

PERUSAHAAN OTOMOBIL NASIONAL BERHAD

UNAUDITED FINANCIAL RESULTS

FOR THE THIRD QUARTER ENDED 31 DECEMBER 2003

The Board of Directors is pleased to announce the unaudited financial results of the Group for the third quarter ended 31 December 2003.

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UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2003

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	<u>Current quarter</u> 31.12.2003 RM'000	<u>Preceding year corresponding quarter</u> 31.12.2002 RM'000	<u>Current year to date</u> 31.12.2003 RM'000	<u>Unaudited Preceding year corresponding period</u> 31.12.2002 RM'000
Revenue	1,367,746	1,924,413	5,006,634	7,262,283
Operating expenses	(1,466,746)	(1,719,467)	(4,842,824)	(6,338,004)
Other operating income	46,703	59,317	197,151	173,707
(Loss)/Profit from operations	(52,297)	264,263	360,961	1,097,986
Finance cost	(7,575)	(9,633)	(28,176)	(29,737)
Share of results of associated and jointly controlled entities	8,387	11,731	31,715	34,484
(Loss)/Profit before taxation	(51,485)	266,361	364,500	1,102,733
Taxation	9,514	(67,371)	(37,232)	(262,365)
(Loss)/Profit after taxation	(41,971)	198,990	327,268	840,368
Minority interest	(998)	(2,023)	(8,746)	(8,531)
Net (loss)/profit attributable to shareholders	<u>(42,969)</u>	<u>196,967</u>	<u>318,522</u>	<u>831,837</u>
Earnings per share				
- basic	(7.8) sen	35.9 sen	58.0 sen	151.7 sen
- diluted	N/A	N/A	N/A	151.5 sen

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31st March 2003.

PERUSAHAAN OTOMOBIL NASIONAL BERHAD
CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited as at <u>31.12.2003</u> RM'000	Audited as at <u>31.03.2003</u> RM'000
CURRENT ASSETS		
Inventories	856,272	835,486
Trade and other receivables	994,573	852,498
Short term investments	184,806	166,435
Deposits, bank and cash balances	3,408,517	3,793,257
	<u>5,444,168</u>	<u>5,647,676</u>
CURRENT LIABILITIES		
Trade and other payables	1,297,753	1,692,241
Provisions	252,096	264,838
Taxation	147,869	206,453
Short term borrowings	734,454	507,376
Proposed dividend	27,461	-
	<u>2,459,633</u>	<u>2,670,908</u>
NET CURRENT ASSETS	2,984,535	2,976,768
NON CURRENT ASSETS		
Property, plant and equipment	2,634,421	2,256,884
Associated & jointly controlled companies	166,353	149,690
Other long term investments	6,276	6,276
Deferred tax assets	20,597	-
	<u>2,827,647</u>	<u>2,412,850</u>
NON CURRENT LIABILITIES		
Long term liabilities	440,166	222,268
Deferred tax liabilities	1,023	18,894
	<u>441,189</u>	<u>241,162</u>
	<u>5,370,993</u>	<u>5,148,456</u>
FINANCED BY:		
Share capital	549,213	549,213
Reserves	4,758,399	4,543,279
	<u>5,307,612</u>	<u>5,092,492</u>
Shareholders' funds	5,307,612	5,092,492
Minority interests	63,381	55,964
	<u>5,370,993</u>	<u>5,148,456</u>
Net Tangible Assets per share (RM)	<u>9.66</u>	<u>9.27</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st March 2003.

PERUSAHAAN OTOMOBIL NASIONAL BERHAD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2003

	<u>Issued and fully paid ordinary shares</u>		<u>Non- distributable Goodwill & foreign exchange translation</u>	<u>Distributable</u>	
	Nominal value of RM1 each RM'000	Share premium RM'000	RM'000	Retained earnings RM'000	<u>Total</u> RM'000
At 1 April 2002	543,144	432,409	(310,823)	3,431,847	4,096,577
Issued under ESOS	6,049				6,049
Premium on shares issued		43,068			43,068
Currency translations			(88,229)		(88,229)
Goodwill written off			(21,599)		(21,599)
Net profit attributable to shareholders				831,837	831,837
Dividend for the financial year				(87,871)	(87,871)
At 31 December 2002	<u>549,193</u>	<u>475,477</u>	<u>(420,651)</u>	<u>4,175,813</u>	<u>4,779,832</u>
At 1 April 2003 (as previously reported)	549,213	475,617	(413,389)	4,482,969	5,094,410
Prior year adjustments				(1,918)	(1,918)
As restated	<u>549,213</u>	<u>475,617</u>	<u>(413,389)</u>	<u>4,481,051</u>	<u>5,092,492</u>
Currency translations			(10,036)		(10,036)
Net profit attributable to shareholders				318,522	318,522
Dividend for the financial year				(93,366)	(93,366)
At 31 December 2003	<u>549,213</u>	<u>475,617</u>	<u>(423,425)</u>	<u>4,706,207</u>	<u>5,307,612</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 2003.

