,349
Derivative financial instruments	4	47
	159,886	183,428
Total liabilities	160,118	183,660
Total equity and liabilities	1,025,809	1,005,444
Net assets per share (RM)	14.25	13.53

(The Condensed Combined Entity Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements of the Company for the financial year ended 31 March 2017)

**Condensed Combined Entity Statement of Changes in Equity
For the 3rd Quarter Ended 31 December 2017**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<u>Cumulative Period Ended 31 December 2016</u>			
At 1 April 2016	60,746	718,357	779,103
Total comprehensive income for the period	-	100,353	100,353
Dividends:			
- Final dividend for the financial year ended 31 March 2016	-	(75,325)	(75,325)
At 31 December 2016	60,746	743,385	804,131
<u>Cumulative Period Ended 31 December 2017</u>			
At 1 April 2017	60,746	761,038	821,784
Total comprehensive income for the period	-	105,868	105,868
Dividends:			
- Final dividend for the financial year ended 31 March 2017	-	(61,961)	(61,961)
At 31 December 2017	60,746	804,945	865,691

(The Condensed Combined Entity Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements of the Company for the financial year ended 31 March 2017)

**Condensed Combined Entity Cash Flow Statement
For the 3rd Quarter Ended 31 December 2017**

	(Unaudited)	
	Period ended 31.12.2017 RM'000	Period ended 31.12.2016 RM'000
Profit after taxation	105,868	100,353
Adjustments for:		
Non Cash Flow Items	30,759	51,659
Share of results of associated company	(3,018)	(8,341)
Operating profit before working capital changes	133,609	143,671
Changes in working capital		
Net increase in current assets	(25,670)	(5,608)
Net decrease in current liabilities	(26,894)	(44,547)
Cash generated from operations	81,045	93,516
Other operating activities	(26,910)	(33,066)
Net cash flow from operating activities	54,135	60,450
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(14,784)	(24,942)
Proceeds from disposal of property, plant and equipment	255	155
Interest received	15,201	17,538
Dividend received (net)	24,208	11,467
Net cash flow from investing activities	24,880	4,218
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid	(61,961)	(75,325)
Net cash flow from financing activity	(61,961)	(75,325)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	17,054	(10,657)
CURRENCY TRANSLATION DIFFERENCES	-	(4,750)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	602,431	601,514
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	619,485	586,107
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	619,266	585,365
Cash and bank balances	219	742
	<u>619,485</u>	<u>586,107</u>

(The Condensed Combined Entity Cash Flow Statement should be read in conjunction with the Annual Audited Financial Statements of the Company for the financial year ended 31 March 2017)

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Notes to the Interim Financial Statements for 3rd Quarter Ended 31 December 2017

Note 1. Accounting Policies and Basis of Preparation

This interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial report should be read in conjunction with the Company’s audited statutory financial statements for the financial year ended 31 March 2017.

The audited financial statements of the Company for the year ended 31 March 2017 were prepared in accordance with MFRS. The accounting policies and methods of computation adopted by the Company in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 March 2017.

Note 2. Disclosure of Audit Report Qualification

The audit report of the Company’s annual financial statements for the financial year ended 31 March 2017 was not qualified.

Note 3. Seasonality or Cyclicity of Interim Operations

The Company’s business operations were not materially affected by any seasonal or cyclical factors since the last balance sheet date.

The Company’s products are generally dependent on consumer demand both in the domestic and export markets.

Note 4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

Note 5. Changes in Estimates of Amounts Reported in Prior Interim Periods for the Current Financial Year or in Prior Financial Years

There were no major changes in estimates of amounts reported in prior interim periods for the current financial year or changes in estimates of amounts reported in the prior financial year, which give a material effect in the current interim period.

Note 6. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuances and repayment of debt securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares since the last reporting date.

Note 7. Dividends Declared / Paid

An interim dividend of 15 sen per share was declared on 24 November 2017 and paid on 18 January 2018.

Note 8. Segmental Reporting

Analysis of the Company's segment information is as follows:

	Revenue for the period ended		Profit before tax for the period ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Home Appliance products	488,899	429,054	84,491	61,039
Fan and other products	433,526	446,596	68,802	76,595
Total	922,425	875,650	153,293	137,634

Revenue information based on geographical location is as follows:

	Revenue for the period ended	
	31.12.2017 RM'000	31.12.2016 RM'000
Malaysia	371,213	371,938
Japan	35,261	34,367
Asia (excluding Malaysia and Japan)	288,386	276,512
North America	1,532	2,168
Europe	1,778	3,152
Middle East	203,349	167,630
Others	20,906	19,883
Total	922,425	875,650

Note 9. Valuation of Property, Plant and Equipment

There was no valuation of property, plant and equipment for the period under review.

