

Panasonic

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

Condensed Combined Entity Statement of Comprehensive Income for the 2nd Quarter Ended 30 September 2018

	(Unaudited)		(Unaudited)	
	2nd Quarter ended		Cumulative period ended	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Revenue	308,807	277,529	614,375	605,375
Operating expenses	(274,297)	(255,861)	(552,598)	(540,296)
Other operating income	6,580	9,014	22,776	15,054
Other derivative gain / (loss)	977	(367)	(10,397)	673
Profit from operations	42,067	30,315	74,156	80,806
Share of results of associated company (net of tax)	1,383	1,245	2,253	1,014
Profit before taxation	43,450	31,560	76,409	81,820
Taxation	(9,323)	(7,917)	(17,143)	(18,601)
Profit after taxation for the period	34,127	23,643	59,266	63,219
<u>Earnings per share</u> <u>attributable to equity holders:</u>				
Basic and diluted (sen)	56	39	98	104

(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 2018)

**Condensed Combined Entity Statement of Comprehensive Income
for the 2nd Quarter Ended 30 September 2018**

	(Unaudited)		(Unaudited)	
	2nd Quarter ended		Cumulative period ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Profit after taxation for the period	34,127	23,643	59,266	63,219
Other comprehensive income, net of taxation	-	-	-	-
Total Comprehensive Income for the period	34,127	23,643	59,266	63,219
Profit after taxation attributable to equity holders of the Company	34,127	23,643	59,266	63,219
Total Comprehensive Income attributable to equity holders of the Company	34,127	23,643	59,266	63,219

(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 2018)

Condensed Combined Entity Statement of Financial Position

	(Unaudited)	(Audited)
	As at 30.09.2018 RM'000	As at Preceding Financial Year End 31.03.2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	100,881	97,185
Interest in associated company	122,645	131,859
Deferred tax assets	8,723	7,687
	232,249	236,731
Current assets		
Inventories	57,233	50,331
Trade and other receivables	114,148	125,630
Placement of funds with related company	574,607	650,323
Cash and bank balances	359	287
Derivative financial instruments	6	7,892
	746,353	834,463
Total assets	978,602	1,071,194
EQUITY		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	738,718	820,990
Total equity	799,464	881,736
LIABILITIES		
Non-current liability		
Provision for liabilities and charges	261	261
	261	261
Current liabilities		
Trade and other payables	166,162	181,919
Taxation	4,967	2,289
Provision for liabilities and charges	5,237	4,989
Derivative financial instruments	2,511	-
	178,877	189,197
Total liabilities	179,138	189,458
Total equity and liabilities	978,602	1,071,194
Net assets per share (RM)	13.16	14.52

(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 2018)

**Condensed Combined Entity Statement of Changes in Equity
For the 2nd Quarter Ended 30 September 2018**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<u>Quarter Ended 30 Sep 2017</u>			
At 1 April 2017	60,746	761,038	821,784
Total comprehensive income for the period	-	63,219	63,219
Dividends:			
- Final dividend for the financial year ended 31 March 2017	-	(61,961)	(61,961)
At 30 Sep 2017	60,746	762,296	823,042
<u>Quarter Ended 30 September 2018</u>			
At 1 April 2018	60,746	820,990	881,736
Total comprehensive income for the period	-	59,266	59,266
Dividends:			
- Final dividend for the financial year ended 31 March 2018	-	(80,792)	(80,792)
- Special dividend for the financial year ended 31 March 2018	-	(60,746)	(60,746)
At 30 September 2018	60,746	738,718	799,464

(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 2018)

**Condensed Combined Entity Cash Flow Statement
For the 2nd Quarter Ended 30 September 2018**

	(Unaudited)	
	Period ended 30.09.2018 RM'000	Period ended 30.09.2017 RM'000
Profit after taxation	59,266	63,219
Adjustments for:		
Non Cash Flow Items	33,048	25,260
Share of results of associated company	(2,253)	(1,014)
Operating profit before working capital changes	90,061	87,465
Changes in working capital		
Net increase in current assets	3,964	(6,552)
Net decrease in current liabilities	(16,086)	(7,892)
Cash generated from operations	77,939	73,021
Other operating activities	(17,869)	(17,379)
Net cash flow from operating activities	60,070	55,642
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(18,343)	(7,571)
Proceeds from disposal of property, plant and equipment	101	75
Interest received	12,599	10,373
Dividend received (net)	11,467	24,208
Net cash flow from investing activities	5,824	27,085
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid	(141,538)	(61,961)
Net cash flow from financing activity	(141,538)	(61,961)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(75,644)	20,766
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	650,610	602,431
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	574,966	623,197
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	574,607	622,614
Cash and bank balances	359	583
	<u>574,966</u>	<u>623,197</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 2018)

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(Incorporated in Malaysia)

Notes to the Interim Financial Statements for 2nd Quarter Ended 30 September 2018

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 2018.

