

Panasonic

Panasonic Manufacturing Malaysia Berhad (6100-K)

(Incorporated in Malaysia)

Condensed Combined Entity Statement of Comprehensive Income for the 3rd Quarter Ended 31 December 2018

	(Unaudited)		(Unaudited)	
	3rd Quarter ended		Cumulative period ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Revenue	287,874	317,050	902,249	922,425
Operating expenses	(265,674)	(277,407)	(818,272)	(817,703)
Other operating income	7,191	3,633	29,967	18,687
Other derivative gain / (loss)	2,731	5,581	(7,666)	6,254
Profit from operations	32,122	48,857	106,278	129,663
Share of results of associated company (net of tax)	(1,910)	2,004	343	3,018
Profit before taxation	30,212	50,861	106,621	132,681
Taxation	(6,182)	(8,212)	(23,325)	(26,813)
Profit after taxation for the period	24,030	42,649	83,296	105,868
<hr/>				
<u>Earnings per share</u> <u>attributable to equity holders:</u>				
Basic and diluted (sen)	40	70	137	174

(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 3rd Quarter Ended 31 December 2018**

	(Unaudited)		(Unaudited)	
	3rd Quarter ended		Cumulative period ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Profit after taxation for the period	24,030	42,649	83,296	105,868
Other comprehensive income, net of taxation	-	-	-	-
Total Comprehensive Income for the period	24,030	42,649	83,296	105,868
Profit after taxation attributable to equity holders of the Company	24,030	42,649	83,296	105,868
Total Comprehensive Income attributable to equity holders of the Company	24,030	42,649	83,296	105,868

(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 31.12.2018 RM'000	As at Preceding Financial Year End 31.03.2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	106,236	97,185
Interest in associated company	120,735	131,859
Deferred tax assets	8,723	7,687
	235,694	236,731
Current assets		
Inventories	47,223	50,331
Trade and other receivables	118,876	125,630
Placement of funds with related company	581,989	650,323
Cash and bank balances	302	287
Derivative financial instruments	226	7,892
	748,616	834,463
Total assets	984,310	1,071,194
EQUITY		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	762,748	820,990
Total equity	823,494	881,736
LIABILITIES		
Non-current liability		
Provision for liabilities and charges	261	261
	261	261
Current liabilities		
Trade and other payables	151,544	181,919
Taxation	3,650	2,289
Provision for liabilities and charges	5,361	4,989
Derivative financial instruments	-	-
	160,555	189,197
Total liabilities	160,816	189,458
Total equity and liabilities	984,310	1,071,194
Net assets per share (RM)	13.56	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 3rd Quarter Ended 31 December 2018**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<u>Quarter 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
<u>Quarter Ended 31 December 2018</u>			
At 1 April 2018	60,746	820,990	881,736
Total comprehensive income for the period	-	83,296	83,296
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 31 December 2018	60,746	762,748	823,494

(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 3rd Quarter Ended 31 December 2018**

	(Unaudited)	
	Period ended 31.12.2018 RM'000	Period ended 31.12.2017 RM'000
Profit after taxation	83,296	105,868
Adjustments for:		
Non Cash Flow Items	37,988	30,759
Share of results of associated company	(343)	(3,018)
Operating profit before working capital changes	120,941	133,609
Changes in working capital		
Net increase in current assets	9,591	(25,670)
Net decrease in current liabilities	(30,576)	(26,894)
Cash generated from operations	99,956	81,045
Other operating activities	(25,823)	(26,910)
Net cash flow from operating activities	74,133	54,135
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(30,681)	(14,784)
Proceeds from disposal of property, plant and equipment	102	255
Interest received	18,198	15,201
Dividend received (net)	11,467	24,208
Net cash flow from investing activities	(914)	24,880
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	(68,319)	17,054
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	650,610	602,431
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	582,291	619,485
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	581,989	619,266
Cash and bank balances	302	219
	<u>582,291</u>	<u>619,485</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)

Panasonic

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

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

An interim dividend of 15 sen per share was declared to depositors registered on the record of depositors as at 28 December 2018 and paid on 18 January 2019.

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	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Home Appliance products	465,307	488,899	50,599	72,989
Fan products and others	436,942	433,526	56,605	56,096
Total	902,249	922,425	107,204	129,085
Unallocated costs	-	-	(926)	578
Share of Results from Associated Companies	-	-	343	3,018
Total	902,249	922,425	106,621	132,681

Revenue information based on geographical location is as follows:

	Revenue for the period ended	
	31.12.2018 RM'000	31.12.2017 RM'000
Malaysia	397,960	371,213
Japan	34,190	35,261
Asia (excluding Malaysia and Japan)	271,711	288,386
North America	1,285	1,532
Europe	2,649	1,778
Middle East	178,355	203,349
Others	16,099	20,906
Total	902,249	922,425

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 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 31 December 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

	3rd Quarter ended		change	Cumulative period ended		change
	31.12.2018 RM'000	31.12.2017 RM'000	%	31.12.2018 RM'000	31.12.2017 RM'000	%
Revenue	287,874	317,050	(9.2%)	902,249	922,425	(2.2%)
Profit before taxation	30,212	50,861	(40.6%)	106,621	132,681	(19.6%)

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

The Company's revenue of RM287.9 million for the current quarter ended 31 December 2018 was lower by 9.2% or RM29.2 million as compared with the revenue of RM317.1 million registered in the previous year's corresponding quarter.

The lower revenue was attributed to lower sales in both export and domestic market as compared to the previous year's corresponding quarter. The export sales were lower for Home Appliance products as compared to the previous year's corresponding quarter due to slower demand in the Middle East market.

