

PROTON HOLDINGS BERHAD
UNAUDITED FINANCIAL RESULTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2005

The Board of Directors are pleased to announce the financial results of the Group for the third quarter ended 31 December 2005

Index	Page
Condensed Consolidated Income Statements	3
Condensed Consolidated Balance Sheets	4
Condensed Consolidated Statements of Changes in Equity	5
Condensed Consolidated Cash Flow Statements	6
Notes to Financial Statements	
1) Accounting policies	7
2) Status of audit qualification	7
3) Seasonal or cyclical factors	7
4) Individually significant items	7
5) Changes in estimates	7
6) Changes in equity and long term debts	7
7) Dividends	8
8) Segmental information	8
9) Property, plant and equipment	8
10) Changes in composition of the Group	9
11) Subsequent events	9
12) Contingent liabilities and contingent assets	9
13) Performance review	9
14) Quarterly results comparison	9
15) Prospects for the rest of financial year	10
16) Variance of actual and forecast profit	10
17) Taxation	10
18) Sale of unquoted investments and properties	10
19) Quoted securities	10
20) Group borrowings and debt securities	11
21) Off balance sheet financial instruments	12
22) Changes in material litigation	12
23) Earnings/(loss) per share	12
24) Capital commitments	13
25) Status of corporate proposals	13
26) Cash and cash equivalents	13
27) Comparatives	13

PROTON HOLDINGS BERHAD

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2005

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	<u>Current quarter</u> 31.12.2005 RM'000	<u>Preceding year corresponding quarter Restated</u> 31.12.2004 RM'000	<u>Current year to date</u> 31.12.2005 RM'000	<u>Unaudited Preceding year corresponding period Restated</u> 31.12.2004 RM'000
Revenue	2,153,895	2,102,121	6,012,726	6,251,776
Operating expenses	(2,138,778)	(1,972,601)	(6,261,103)	(5,751,711)
Other operating income	78,502	55,588	181,139	111,976
Profit/(loss) from operations	93,619	185,108	(67,238)	612,041
Finance cost	(11,533)	(17,810)	(32,370)	(34,531)
Share of results of associated and jointly controlled entities	13,963	7,861	32,529	36,896
Profit/(loss) before taxation	96,049	175,159	(67,079)	614,406
Taxation	(9,519)	(34,235)	(13,391)	(108,098)
Profit/(loss) after taxation	86,530	140,924	(80,470)	506,308
Minority interest	(18)	0	296	0
Net profit/(loss) attributable to shareholders	<u>86,512</u>	<u>140,924</u>	<u>(80,174)</u>	<u>506,308</u>
Earnings/(loss) per share				
- basic	15.8 sen	25.7 sen	(14.6 sen)	92.2 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 March 2005.

PROTON HOLDINGS BERHAD

CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited as at 31.12.2005 <u>RM'000</u>	Audited as at 31.03.2005 <u>RM'000</u>
CURRENT ASSETS		
Inventories	1,189,212	967,080
Trade and other receivables	1,285,642	1,403,154
Short term investments	217,593	201,535
Deposits, bank and cash balances	2,109,081	2,454,718
	<u>4,801,528</u>	<u>5,026,487</u>
CURRENT LIABILITIES		
Trade and other payables	1,576,913	1,753,807
Provisions	261,990	239,888
Taxation	550	2,624
Short term borrowings	697,314	227,921
	<u>2,536,767</u>	<u>2,224,240</u>
NET CURRENT ASSETS	2,264,761	2,802,247
NON CURRENT ASSETS		
Property, plant and equipment	3,353,520	3,313,352
Associated & jointly controlled companies	409,981	417,420
Other long term investments	6,276	6,276
Deferred tax assets	54,127	38,479
	<u>3,823,904</u>	<u>3,775,527</u>
NON CURRENT LIABILITIES		
Long term liabilities	372,478	745,426
Deferred taxation	1,164	1,074
	<u>373,642</u>	<u>746,500</u>
	<u>5,715,023</u>	<u>5,831,274</u>
FINANCED BY:		
Share capital	549,213	549,213
Reserves	5,165,810	5,281,728
Shareholders' funds	5,715,023	5,830,941
Minority interests	0	333
	<u>5,715,023</u>	<u>5,831,274</u>
Net Tangible Assets per share (RM)	<u>10.41</u>	<u>10.62</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 March 2005.

