

PROTON HOLDINGS BERHAD

UNAUDITED FINANCIAL RESULTS

FOR THE THIRD QUARTER ENDED 31 DECEMBER 2004



The Board of Directors are pleased to announce the financial results of the Group for the third quarter ended 31 December 2004.

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PROTON HOLDINGS BERHAD

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE QUARTER ENDED 31 DECEMBER 2004

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	<u>Current quarter</u> 31.12.2004 RM'000	<u>Preceding year corresponding quarter</u> 31.12.2003 RM'000	<u>Current year to date</u> 31.12.2004 RM'000	<u>Unaudited Preceding year corresponding period</u> 31.12.2003 RM'000
Revenue	2,125,708	1,367,746	6,381,511	5,006,634
Operating expenses	(2,015,114)	(1,466,746)	(5,874,392)	(4,842,824)
Other operating income	64,622	46,703	122,218	197,151
Profit from operations	175,216	(52,297)	629,337	360,961
Finance cost	(18,770)	(7,575)	(35,523)	(28,176)
Share of results of associated and jointly controlled entities	3,629	8,387	18,797	31,715
Profit before taxation	160,075	(51,485)	612,611	364,500
Taxation	(38,221)	9,514	(114,872)	(37,232)
Profit after taxation	121,854	(41,971)	497,739	327,268
Minority interest	946	(998)	(9,555)	(8,746)
Net profit attributable to shareholders	<u>122,800</u>	<u>(42,969)</u>	<u>488,184</u>	<u>318,522</u>
Earnings per share				
- basic	22.4 sen	(7.8) sen	88.9 sen	58.0 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 31<sup>st</sup> March 2004.

PROTON HOLDINGS BERHAD

CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited as at <u>31.12.2004</u> RM'000	Audited as at <u>31.03.2004</u> RM'000
<b>CURRENT ASSETS</b>		
Inventories	1,151,532	821,925
Trade and other receivables	1,457,793	944,554
Short term investments	210,256	181,980
Deposits, bank and cash balances	3,195,780	2,989,220
	<u>6,015,361</u>	<u>4,937,679</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	2,003,355	1,521,996
Provisions	257,873	240,230
Taxation	211,286	143,383
Short term borrowings	796,049	173,134
	<u>3,268,563</u>	<u>2,078,743</u>
<b>NET CURRENT ASSETS</b>	<b>2,746,798</b>	<b>2,858,936</b>
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment	3,464,266	2,940,315
Associated & jointly controlled companies	279,342	198,225
Other long term investments	6,276	6,276
Deferred tax assets	22,236	47,252
Intangible Assets	289,263	0
	<u>4,061,383</u>	<u>3,192,068</u>
<b>NON CURRENT LIABILITIES</b>		
Long term liabilities	1,145,402	447,430
Deferred taxation	1,074	1,023
	<u>1,146,476</u>	<u>448,453</u>
	<u>5,661,705</u>	<u>5,602,551</u>
<b>FINANCED BY:</b>		
Share capital	549,213	549,213
Reserves	5,037,727	4,988,774
Shareholders' funds	5,586,940	5,537,987
Minority interests	74,765	64,564
	<u>5,661,705</u>	<u>5,602,551</u>
<b>Net Tangible Assets per share (RM)</b>	<u>9.65</u>	<u>10.08</u>

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

PROTON HOLDINGS BERHAD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 31 DECEMBER 2004

	<u>Issued and fully paid ordinary shares</u>		<u>Non- distributable Goodwill &amp; 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			(10,036)		(10,036)
Net profit attributable to shareholders				318,522	318,522
Dividend for the financial financial year				(93,366)	(93,366)
At 31 December 2003	<u>549,213</u>	<u>475,617</u>	<u>(423,425)</u>	<u>4,750,836</u>	<u>5,352,241</u>
At 1 April 2004	549,213	475,617	(429,228)	4,942,385	5,537,987
Currency translations			(18,724)		(18,724)
Goodwill written off to reserves (Note 10)			(338,125)		(338,125)
Net profit attributable to shareholders				488,184	488,184
Dividend for the financial financial year				(82,382)	(82,382)
At 31 December 2004	<u>549,213</u>	<u>475,617</u>	<u>(786,077)</u>	<u>5,348,187</u>	<u>5,586,940</u>

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

PROTON HOLDINGS BERHAD

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS  
FOR THE QUARTER ENDED 31 DECEMBER 2004