The audited financial statements of the Company for the year ended 31 March 2018 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 2018.

MFRS 9 – Financial Instruments and MFRS 15 – Revenue from Contracts with Customers came into effect on 1st January 2018, however, based on the assessment, the Company does not expect the initial application of these two MFRSs to have a significant impact on its financial statements as at 1 April 2018.

Note 2. Disclosure of Audit Report Qualification

The audit report of the Company’s annual financial statements for the financial year ended 31 March 2018 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

The final single tier dividend of 133 sen and a special single tier dividend of 100 sen per ordinary share for the financial year ended 31 March 2018 was paid on 25 September 2018.

<u>Final and Special Dividends paid</u>		RM'000
Final single tier dividend (133 sen per ordinary share)		80,792
Special single tier dividend (100 sen per ordinary share)		60,746
Total		<u>141,538</u>

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	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Home Appliance products	294,850	298,503	31,377	40,559
Fan products and others	319,525	306,872	46,311	42,181
Total	614,375	605,375	77,688	82,740
Unallocated costs	-	-	(3,532)	(1,934)
Share of Results from Associated Companies	-	-	2,253	1,014
Total	614,375	605,375	76,409	81,820

Revenue information based on geographical location is as follows:

	Revenue for the period ended	
	30.09.2018 RM'000	30.09.2017 RM'000
Malaysia	284,663	243,874
Japan	22,200	24,399
Asia (excluding Malaysia and Japan)	159,957	178,165
North America	683	565
Europe	2,062	1,778
Middle East	134,032	142,616
Others	10,778	13,978
Total	614,375	605,375

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 30 September 2018 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 30 September 2018 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 2018.

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

Note 12. Review of Performance

(a) 2nd Quarter This Year vs 2nd Quarter Last Year

	2nd Quarter ended		change	Cumulative period ended		change
	30.09.2018 RM'000	30.09.2017 RM'000	%	30.09.2018 RM'000	30.09.2017 RM'000	%
Revenue	308,807	277,529	+11.3%	614,375	605,375	+1.5%
Profit before taxation	43,450	31,560	+37.7%	76,409	81,820	-6.6%

The Company's revenue of RM308.8 million for the current quarter ended 30 September 2018 was higher by 11.3% or RM31.3 million as compared with the revenue of RM277.5 million registered in the previous year's corresponding quarter.

The higher revenue was attributed to higher sales in the domestic market for both Fan (62%) and Home Appliances products (8%) as compared to the previous year's corresponding quarter. The increase in sales was due to the Goods & Services Tax ("GST") zero rated period which was extended until 31st August 2018 as both dealers and consumers were motivated to purchase products during this period.

However, the export sales was lower for both Fan and Home Appliances products as compared to the previous year's corresponding quarter due to slower demand in the Middle East and Vietnam market.

The Company's combined profit before tax of RM43.5million for the current quarter ended 30 September 2018 was higher by 37.7% or RM11.9 million as compared to the previous year's corresponding quarter combined profit before tax of RM31.6 million. The increase in profit was mainly contributed by the higher revenue as compared to the previous year's corresponding quarter.

Analyzing the results by segments, Home Appliance's segment profit before tax of RM17.8 million for the current quarter ended 30 September 2018, was lower by 14.3% or RM2.9 million as compared to the previous year's corresponding quarter profit before tax of RM20.7 million despite the higher revenue achieved. The contraction in profitability was mainly contributed by the rising cost of raw material and unfavorable product sales mix.

The Fan products and others achieved higher profit before tax of RM21.5 million for the current quarter ended 30 September 2018, an increase of 73% or RM9.1 million as compared to the profit before tax in the previous year's corresponding quarter of RM12.4 million. The higher profitability in the current quarter was mainly attributed to higher revenue achieved.

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

The Company's revenue of RM614.4million for the half year ended 30 September 2018, was an increase of RM9.0 million or 1.5% as compared to the previous year's corresponding period of RM605.4 million. This was mainly due to higher sales in the Domestic market during the GST zero rated period for both Fan and Home Appliance products.

