

PROTON HOLDINGS BERHAD

UNAUDITED FINANCIAL RESULTS

FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2004

The Board of Directors are pleased to announce the financial results of the Group for the second quarter ended 30 September 2004.

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PROTON HOLDINGS BERHAD

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2004

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	<u>Current quarter</u>	<u>Preceding year corresponding quarter</u>	<u>Current year to date</u>	<u>Unaudited Preceding year corresponding period</u>
	<u>30.09.2004</u>	<u>30.09.2003</u>	<u>30.09.2004</u>	<u>30.09.2003</u>
	RM'000	RM'000	RM'000	RM'000
Revenue	2,296,424	1,695,000	4,255,803	3,638,888
Operating expenses	(2,083,731)	(1,561,665)	(3,859,278)	(3,376,078)
Other operating income	33,705	91,016	57,596	150,448
Profit from operations	246,398	224,351	454,121	413,258
Finance cost	(8,516)	(10,397)	(16,753)	(20,600)
Share of results of associated and jointly controlled entities	8,890	14,723	15,168	23,328
Profit before taxation	246,772	228,677	452,536	415,986
Taxation	(43,357)	(21,496)	(76,651)	(46,746)
Profit after taxation	203,415	207,181	375,885	369,240
Minority interest	(4,498)	(3,805)	(10,501)	(7,748)
Net profit attributable to shareholders	<u>198,917</u>	<u>203,376</u>	<u>365,384</u>	<u>361,492</u>
Earnings per share				
- basic	36.2 sen	37.0 sen	66.5 sen	65.8 sen
- diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31st March 2004.

PROTON HOLDINGS BERHAD

CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited as at <u>30.09.2004</u> RM'000	Audited as at <u>31.03.2004</u> RM'000
CURRENT ASSETS		
Inventories	728,754	821,925
Trade and other receivables	1,140,075	944,554
Short term investments	197,474	181,980
Deposits, bank and cash balances	3,692,725	2,989,220
	<u>5,759,028</u>	<u>4,937,679</u>
CURRENT LIABILITIES		
Trade and other payables	1,448,360	1,521,996
Provisions	224,789	240,230
Taxation	147,791	143,383
Short term borrowings	1,003,516	173,134
Dividends	82,382	0
	<u>2,906,838</u>	<u>2,078,743</u>
NET CURRENT ASSETS	2,852,190	2,858,936
NON CURRENT ASSETS		
Property, plant and equipment	3,103,684	2,940,315
Associated & jointly controlled companies	287,455	198,225
Other long term investments	6,276	6,276
Deferred tax assets	35,667	47,252
	<u>3,433,082</u>	<u>3,192,068</u>
NON CURRENT LIABILITIES		
Long term liabilities	389,074	447,430
Deferred taxation	1,074	1,023
	<u>390,148</u>	<u>448,453</u>
	<u>5,895,124</u>	<u>5,602,551</u>
FINANCED BY:		
Share capital	549,213	549,213
Reserves	5,266,203	4,988,774
	<u>5,815,416</u>	<u>5,537,987</u>
Shareholders' funds	5,815,416	5,537,987
Minority interests	79,708	64,564
	<u>5,895,124</u>	<u>5,602,551</u>
Net Tangible Assets per share (RM)	<u>10.59</u>	<u>10.08</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st March 2004.

PROTON HOLDINGS BERHAD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2004

	<u>Issued and fully paid ordinary shares</u>		<u>Non- distributable Goodwill & foreign exchange translation</u>	<u>Distributable</u>	
	<u>Nominal value of RM1 each RM'000</u>	<u>Share premium RM'000</u>	<u>RM'000</u>	<u>Retained earnings RM'000</u>	<u>Total RM'000</u>
At 1 April 2003	549,213	475,617	(413,389)	4,525,680	5,137,121
Currency translations			(4,787)		(4,787)
Net profit attributable to shareholders				361,492	361,492
Dividend for the financial financial year				(65,906)	(65,906)
At 30 September 2003	<u>549,213</u>	<u>475,617</u>	<u>(418,176)</u>	<u>4,821,266</u>	<u>5,427,920</u>
At 1 April 2004	549,213	475,617	(429,228)	4,942,385	5,537,987
Currency translations			(5,573)		(5,573)
Net profit attributable to shareholders				365,384	365,384
Dividend for the financial financial year				(82,382)	(82,382)
At 30 September 2004	<u>549,213</u>	<u>475,617</u>	<u>(434,801)</u>	<u>5,225,387</u>	<u>5,815,416</u>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st March 2004.