PROTON HOLDINGS BERHAD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR NINE MONTHS ENDED 31 DECEMBER 2005

	<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 2004	549,213	475,617	(429,228)	4,942,385	5,537,987
Currency translations	0	0	(20,469)	0	(20,469)
Goodwill written off to reserves	0	0	(367,577)	0	(367,577)
Net profit attributable to shareholders (restated)	0	0	0	506,308	506,308
Interim dividend for the financial year ended 31 March 2005	0	0	0	(82,382)	(82,382)
At 31 December 2004 (restated)	<u>549,213</u>	<u>475,617</u>	<u>(817,274)</u>	<u>5,366,311</u>	<u>5,573,867</u>
At 1 April 2005	549,213	475,617	(808,990)	5,615,101	5,830,941
Currency translations	0	0	19,177	0	19,177
Net loss attributable to shareholders	0	0	0	(80,174)	(80,174)
Final dividend for the financial year ended 31 March 2005	0	0	0	(54,921)	(54,921)
At 31 December 2005	<u>549,213</u>	<u>475,617</u>	<u>(789,813)</u>	<u>5,480,006</u>	<u>5,715,023</u>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 March 2005.

PROTON HOLDINGS BERHAD

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR NINE MONTHS ENDED 31 DECEMBER 2005

	Current year to date	Preceding year to date Restated
Note	<u>31.12.2005</u>	<u>31.12.2004</u>
	RM'000	RM'000
CASH FLOWS (USED IN) / GENERATED FROM OPERATING ACTIVITIES	(176,495)	495,454
CASH FLOWS USED IN INVESTING ACTIVITIES	(271,136)	(1,027,897)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	62,855	146,863
NET DECREASE IN CASH AND CASH EQUIVALENTS	(384,776)	(385,580)
EXCHANGE RATE EFFECTS	4,616	414
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	<u>1,576,925</u>	<u>2,447,972</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	26 <u><u>1,196,765</u></u>	<u><u>2,062,806</u></u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2005.

PROTON HOLDINGS BERHAD

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2005

1 ACCOUNTING POLICIES

The Quarterly Consolidated Financial Statements have been prepared in accordance with FRS 134 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 2005. 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 2005.

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 2005.

4 INDIVIDUALLY SIGNIFICANT ITEMS

The individually significant items for the quarter ended 31 December 2005 are as follows:

	<u>Current quarter</u> RM Million
<u>Income Statement</u>	
R&D and project expenditure written off	54.4
Depreciation	93.8

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 unsecured long term loan.	-	54,435

A secured long term debt of a subsidiary company is reclassified to current debt, as the loan falls due in October 2006.

Other than as disclosed above, there was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the quarter under review.

7 DIVIDENDS

a) Dividends paid

Final Dividend

A final dividend of 10.0 sen tax exempt per Ordinary share, in respect of the financial year 31 March 2005 (2004: nil) was paid on 28 October 2005 to shareholders on the Register of Members and Record of Depositors at the close of business on 7 October 2005.

Interim Dividend

No interim dividend was paid between 1 April 2005 and 31 December 2005 (2004 : 15 sen tax exempt dividend per Ordinary share).

b) Dividends proposed or declared

No interim dividend is declared in respect of the financial year ending on 31 March 2006 (2005 : 25 sen tax exempt dividend per Ordinary share).

c) Total dividends

No dividend declared and paid in respect of financial year ending on 31 March 2006 (2005 : 35 sen tax exempt dividend per Ordinary 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>				
Third party sales	5,079.4	933.3	-	6,012.7
Inter-segment sales	115.6	116.0	(231.6)	-
Total Revenue	<u>5,195.0</u>	<u>1,049.3</u>	<u>(231.6)</u>	<u>6,012.7</u>
<u>Result</u>				
Segment operating loss	(446.6)	(85.4)	406.0	(126.0)
Unallocated income				15.0
Interest expense				(32.4)
Interest income				43.8
Share of results net of tax of associated companies & jointly controlled entities	20.2	8.2	(1.7)	26.7
Income taxes of Company & subsidiary companies				(7.6)
Net loss after tax				<u>(80.5)</u>

Included in third party sales from Malaysia are export sales of RM111.0 million during the period.