Although there was higher revenue, the Company achieved a lower combined profit before tax of RM76.4 million for the half year ended 30 September 2018, representing a decrease of RM5.4 million or 6.6% as compared to the previous year's corresponding period of RM81.8 million. The lower profitability was mainly attributable to a derivative loss amounting of RM10.4 million incurred for the current year to date compared to a derivative gain of RM0.7 million in the corresponding period of the preceding year.

The Home Appliances products segment's profit before tax of RM31.3 million for the half year ended 30 September 2018 was lower by 22.6% or RM9.2 million as compared to the previous year's corresponding period profit before tax of RM40.5 million. The decline in profit was mainly due to lower export sales volume.

Conversely , the Fan products and others recorded higher profit before tax of RM46.3 million for the half year ended 30 September 2018, an increase of 9.8% or RM4.1 million as compared to the profit before tax in the previous year's corresponding period of RM42.2 million. The higher profit was mainly due to higher domestic sales achieved after the abolishment of GST.

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

	Current Quarter	Preceding Quarter	Change
	30.09.2018 RM'000	30.06.2018 RM'000	%
Revenue	308,807	305,568	+1.1%
Profit before taxation	43,450	32,959	+31.8%

The Company's revenue of RM308.8 million in the current quarter was marginally higher by 1.1% or RM31.3 million over the revenue of RM305.6 million recorded in the preceding quarter. The abolishment of GST in May 2018 bolstered domestic sales in the current quarter.

Despite the marginal increase in revenue, the Company's combined profit before tax of RM43.4 million for the current quarter increased substantially by 31.8% or RM10.5 million as compared to the combined profit before tax of RM32.9 million in the preceding quarter. This is mainly due to the absence of a derivative loss of RM11.3 million that impacted the profit before tax in the preceding quarter.

Note 14. Prospects and Outlook

The domestic market registered a sustained growth of 4.4% in the third quarter of 2018 supported by expansion in domestic demand amid a decline in net exports growth. The Company's outlook remains cautious due to general slowdown especially in the exports to the Middle East market, which has been affected by the increasing trade sanctions imposed by the US on certain Middle East countries. The demand in the domestic market is expected to slow down after the end of the tax holiday period.

However, the Company is committed to aggressively pursue its business strategy of prudent cost management for the future in order to achieve satisfactory results for the financial year ending 31 March 2019.

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 30.09.2018 RM'000	Preceding Year's Quarter Ended 30.09.2017 RM'000	Cumulative period ended 30.09.2018 RM'000	Cumulative Period ended 30.09.2017 RM'000
Taxation charge:				
- current financial year	(11,357)	(8,632)	(18,178)	(19,758)
- prior financial year	-	-	-	255
Deferred Tax:				
- current financial year	2,034	715	1,035	902
	(9,323)	(7,917)	(17,143)	(18,601)
Effective income tax rate	21.5%	25.1%	22.4%	22.7%

The Company's effective income tax rate for the cumulative year was lower than the statutory tax rate of 24% mainly due to certain tax incentives enjoyed for the promotion of exports and double deduction from the research and development expenditures.

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 30 September 2018, 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
Less than 1 year - Sell USD	49,674	0	(2,367)
Less than 1 year - Buy JPY	5,835	0	(20)
Less than 1 year - Buy SGD	378	6	0
Less than 1 year - Sell Euro	1,185	0	(124)
		6	(2,511)

Note 19. Material Litigation

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

Note 20. Dividends

The Board has declared an interim single tier dividend of 15 sen per ordinary share for the financial year ending 31 March 2019.

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 30 September 2018 of 60,745,780 shares.

(a) Basic earnings per share

	Period ended 30.09.2018	Period ended 30.09.2017
Profit after taxation for the period (RM'000)	59,266	63,219
Weighted average number of ordinary shares in issue ('000)	60,746	60,746
Basic earnings per share (sen)	98	104

(b) Summary of earnings per share

	Basic (sen)	Diluted (sen)
Quarter 1	41	Not Applicable
Quarter 2	57	Not Applicable
Year-to-date	98	Not Applicable

Note 22. Commitments for Capital Expenditure

Analysed as follows: Property, plant and equipment	As at 30.09.2018 RM'000	As at 30.09.2017 RM'000
Contracted	72,425	252
Not contracted	373	208
Total	72,798	460

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

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

	2nd Quarter ended		Cumulative period ended	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Interest Income	6,439	5,345	12,598	10,307
Interest Expenses	-	-	-	-
Depreciation & Amortization	7,156	7,755	14,609	15,482
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	(1,443)	4,023	7,077	2,389
(Loss)/Gain on Derivatives	977	(367)	(10,397)	673

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah

Company Secretary

26 November 2018