	Note	Current year to date <u>31.12.2004</u>	Preceding year to date <u>31.12.2003</u>
		RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		612,611	364,500
Adjustments for:			
Depreciation		226,609	230,598
Interest expense		35,523	28,176
Interest Income		(66,416)	(88,396)
Share of profits of associated and joint venture companies		(18,797)	(31,715)
Realised gain on investments		(2,823)	(8,326)
Write back of diminution in short term investments		0	(17,791)
Allowance for diminution in investments in associates		16,500	0
Other non-cash & non operating items		48,013	(30,954)
Operating profit before changes in working capital		<u>851,220</u>	<u>446,092</u>
Changes in working capital:			
Net change in current assets		(346,683)	(72,571)
Net change in current liabilities		(171,159)	(452,475)
Cash generated from operations		333,378	(78,954)
Taxation paid		(62,016)	(155,390)
Net interest received		38,685	41,593
Net cash flow from/(used in) operating activities		<u>310,047</u>	<u>(192,751)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net (outflow)/inflow from equity investments		(254,322)	19,353
Net outflow from other capital investments		(585,459)	(562,679)
Net cash flow used in investing activities		<u>(839,781)</u>	<u>(543,326)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net inflow from bank borrowings		354,334	466,137
Net outflow from long term loans		(78,382)	(79,381)
Dividend paid		(82,382)	(43,935)
Net cash flow generated from financing activities		<u>193,570</u>	<u>320,851</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(336,164)	(415,226)
EXCHANGE RATE EFFECTS		6,220	6,956
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>2,229,832</u></u>	<u><u>3,311,343</u></u>

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

PROTON HOLDINGS BERHAD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 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 31 December 2004.

4 INDIVIDUALLY SIGNIFICANT ITEMS

The individually significant items for the quarter ended 31 December 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	108.2	348.0
Depreciation	72.4	226.6

5 CHANGES IN ESTIMATES

None

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	0	(52,342)
New long term loan obtained is as follows:		
Secured	362,040	362,040
Increase in long term loan arising from purchase of MV Agusta:		
Unsecured	133,252	133,252
Secured	277,015	277,015



## 7 DIVIDENDS

### a) Dividend paid

#### Final Dividend

No final dividend was paid between 1 April 2004 and 31 December 2004.

#### Interim Dividend

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 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.

### b) Dividend proposed or declared

An additional interim tax exempt dividend of 10.0 sen per share in respect of the current financial year ending 31 March 2005 is declared. The dividend is payable on 30 March 2005 to shareholders on the Register of Members and Record of Depositors at the close of business on 15 March 2005.

### c) Total dividend

The total dividend declared and proposed in respect of financial year ending 31 March 2005 is 25.0 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> RM Million	<u>Other countries</u> RM Million	<u>Eliminations</u> RM Million	<u>Consolidated</u> RM Million
<u>Revenue</u>				
External Sales	5,549.0	832.5	-	6,381.5
Inter-segment sales	71.1	236.1	(307.2)	-
Total Revenue	<u>5,620.1</u>	<u>1,068.6</u>	<u>(307.2)</u>	<u>6,381.5</u>
<u>Result</u>				
Segment operating profit	587.4	(66.5)	47.4	568.3
Unallocated expense				(13.7)
Unallocated income				8.2
Interest expense				(35.5)
Interest income				66.4
Share of net profits of associated companies & jointly controlled entities	2.5	11.2		13.7
Income taxes of Company & subsidiary companies				(109.7)
Net profit after tax				<u>497.7</u>

## 9 PROPERTY, PLANT & EQUIPMENT

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

On 18 December 2004, a fire occurred at the painting line of the Medium Volume Factory (MVF), Shah Alam. Various countermeasures are being implemented and the impact to the business is not expected to be material.

## 10 CHANGES IN THE COMPOSITION OF THE GROUP

On 1 December 2004, PROTON Capital Sdn Bhd, a wholly owned subsidiary of PROTON Holdings Berhad subscribed for 57.75% of the issued and paid up capital of MV Agusta SpA, a company incorporated in Italy. The goodwill on acquisition, which is subject to a fair valuation review of the assets and liabilities acquired, had been written-off to reserves in accordance with the Group policy and is reflected in the Consolidated Statement of Changes in Equity.

## 11 SUBSEQUENT EVENTS

There were no material subsequent events between the end of third quarter and the date of this announcement.

## 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 RM612.6 million on Group revenue of RM6.4 billion for the current financial period compared to RM364.5 million and RM5.0 billion respectively in the corresponding period last year. The higher profit was mainly due to a 27% increase in sales and lower R&D expenditure.

The results of Perusahaan Otomobil Nasional Sdn Bhd, a subsidiary was higher due to improvement in sales volume of 147,468 units this financial period compared to 119,989 units in the corresponding period last year and lower R&D expenditure.

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

Another subsidiary, Lotus Group International Ltd. recorded a loss in the current period mainly due to the provision for redundancy benefits arising from an internal reorganisation. The redundancy programme is expected to be completed by the end of February 2005.