PERUSAHAAN OTOMOBIL NASIONAL BERHAD

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2003

	Current year <u>to date</u> 31.12.2003	Preceding year <u>to date</u> 31.12.2002
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	364,500	1,102,733
Adjustments for:		
Depreciation	230,598	198,466
Interest expense	28,176	29,737
Interest Income	(88,396)	(85,961)
Share of profits of associated and joint venture companies	(31,715)	(34,484)
Realised gain on disposal of investments	(8,326)	(3,507)
(Write back of)/provisions for diminution in short term investments	(17,791)	15,318
Other non-cash & non operating items	(30,954)	(31,548)
Operating profit before changes in working capital	446,092	1,190,754
Changes in working capital:		
Net change in current assets	(72,571)	136,822
Net change in current liabilities	(452,475)	(185,548)
Cash (used in)/generated from operations	(78,954)	1,142,028
Taxation paid	(155,390)	(305,266)
Net interest received	41,593	56,031
Net cash flow (used in)/generated from operating activities	(192,751)	892,793
CASH FLOWS FROM INVESTING ACTIVITIES		
Net inflow/(outflow) from equity investments	19,353	(13,081)
Net outflow from other capital investments	(562,679)	(504,497)
Net cash flow used in investing activities	(543,326)	(517,578)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	-	49,117
Net inflow/(outflow) from bank borrowings	466,137	(104,167)
Net outflow from term loans	(79,381)	(60,606)
Dividend paid	(65,905)	(43,935)
Net cash flow generated from/(used in) financing activities	320,851	(159,591)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(415,226)	215,624
EXCHANGE RATE EFFECTS	6,956	6,504
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	3,719,613	3,609,027
CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER	3,311,343	3,831,155

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st March 2003.

PERUSAHAAN OTOMOBIL NASIONAL BERHAD

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003

The Quarterly Consolidated Financial Statements have been prepared in accordance with MASB 26 Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Kuala Lumpur Stock Exchange, and should be read in conjunction with the Group's financial statements for the year ended 31 March 2003. 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 2003 except for the new relevant approved accounting standards issued by MASB which become operative for the financial year ended 31 March 2004. (MASB 25 and MASB 27 to MASB 30)

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 2003.

4 INDIVIDUALLY SIGNIFICANT ITEMS

The individually significant item for the period ended 31 December 2003 is as follows:

	<u>Current Quarter</u> RM Million	<u>Current year to date</u> RM Million
Purchase of property, plant and equipment	157.2	611.2
R&D expenditure	211.1	463.3
Depreciation	76.4	230.6

5 CHANGES IN ESTIMATES

The Company continued to adopt the accelerated depreciation policy announced in the last financial year. During the current period, the Company has reclassified the trade receivables due from certain subsidiaries to long term receivables. In accordance with MASB 6, the exchange differences arising from the translation were charged directly to equity.

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:		
Secured	(271,500)	(299,150)
Hire purchase & finance lease	-	(133)
Unsecured	-	(50,329)

Issue of new long term loan are as follow:

Secured	270,240	270,240
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The new term loan was obtained by an overseas subsidiary, denominated in Pound Sterling and secured against the parent's cash deposit in a bank in Malaysia.

7 DIVIDENDS

a) Dividend paid

Final Dividend

A final tax exempt dividend of 12.0 sen (2002: 8.0 sen, paid on 24 October 2002) per share in respect of the financial year ended 31 March 2003 was paid on 28 October 2003 to

shareholders on the Register of Members and Record of Depositors at the close of business on 8 October 2003.

Interim Dividend

An interim tax exempt dividend of 5.0 sen (2003: 8.0 sen paid on 17 January 2003) per share in respect of the current financial year ending 31 March 2004 was paid on 16 January 2004 to shareholders on the Register of Members and Record of Depositors at the close of business on 19 December 2003.

b) Dividend proposed or declared

Except as disclosed in Quarter 2 release, no further dividend is declared or proposed in this quarter.

c) Total dividend

The total dividend declared and paid in respect of financial year ending 31 March 2004 is 5.0 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	4,438.2	568.4	-	5,006.6
Inter-segment sales	138.6	265.1	(403.7)	-
Total Revenue	<u>4,576.8</u>	<u>833.5</u>	<u>(403.7)</u>	<u>5,006.6</u>
<u>Result</u>				
Segment operating profit	183.8	27.2	34.3	245.3
Unallocated income				27.3
Interest expense				(28.2)
Interest income				88.4
Share of net profits of associated companies & jointly controlled entities	8.4	15.6		24.0
Income taxes of Company & subsidiary companies				(29.5)
Net profit after tax				<u>327.3</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

There is no change to the composition of the Group in the current quarter.