9 PROPERTY, PLANT & EQUIPMENT

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

10 CHANGES IN THE COMPOSITION OF THE GROUP

There are no changes to the composition of the Group in the current quarter.

On 24 December 2005, Proton Capital Sdn Bhd ("PCSB"), a wholly owned subsidiary of Proton Holdings Berhad entered into a Share Purchase & Investment Agreement ("SPIA") with GEVI S.p.A, ("the Purchaser") a company organized and existing under the laws of Italy, in relation to a Proposed Disposal involving the disposal of 57,750,000 Class A shares representing 57.75% of the corporate capital of MV Augusta Motor S.p.A ("MVA") to the Purchaser for a cash consideration of Euro 1.00 only. The Proposed Disposal is not expected to have any significant effect on the earnings, net assets, share capital nor shareholdings of the PROTON Group.

The effective date of disposal is upon completion and satisfaction of all conditions precedent, which is expected to take place in Quarter 4 of financial year 2006.

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

As disclosed in Note 38 of the most recent Annual Report, there was a balance receivable from the insurers for the replacement cost of the equipment and business disruption, arising from a fire at the facility of a subsidiary company in December 2004, which has not been recognised in the last financial statements. In December 2005, RM46.7m were received from the insurers for the settlement of this claim.

In the general course of business, there are potential legal claims against the Group. However, the Directors are of the opinion that the claims are not significant to warrant any disclosures.

13 PERFORMANCE REVIEW

At the Group level, the cumulative 9 months period loss before tax was RM67.1 million for the current financial period compared to a profit before tax of RM614.4 million in the corresponding period last year, a variance of RM681.5 million. The loss was mainly due to higher allowances for doubtful debts and promotion costs, lower sales, higher components cost and allowance for stock obsolescence.

The results of Perusahaan Otomobil Nasional Sdn Bhd, a principal subsidiary was lower due to reduced margin resulted from the higher components cost, higher sales incentives, lower sales and higher allowances for doubtful debts.

The contribution from Proton Edar Sdn. Bhd., another principal subsidiary of the Group was lower in the current year mainly due to higher sales incentives, reduced sales and higher allowances for doubtful debts.

14 QUARTERLY RESULTS COMPARISON

The Group recorded a profit before tax of RM96.0 million in the current quarter as compared to a loss before tax of RM158.8 million in the previous quarter. The second quarter loss was mainly due to lower sales, inventory written off and provisions for contract entered on behalf of MV Augusta.

The Group registered a profit before tax of RM175.2 million in the previous year corresponding quarter. The adverse variances were mainly due to higher promotion and component costs in the current quarter.

15 PROSPECTS FOR THE REST OF THE FINANCIAL YEAR

Intense competition in both the domestic and export markets are expected to continue to put pressures on Group sales and profitability.

The Group will continue to focus on retaining the domestic market share while promoting export growth. Continuous efforts are also directed at improving quality, enhancing cost competitiveness and introduction of new models to mitigate the impact of higher costs and increasing competition.

16 VARIANCE OF ACTUAL AND FORECAST PROFIT

The Group did not issue any profit forecast or profit guarantee in respect to the period.

17 TAXATION

	<u>Current quarter</u> RM'000	<u>Current year to date</u> RM'000
Current taxation		
Arising in Malaysia	(267)	22,061
Arising outside Malaysia	382	1,079
	<hr/>	<hr/>
	115	23,140
Deferred tax	9,613	(15,558)
Share of taxation in associated & jointly controlled companies	(209)	5,809
	<hr/>	<hr/>
	9,519	13,391
	<hr/> <hr/>	<hr/> <hr/>
Effective tax rate	10%	(20%)

The low effective tax rate for the current quarter and current year to date (compared to the statutory rate of 28%) is mainly attributable to the fact that current tax is charged only for separately assessed interest income in Perusahaan Otomobil Nasional Berhad following the utilization of double deduction and allowance incentives.