PROTON HOLDINGS BERHAD

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2004

	Note	Current year to date <u>30.09.2004</u>	Preceding year to date <u>30.09.2003</u>
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		452,536	415,986
Adjustments for:			
Depreciation		158,587	154,152
Interest expense		16,753	20,599
Interest Income		(42,268)	(55,576)
Share of profits of associated and joint venture companies		(15,168)	(23,327)
Realised gain on investments		(1,153)	(835)
Allowance for/(Write back) of diminution in short term investments		5,683	(17,791)
Allowance for diminution in investments in associates		11,001	0
Other non-cash & non operating items		53,087	(37,806)
Operating profit before changes in working capital		<u>639,058</u>	<u>455,402</u>
Changes in working capital:			
Net change in current assets		(141,147)	(177,719)
Net change in current liabilities		(150,231)	(83,580)
Cash generated from operations		<u>347,680</u>	<u>194,103</u>
Taxation paid		(36,148)	(142,672)
Net interest received		<u>32,832</u>	<u>30,769</u>
Net cash flow from operating activities		<u>344,364</u>	<u>82,200</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (outflow)/inflow from equity investments		(95,559)	2,747
Net outflow from other capital investments		(321,425)	(409,319)
Net cash flow used in investing activities		<u>(416,984)</u>	<u>(406,572)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net inflow from bank borrowings		759,431	345,598
Net outflow from term loans		(52,342)	(78,112)
Net cash flow generated from financing activities		<u>707,089</u>	<u>267,486</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		634,469	(56,886)
EXCHANGE RATE EFFECTS		180	3,364
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR		<u>2,559,776</u>	<u>3,719,613</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	26	<u><u>3,194,425</u></u>	<u><u>3,666,091</u></u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st March 2004

PROTON HOLDINGS BERHAD

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2004

1 ACCOUNTING POLICIES

The Quarterly Consolidated Financial Statements have been prepared in accordance with MASB 26 Interim Financial Reporting and the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's financial statements for the year ended 31 March 2004. The accounting policies, method of computation and basis of consolidation adopted for the interim financial reports are consistent with those adopted for the annual financial statements for the year ended 31 March 2004 except for the new relevant approved accounting standards issued by MASB which become operative for the financial year ended 31 March 2005. (MASB 31 to MASB 32). There were no effect on the adoption of the new standards to the financial statements.

2 STATUS OF AUDIT QUALIFICATION

The preceding audited annual financial statements were not subject to any qualification.

3 SEASONAL OR CYCLICAL FACTORS

The businesses of the Group were not materially affected by any seasonal or cyclical fluctuation during the quarter ended 30 September 2004.

4 INDIVIDUALLY SIGNIFICANT ITEMS

The individually significant items for the quarter ended 30 September 2004 are as follows:

	<u>Current quarter</u> RM Million	<u>Current year to date</u> RM Million
Additional investment in jointly controlled entity	-	100.0
R&D expenditure	122.1	239.8
Depreciation	75.9	154.2

5 CHANGES IN ESTIMATES

There were no changes in estimates that have a material effect in the current quarter.

6 CHANGES IN EQUITY AND LONG TERM DEBTS

	<u>Current quarter</u> RM'000	<u>Current year to date</u> RM'000
Repayment of long term loan as follows:		
Unsecured	(42,564)	(52,342)

There are no new issues of equity or long term borrowings in the current quarter.

7 DIVIDENDS

a) Dividend paid

Final Dividend

No final dividend was paid between 1 April 2004 and 30 September 2004.