## 14 QUARTERLY RESULTS COMPARISON

The Group recorded a profit before tax of RM160.1 million in the current quarter as compared to RM246.8 million in the previous quarter. The lower profit was mainly due to lower sales of RM2.0 billion this quarter as compared to RM2.3 billion last quarter.

In the previous year corresponding quarter, the Group recorded a loss before tax of RM51.5 million on the back of RM1.4 billion sales. The higher current quarter profit was mainly due to higher sales and lower R&D expenditure.

## 15 PROSPECTS FOR THE REST OF THE FINANCIAL YEAR

Although sales and profits have increased, the impending entry of cheaper models by new and current players and the rising cost of raw materials and components are expected to exert pressure on both sales and profitability in the remaining months. The Group will continue with the launch of new models and further cost reduction initiatives.

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	15,832	77,414
Arising outside Malaysia	6,601	6,875
	<u>22,433</u>	<u>84,289</u>
Deferred tax	13,803	25,439
Share of taxation in associated & jointly controlled companies	<u>1,985</u>	<u>5,144</u>
	<u>38,221</u>	<u>114,872</u>
Effective tax rate	24%	19%

The lower effective tax rate for the current quarter and current year to date is mainly due to claims for double deduction on research and development expenditure and promotion of exports. Current quarter effective tax rate is higher than current year to date due to unrecognised current quarter tax loss in a subsidiary.

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> RM'000	<u>Current year to date</u> RM'000
Short term investments	305	370

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> RM'000	<u>Current year to date</u> RM'000
Total purchases	53,098	125,164
Total disposals	48,471	100,146
Total gain on disposal	1,366	2,453

b) As at 31 December 2004, the Group's quoted securities are as follows:

	RM'000
At cost	122,134
At carrying value	122,134
At market value	123,448

20 GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 31 December 2004 are as follows:

	Total RM'000	Functional currencies/ Currency drawn Figures are stated in the Foreign currency drawn				
		RM/ USD '000	IDR/ USD '000	RM/ EUR '000	SGD/ SGD '000	£/ £ '000
Long Term Liabilities:						
Unsecured:						
Long term loans	306,705					26,447
Portion repayable within 12 months	(100,022)					(8,815)
	<u>206,683</u>					
Secured						
Long term loans	938,716			70,000	40,000	54,980
Portion repayable within 12 months	0					
	<u>938,716</u>					
Secured						
Leasing & Hire purchase creditors	13				6	
Portion repayable within 12 months	(10)				(1)	
	<u>3</u>					
Total Long Term Loan	<u><u>1,145,402</u></u>					
Short Term Liabilities:						
Unsecured:						
Current portion of long term loans	100,022					8,815
Short term loans	389,687	83,100				14,013
Bank overdrafts	268,988				31,395	7,648
	<u>758,697</u>					
Secured:						
Short term loans	37,352		9,500			
	<u>37,352</u>					
Total Short Term Loan	<u><u>796,049</u></u>					
Total Borrowings	<u><u>1,941,451</u></u>	<u><u>83,100</u></u>	<u><u>9,500</u></u>	<u><u>70,000</u></u>	<u><u>5</u></u>	<u><u>71,395</u></u>
		<u><u>103,088</u></u>				

21 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 18 February 2005, being the latest practicable date, the outstanding notional principal amount of the Group off balance sheet financial instruments as follows:

	<u>Total</u>	<u>Less than</u>	<u>Maturity</u>
	RM'000	6 months	6 months
		RM'000	to 1 year
			RM'000
Foreign exchange contracts	645,100	474,857	170,243

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 18 February 2005 is favourable by approximately RM44,000.

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 were no new material litigations in the quarter under review.

23 EARNINGS PER SHARE

	<u>Current</u>	<u>Current year</u>
	quarter	to date
<u>Basic EPS</u>		
Net profit attributable to shareholders (RM'000)	122,800	488,184
Weighted average no of shares ('000)	549,213	549,213
Basic EPS (sen)	22.4	88.9

Fully diluted EPS

No fully diluted EPS is applicable at 31 December 2004.

24 CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment not provided for in the financial statements as at 31 December 2004 is as follows:

Authorised by Directors and contracted	RM Million
	850.3
Authorised by Directors and not contracted	4,697.5
	5,547.8
	5,547.8

25 STATUS OF CORPORATE PROPOSAL

None

26 CASH AND CASH EQUIVALENTS

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

	RM Million
Deposits, bank and cash balances	3,195.8
Bank overdrafts	(269.0)
Fixed deposit pledged as security	(697.0)
	<hr/>
	2,229.8
	<hr/> <hr/>

BY ORDER OF THE BOARD

YEAP KOK LEONG  
COMPANY SECRETARY

24 February 2005  
Shah Alam