The domestic sales were lower for both Fan and Home Appliance products due to increased purchases from dealers and customers during the four months Goods & Services Tax (GST) zero rated period which ended on 31 August 2018. The demand in the domestic market slowed down after the end of the tax holiday period.

The Company's combined profit before tax of RM30.2 million for the current quarter ended 31 December 2018 was lower by 40.6% or RM20.6 million as compared to the previous year's corresponding quarter combined profit before tax of RM50.9 million. The decrease in profit was mainly contributed by the lower revenue, higher material cost and unfavorable model mix as compared to the previous year's corresponding quarter. In addition, the associated company incurred operational losses for the current quarter due to the reduction in the domestic sales after the implementation of Sales and Service Tax (SST).

Analyzing the results by segments, the Home Appliance segment's profit before tax of RM19.2 million for the current quarter ended 31 December 2018, was lower by 40.7% or RM13.2 million as compared to the previous year's corresponding quarter profit before tax of RM32.4 million. The contraction in profitability was mainly contributed by lower sales due to slower market demand coupled with the rising cost of raw material and unfavorable product sales mix.

The Fan products and others segment achieved lower profit before tax of RM10.3 million for the current quarter ended 31 December 2018, a decrease of 26% or RM3.6 million as compared to the profit before tax in the previous year's corresponding quarter of RM13.9 million. The lower profitability in the current quarter was mainly attributed to lower revenue achieved.

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

The Company's revenue of RM902.2 million for the nine months ended 31 December 2018, was a decrease of RM20.2 million or 2.2% as compared to the previous year's corresponding period of RM922.4 million. This was mainly due to lower sales in the Export market for both Fan and Home Appliance products.

The Company achieved a lower combined profit before tax of RM106.6 million for the nine months ended 31 December 2018, representing a decrease of RM26.1 million or 19.6% as compared to the previous year's corresponding period of RM132.7 million. The lower profitability was mainly attributable to :-

- (a) the lower revenue achieved as compared to the previous year's corresponding period;
- (b) derivative loss amounting to RM 7.7 million (arising from the recent strengthening of the Ringgit against the US Dollars) was incurred for the current year-to-date compared to derivative gain of RM 6.3 million in the corresponding period of the preceding year; and
- (c) a lower share of associate profit of RM0.3 million for current year-to-date compared to share of profit of RM 3.0 million in the corresponding period of the preceding year.

The Home Appliance products segment's profit before tax of RM50.6 million for the nine months ended 31 December 2018 was lower by 30.7% or RM22.4 million as compared to the profit before tax in the previous year's corresponding period of RM73.0 million. The decline in profit was mainly attributable to the lower sales volume, higher cost of materials and unfavorable product mix.

Conversely, the Fan products and others segment recorded higher profit before tax of RM56.6 million for the nine months ended 31 December 2018, an increase of 0.9% or RM0.5 million as compared to the profit before tax in the previous year's corresponding period of RM56.1 million.

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

	Current Quarter	Preceding Quarter	Change
	31.12.2018 RM'000	30.09.2018 RM'000	%
Revenue	287,874	308,807	(6.8%)
Profit before taxation	30,212	43,450	(30.5%)

The Company's revenue of RM287.8 million in the current quarter was lower by 6.8% or RM21.0 million over the revenue of RM308.8million recorded in the preceding quarter. This is mainly due to slower demand for domestic sales.

The Company's combined profit before tax of RM30.2 million for the current quarter decreased substantially by 30.5% or RM13.3 million as compared to the combined profit before tax of RM43.5 million in the preceding quarter due to the lower sales volume achieved.

Note 14. Prospects and Outlook

The Company's outlook remains cautious due to the general slowdown in both the domestic and export markets. The exports to the Middle East market has been affected by the increasing trade sanctions imposed by the United States of America on certain Middle East countries and also the lack of liquidity in the market.

The Company's operations remain affected by lower sales, rising cost of materials 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 31.12.2018 RM'000	Preceding Year's Quarter Ended 31.12.2017 RM'000	Cumulative period ended 31.12.2018 RM'000	Cumulative Period ended 31.12.2017 RM'000
Taxation charge:				
- current financial year	(6,182)	(8,217)	(24,360)	(27,975)
- prior financial year	-	-	-	255
Deferred Tax:				
- current financial year	-	5	1,035	907
	(6,182)	(8,212)	(23,325)	(26,813)
Effective income tax rate	20.5%	16.1%	21.9%	20.2%

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 31 December 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	24,950	37	0
Less than 1 year - Buy JPY	9,565	178	0
Less than 1 year - Buy SGD	378	3	0
Less than 1 year - Sell Euro	1,819	8	0
		226	0

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 2019 of 60,745,780 shares.

(a) Basic earnings per share

	Period ended 31.12.2018	Period ended 31.12.2017
Profit after taxation for the period (RM'000)	83,296	105,868
Weighted average number of ordinary shares in issue ('000)	60,746	60,746
Basic earnings per share (sen)	137	174

(b) Summary of earnings per share

	Basic (sen)	Diluted (sen)
Quarter 1	41	Not Applicable
Quarter 2	57	Not Applicable
Quarter 3	39	Not Applicable
Year-to-date	137	Not Applicable

Note 22. Commitments for Capital Expenditure

Analysed as follows: Property, plant and equipment	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
Contracted	73,318	25,900
Not contracted	476	-
Total	73,794	25,900

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	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Interest Income	5,600	4,970	18,198	15,277
Interest Expenses	-	-	-	-
Depreciation & Amortization	6,984	7,870	21,593	23,352
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	(2,760)	(3,226)	4,317	(5,153)
(Loss)/Gain on Derivatives	2,731	5,581	(7,666)	6,254

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah
Company Secretary
27 February 2019