Interim Dividend

No interim dividend was paid between 1 April 2004 and 30 September 2004.

b) Dividend proposed or declared

An interim tax exempt dividend of 15.0 sen (2004: 5.0 sen was paid on 16 January 2004 by Perusahaan Otomobil Nasional Bhd) per share in respect of the current financial year ending 31 March 2005 was declared in the previous quarterly release. The dividend was paid on 28 October 2004 to shareholders on the Register of Members and Record of Depositors at the close of business on 8 October 2004.

c) Total dividend

The total dividend declared and proposed in respect of financial year ending 31 March 2005 is 15.0 sen per share.

8 SEGMENTAL INFORMATION

Analysis of the Group's revenue and results by geographical locations are as follows:

	<u>Current year to date</u>			
	<u>Malaysia</u>	<u>Other</u>	<u>Eliminations</u>	<u>Consolidated</u>
	RM Million	countries RM Million	RM Million	RM Million
<u>Revenue</u>				
External Sales	3,761.2	494.6	-	4,255.8
Inter-segment sales	37.3	160.2	(197.5)	-
Total Revenue	<u>3,798.5</u>	<u>654.8</u>	<u>(197.5)</u>	<u>4,255.8</u>
<u>Result</u>				
Segment operating profit	408.7	(12.8)	29.6	425.5
Unallocated expense				(15.5)
Unallocated income				1.9
Interest expense				(16.8)
Interest income				42.3
Share of net profits of associated companies & jointly controlled entities	5.3	6.7		12.0
Income taxes of Company & subsidiary companies				(73.5)
Net profit after tax				<u>375.9</u>

9 PROPERTY, PLANT & EQUIPMENT

There is no change on the revaluation of property, plant and equipment since the previous annual financial statements.

10 CHANGES IN THE COMPOSITION OF THE GROUP

- a) The Corporate Reorganisation exercise announced on 27 May 2003 was completed on 26 August 2004. (Note 25)
- b) On 5th July 2004, Perusahaan Otomobil Nasional Sdn Bhd, a wholly owned subsidiary of PROTON Holdings Berhad subscribed for 51% of the issued and paid up capital of a new subsidiary, PT PROTON Tracoma Motors, a company incorporated in Indonesia for USD1.274 million.

11 SUBSEQUENT EVENTS

On November 10, 2004 Group Lotus PLC, a wholly owned subsidiary of Lotus Group International Limited, which in turn is a wholly owned subsidiary of Lotus Advance Technologies Sdn Bhd, which is a wholly owned subsidiary of PROTON Holdings Berhad announced that it is preparing a business restructuring which may involve a redundancy program to reduce up to 350 staff. The cost of the redundancy is not expected to have a material impact on the financial position of the PROTON Holdings Group.

12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There is no material change in contingent liabilities and assets since the last annual financial statements to the date of issue of this quarterly report.

13 PERFORMANCE REVIEW

At the Group level, the cumulative operating profit before tax was RM 452.5 million on Group revenue of RM4.3 billion for the current financial period compared to RM 416.0 million profit before tax and RM 3.6 billion revenue in the corresponding period last year. The higher profit was mainly due to higher sales by 17%

The results of Perusahaan Otomobil Nasional Sdn Bhd, a principal subsidiary declined slightly due to a higher Yen exchange rates and lower interest income despite improvement in sales volume of 97,675 units this financial period as compared to 91,300 units in the corresponding period last year.

The contribution from Proton Edar Sdn. Bhd., another principal subsidiary of the group was significantly higher in the current period due to improved sales.

14 QUARTERLY RESULTS COMPARISON

The Group recorded a profit before tax of RM 246.8 million in the current quarter as compared to RM 205.8 million in the previous quarter. The higher profits was mainly due to higher sales of RM 2.3 billion this quarter as compared to RM 2.0 billion last quarter.

15 PROSPECTS FOR THE REST OF THE FINANCIAL YEAR

The rising cost of raw materials and components and the entry of new competitors in the domestic market are expected to exert pressure on sales and profitability. The Group will continue to launch new models and pursue cost reduction and productivity improvement initiatives to meet the changes in demand for its products.

Due to changing dynamics in the global automotive industry, we continue to develop appropriate business models, including the Group engineering consultancy services.