Note 10. Significant Post Balance Sheet Events

There has not arisen in the interval between 31 December 2017 and the date of this announcement, any item, transaction or event of a material or unusual nature in the opinion of the Directors that is likely to affect substantially the result of the operations of the Company for the quarter ended 31 December 2017 in respect of which this announcement is made.

Note 11. Contingent Liabilities

There were no contingent liabilities since the last financial year ended 31 March 2017.

Disclosure Requirements Pursuant to Part A, Appendix 9B of Bursa Malaysia Securities Berhad Listing Requirements

Note 12. Review of Performance

(a) 3rd Quarter This Year vs 3rd Quarter Last Year

	3rd Quarter ended		Change	Cumulative period ended		Change
	31.12.2017 RM'000	31.12.2016 RM'000	%	31.12.2017 RM'000	31.12.2016 RM'000	%
Revenue	317,050	285,443	11.1%	922,425	875,650	5.3%
Profit before taxation	50,861	39,737	28.0%	132,681	131,739	0.7%

The Company's revenue of RM317.1 million for the current quarter ended 31 December 2017 was higher by 11.1% or RM31.7 million as compared with the revenue of RM285.4 million registered in the previous year's corresponding quarter.

The higher revenue was attributed to stronger sales in both domestic and export markets for both Home Appliances and Fan products. Sales of Home Appliances products grew by 14.3% as compared to the previous year's corresponding quarter mainly attributable to marketing and various aggressive year end promotional activities in the domestic market. Cooler weather in this region also contributed to higher sales of home shower products especially in the Vietnam, the Philippines and the Malaysia markets. Fan and other products sales grew by approximately 6.5% as compared to the previous year's corresponding quarter. The improvement in sales was mainly seen in ceiling fans.

With the improvement in revenue, the Company's combined profit before tax of RM50.9 million for the current quarter ended 31 December 2017 was higher by 28.0% or RM11.2 million as compared to the previous year's corresponding quarter combined profit before tax of RM39.7 million. The increase in profit was also due to a derivative gain arising from hedging of forward contracts as compared to a loss incurred in the previous year's corresponding quarter.

Analyzing the results by segments, Fan and other products' segment achieved profit before tax of RM13.9 million for the current quarter ended 31 December 2017, which was lower by 16.4% or RM2.7 million as compared to the previous year's corresponding quarter profit before tax of RM16.6 million.

However, the Home Appliance products' segment achieved higher profit before tax of RM32.4 million for the current quarter ended 31 December 2017, an increase of 27.7% or RM7.0 million as compared to the profit before tax in the previous year's corresponding quarter of RM25.4 million. The higher profitability in the current quarter was mainly attributed to higher revenue achieved and favorable sales model mix.

(b) Current Year to Date vs Last Year to Date

The Company's revenue of RM922.4 million for the period ended 31 December 2017 was higher by 5.3% or RM46.7 million as compared with the revenue of RM875.7 million registered in the previous year's corresponding period. This was mainly due to higher sales from Vacuum Cleaner products, attributable to the sales recovery gained from Middle East markets and an increase in demand for Home Shower products arising from the prolonged rainy season.

In line with the higher revenue, the Company achieved a higher combined profit before tax of RM132.7 million for the period ended 31 December 2017, representing an increase of RM1.0 million or 0.7% as compared to the previous year's corresponding period of RM131.7 million.

Profit from operation rose by RM6.3 million, however, due to lower share of profit from the associated company in the current year resulted in only a marginal increase in profit before tax of the Company.

The Fan and other products segment's profit before tax of RM68.8 million for the period ended 31 December 2017 was lower by 10.2% or RM7.8 million as compared to the previous year's corresponding period profit before tax of RM76.6 million. The decline in profit was mainly due to lower sales volume of the Fan products.

Nevertheless, the Home Appliances products' segment recorded better profit before tax of RM84.5 million for the period ended 31 December 2017, which was higher by 38.5% or RM23.5 million as compared to the profit before tax in the previous year's corresponding period of RM61.0 million. Improvement in the economic environment in the Middle East region contributed to the higher sales.

Note 13. Material Changes in Quarterly Results Compared to Preceding Quarter

	Current Quarter	Preceding Quarter	Change
	31.12.2017 RM'000	30.09.2017 RM'000	%
Revenue	317,050	277,529	14.2%
Profit before taxation	50,861	31,560	61.2%

The Company's revenue of RM317.1 million in the current quarter was an increase of 14.2% or RM39.6 million over the revenue of RM277.5 million recorded in the preceding quarter. This was mainly contributed from Home Shower products which continued to have a strong growth momentum in Vietnam and Philippine due to prolonged rainy season.