18 SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

Total profit from disposals of unquoted securities and properties 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	445	1,189
Properties owned by Proton Cars UK	0	9,196

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	31,907	91,538
Total disposals	19,746	86,112
Total loss on disposal	(1,945)	(1,284)

b) As at 31 December 2005, the Group's quoted securities are as follows:

	RM'000
At cost	125,578
At carrying value	125,578
At market value	125,850

20 GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 31 December 2005 are as follows:

	Total RM'000
Long Term Liabilities:	
Unsecured:	
Long term loans	115,491
Portion repayable within 12 months	(56,613)
	<u>58,878</u>
Secured	
Long term loans	574,080
Portion repayable within 12 months	(260,480)
	<u>313,600</u>
Total Long Term Borrowings	<u><u>372,478</u></u>
Short Term Liabilities:	
Unsecured:	
Current portion of long term loans	56,613
Banker acceptances	173,623
Bank overdrafts	206,598
	<u>436,834</u>
Secured:	
Current portion of long term loans	260,480
	<u>697,314</u>
Total Short Term Borrowings	<u>697,314</u>
Total Borrowings	<u><u>1,069,792</u></u>

The significant increase in the short term borrowings is due to the reclassification of a secured long term debt in a subsidiary to current as the loan falls due in October 2006.

The details of the borrowings denominated in respective currencies are as follows:

	Ringgit <u>Malaysia</u>	Pound <u>Sterling</u>	<u>EUR</u>	<u>Others</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Functional Currency</u>					
Ringgit Malaysia	289,114	0	313,600	0	602,714
Pound Sterling	0	424,072	24,150	18,856	467,078
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	289,114	424,072	337,750	18,856	1,069,792
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

21 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 22 February 2006, being the latest practicable date, the outstanding notional principal amount of the Group off balance sheet financial instruments is as follows:

	<u>Total</u>	<u>Less than</u>	<u>6 months</u>	<u>Maturity</u>
	<u>RM'000</u>	<u>6 months</u>	<u>to 1 year</u>	<u>More than</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>1 year</u>
				<u>RM'000</u>
Foreign exchange contracts	183,558	125,799	41,838	15,921

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 February 2006 is unfavourable by approximately RM659,000.

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

In the previous financial year ended 31 March 2005, a supplier had obtained a judgement in default against a subsidiary company for RM 12.2 million after failing to reach a formal agreement. Management had obtained legal opinion that the claims are without basis and action was taken to set aside the judgement.

The subsidiary was successful in setting aside the judgement in default and a statement of defence against the claim has been filed by the subsidiary. The above matter has been fixed for case management on 24 April 2006. The management had obtained a legal opinion that the subsidiary has a good defence to the plaintiff's claim.

23 EARNINGS/(LOSS) PER SHARE

	<u>Current</u>	<u>Current</u>
	<u>quarter</u>	<u>year to date</u>
<u>Loss per share</u>		
Net profit/(loss) attributable to shareholders (RM'000)	86,512	(80,174)
Weighted average number of shares ('000)	549,213	549,213
Earnings/(loss) per share (sen)	15.8	(14.6)

Diluted EPS

Diluted EPS is not applicable at 31 December 2005 as there are no dilutive potential ordinary shares.

24 CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment not provided for in the financial statements as at 31 December 2005 are as follows:

	RM Million
Authorised by Directors and contracted	342.4
Authorised by Directors and not contracted	3,217.0
	<hr/>
	3,559.4
	<hr/> <hr/>

25 STATUS OF CORPORATE PROPOSALS

Not applicable.

26 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the period comprise:

	RM Million
Deposits, bank and cash balances	2,109.1
Bank overdrafts	(206.6)
Fixed deposits pledged as security	(705.7)
	<hr/>
	1,196.8
	<hr/> <hr/>

27 COMPARATIVES

Comparatives have been restated in respect of companies where the Group has a majority equity interest but have joint venture arrangements relating to governance and control. These companies that were previously treated as subsidiaries and hence consolidated, have now been equity accounted for.

BY ORDER OF THE BOARD

MOHD NIZAMUDDIN MOKHTAR
COMPANY SECRETARY

27 February 2006
Shah Alam