16 VARIANCE OF ACTUAL AND FORECAST PROFIT

The Company did not issue any profit forecast or profit guarantee during the year.

17 TAXATION

	<u>Current quarter</u>	<u>Current year to date</u>
	RM'000	RM'000
Current taxation		
Arising in Malaysia	29,988	61,582
Arising outside Malaysia	(263)	274
	<hr/>	<hr/>
	29,725	61,856
Deferred tax	11,498	11,636
Share of taxation in associated & jointly controlled companies	2,134	3,159
	<hr/>	<hr/>
	<u>43,357</u>	<u>76,651</u>
Effective tax rate	18%	17%

Lower effective tax rate for the current quarter is mainly due to claims for double deduction on research and development expenditure and promotion of exports.

18 SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

Total profit from disposals of unquoted securities for the current quarter and year to date are as follows:

	<u>Current quarter</u>	<u>Current year to date</u>
	RM'000	RM'000
Short term investments	60	65

19 QUOTED SECURITIES

a) Total purchases and disposals of quoted securities for the current quarter and year to date are as follows:

	<u>Current quarter</u>	<u>Current year to date</u>
	RM'000	RM'000
Total purchases	62,203	72,065
Total disposals	43,873	51,675
Total (loss)/gain on disposal	(238)	1,087

b) As at 30 September 2004, the Group's quoted securities are as follows:

	RM'000
At cost	117,507
At carrying value	111,823
At market value	111,823

20 GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 30 September 2004 are as follows:

	Total RM'000	Amount denominated in foreign currencies included in the borrowings	
		SGD'000	£'000
Long Term Liabilities:			
Unsecured:			
Long term loans	169,926		
Portion repayable within twelve months	(54,436)		
	<u>115,490</u>		
Secured:			
Long term loans	273,581		40,000
Portion repayable within twelve months	-		-
	<u>273,581</u>		<u>40,000</u>
Secured:			
Leasing & Hire purchase creditors	13	6	
Portion repayable within twelve months	(10)	(5)	
	<u>3</u>	<u>1</u>	
	<u>389,074</u>	<u>1</u>	<u>40,000</u>
Short Term Liabilities:			
Unsecured:			
Current portion of long term loans	54,436		
Short term loans	759,659		
Bank overdrafts	189,421		27,695
	<u>1,003,516</u>		<u>27,695</u>
	<u>1,392,590</u>	<u>1</u>	<u>67,695</u>

21 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 22 November 2004, being the latest practicable date, the outstanding notional principal amount of the Group off balance sheet financial instruments as follows:

	Maturity Less than <u>6 months</u> RM'000
Foreign exchange contracts	351,679

The Group enters into forward foreign exchange contracts as a hedge against anticipated foreign currency accounts payable and receivable. The contract exchange rates were used on the settlement of the payables and receivables. The net position to the Group as at 22 November 2004 is favourable by approximately RM7,296,000.

The contracts are executed with creditworthy financial institutions. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their respective financial strength.

22 CHANGES IN MATERIAL LITIGATION

There was no new material litigation in the quarter under review.

23 EARNINGS PER SHARE

	<u>Current quarter</u>	<u>Current year to date</u>
<u>Basic EPS</u>		
Net profit attributable to shareholders (RM'000)	198,917	365,384
Weighted average no of shares ('000)	549,213	549,213
Basic EPS (sen)	36.2	66.5

Fully diluted EPS

No fully diluted EPS is applicable at 30 September 2004.

24 CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment not provided for in the financial statements as at 30 September 2004 is as follows:

	RM Million
Authorised by Directors and contracted	843.6
Authorised by Directors and not contracted	4,683.9
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	5,527.5
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25 STATUS OF CORPORATE PROPOSAL

The Corporate Reorganisation exercise announced on 27 May 2003 was completed on 26 August 2004.

26 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of quarter comprises of:

	RM Million
Deposits, bank and cash balances	3,692.7
Bank overdrafts	(189.4)
Fixed deposit pledges as securities	(308.9)
	<hr/>
	3,194.4
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BY ORDER OF THE BOARD

YEAP KOK LEONG
COMPANY SECRETARY

29 November 2004
Shah Alam