Corresponding to the higher revenue, the Company's combined profit before tax of RM50.9 million for the current quarter increased by 61.2% or RM19.3 million as compared to combined profit before tax of RM31.6 million in the preceding quarter.

Note 14. Prospects and Outlook

Malaysia registered a strong growth of 5.9% in 2017. For 2018, growth is expected to remain favourable with domestic demand continuing to be the key driver of growth. However, despite some economic recovery seen in the Middle East market that the Company deals with, the political uncertainties in the Gulf region could affect the economic outlook in the region and may have an impact on the Company's export revenue.

The Company's operations remain affected by the rising raw materials prices and volatile foreign currency exchange rates. Continuous efforts are being made to reduce overall costs of production and to remain competitive.

Note 15. Profit Forecast, Profit Guarantee or Internal Targets

The Company did not issue or publicly announce or disclose any profit forecasts, profit guarantee or internal targets for the period under review.

Note 16. Taxation

	Current Quarter Ended 31.12.2017 RM'000	Preceding Quarter Ended 31.12.2016 RM'000	Cumulative Period Ended 31.12.2017 RM'000	Cumulative Period Ended 31.12.2016 RM'000
Taxation charge:				
- current financial year	(8,217)	(8,418)	(27,975)	(31,704)
- prior financial year	-	9	255	9
Deferred Tax:				
- current financial year	5	(61)	907	309
	(8,212)	(8,470)	(26,813)	(31,386)
Effective income tax rate	16.1%	21.3%	20.2%	23.8%

The Company's effective income tax rate for the cumulative period was lower than the statutory tax rate of 24% mainly due to certain tax incentives enjoyed for the promotion of exports.

Note 17. Corporate Proposals

There were no corporate proposals announced but not completed as at the date of the issuance of this interim financial report.

Note 18. Derivatives

Derivative financial instruments are entered into by the Company in currencies other than Ringgit Malaysia for highly probable forecasted transactions to manage the exposure to fluctuation in foreign currency exchange rates.

In general, the Company's policy is to enter into foreign currency forward contracts to mitigate foreign exchange risk of highly probable forecasted transactions, such as anticipated future export sales, purchases of equipment and raw materials, as well as payment on services and other related expenditure. There is no change to the Company's policy in managing these derivatives since the last financial year.

As at 31 December 2017, the details of derivative financial instruments outstanding measured at fair values together with their corresponding contract / notional values are as follows:-

Type of Derivatives	Contract / Notional Value RM'000	Fair Value of Assets RM'000	Fair Value of Liabilities RM'000
<u>Less than 1 year</u> - Sell USD	264,671	6,316	0
<u>Less than 1 year</u> - Buy JPY	2,649	134	0
<u>Less than 1 year</u> - Buy SGD	400	11	0
<u>Less than 1 year</u> - Sell Euro	1,165	21	(4)
		6,482	(4)

Note 19. Material Litigation

There were no material litigations pending on the date of this announcement.

Note 20. Dividends

The Board is not recommending any dividend for the quarter under review.

Note 21. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares in issue as at 31 March 2017 of 60,745,780 shares.

(a) Basic earnings per share

	Period Ended 31.12.2017	Period Ended 31.12.2016
Profit after taxation for the period (RM'000)	105,868	100,353
Weighted average number of ordinary shares in issue ('000)	60,746	60,746
Basic earnings per share (sen)	174	165

(b) Summary of earnings per share

	Basic (sen)	Diluted (sen)
Quarter 1	65	Not Applicable
Quarter 2	39	Not Applicable
Quarter 2	70	Not Applicable
Year-to-date	174	Not Applicable

Note 22. Commitments for Capital Expenditure

Analysed as follows: Property, plant and equipment	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Contracted	25,900	91,690
Not contracted	-	287
Total	25,900	91,977

Note 23. Notes to the Condensed Combined Statement of Comprehensive Income

Included in the Total Comprehensive Income for the period are the following:

	3rd Quarter ended		Cumulative period ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Interest Income	4,970	5,928	15,277	17,496
Interest Expenses	-	-	-	-
Depreciation & Amortization	7,870	7,492	23,352	21,588
Provision For/Write Off of Receivables	-	-	-	-
Provision For/Write Off of Inventories	-	-	-	-
Gain/(Loss) on Disposal of Quoted and Unquoted Investment or Properties*	N/A	N/A	N/A	N/A
Impairment of Assets	N/A	N/A	N/A	N/A
Gain/(Loss) on Foreign Exchange	(3,226)	(1,263)	(5,153)	(2,296)
(Loss)/Gain on Derivatives	5,581	(3,242)	6,254	(9,781)

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah
Company Secretary
28 February 2018