11 SUBSEQUENT EVENTS

On 22 October 2003, Proton Edar Sdn Bhd ('PESB') a wholly owned subsidiary entered into a joint venture agreement with Bumiputra-Commerce Finance Berhad ('BCF') for the purpose of operating a vehicle financing business in Malaysia. On 20 February 2004, PESB entered into an Operations Agreement with BCF and the joint venture entity, Proton Commerce Sdn Bhd ('PCSB'). In addition, BCF's investment in PCSB was approved by Bank Negara Malaysia on 15 January, 2004. Arising therefrom, the proposed joint venture has become unconditional on 20 February, 2004.

PROTON signed a Letter of Intent (LOI) with Phoenix Venture Holdings Limited (PVH) on 18 February, 2004. The LOI envisages PROTON and PVH working together to pursue exploratory/feasibility studies concerning potential collaborations.

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

The Group recorded a profit before tax of RM 364.5 million on a Group revenue of RM 5.0 billion for the current period as compared to RM 1,102.7 million profit before tax and RM 7.3 billion revenue in the last corresponding period. The lower profit of 67% was mainly due to the lower sales by 31%.

At the Company level, sales fell by 29.4% from 169,967 units in the previous corresponding period to 119,989 units in the current period due to weaker domestic demand and intense competition.

14 QUARTERLY RESULTS COMPARISON

The Group recorded an operating profit before Research & Development expenditure of RM 158.8 million in the current quarter compared to RM 329.9 million in the second quarter. The lower operating profit was mainly due to lower sales of 28.9 %.

The Group recorded a loss before tax of RM51.5 million in the current quarter after incurring Research & Development expenditure of RM 211.1 million.

15 PROSPECTS FOR THE REST OF THE FINANCIAL YEAR

The slowdown in car sales as a result of the 'wait and see' attitude and uncertainties over car prices has adversely affected the performance of the Group. In response to the challenging environment, Proton continued to introduce new innovative variants and new models. In addition, the Group will focus on overhead reduction and margin improvement to minimise the impact of lower sales volume.

In September 2003 Proton introduced the Wira SE and in November 2003 the Iswara ST. On Feb 6, 2004 Proton launched the Gen.2 which has received very good response from consumers. The launch of these new cars is expected to have a positive impact on the performance of the Company.

16 VARIANCE OF ACTUAL AND FORECAST PROFIT

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

17 TAXATION

	Current <u>quarter</u> RM'000	Current year <u>to date</u> RM'000
Current taxation		
Arising in Malaysia	2,253	66,238
Arising outside Malaysia	352	1,726
	<u>2,605</u>	<u>67,964</u>
Deferred tax	(13,824)	(38,468)

Share of taxation in associated & jointly controlled companies	1,705	7,736
	<u>(9,514)</u>	<u>37,232</u>
Effective tax rate	18%	10%

Lower effective tax rate for the current quarter and current year to date is due to adjustment for deferred tax asset and utilisation of tax incentives. The incentives comprise of claims for reinvestment allowances and double deduction on research and development expenditure and promotion of exports.

18 SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no disposal of unquoted investments in the current period.

Details of the profit from the disposal of properties are as follows:

	Current quarter RM'000	Current year to date RM'000
Properties owned by Proton Cars (UK) Ltd	-	40,139
Properties owned by Proton Properties Sdn. Bhd	-	1,079

19 QUOTED SECURITIES

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

	Current quarter RM'000	Current year to date RM'000
Total purchases	36,640	99,056
Total disposals	45,493	98,476
Total gain on disposal	7,491	8,326

b) As at 31 December 2003, the Group's quoted securities are as follows:

	RM'000
At cost	184,806
At carrying value	184,806
At market value	190,033

20 GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 31 December 2003 are as follows:

	Total RM'000	<u>Amount denominated in foreign currencies included in the borrowings</u>		
		USD '000	¥'000	£'000
Long Term Liabilities:				
Unsecured:				
Long term loans	222,268			
Portion repayable within twelve months	<u>(52,342)</u>			
	169,926			
Secured:				

Long term loans	270,240			40,000
Portion repayable within twelve months	-			-
	<u>270,240</u>			<u>40,000</u>
	<u>440,166</u>			<u>40,000</u>

Short Term Liabilities:

Unsecured:

Current portion of long term loans	52,342			
Short term loans	584,938	136,060	2,125,085	
Bank overdrafts	97,174			14,383
	<u>734,454</u>	<u>136,060</u>	<u>2,125,085</u>	<u>14,383</u>
	<u>1,174,620</u>	<u>136,060</u>	<u>2,125,085</u>	<u>54,383</u>

21 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 20 February 2004, 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>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	398,338	395,213	3,125	-

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 20 February 2004 is favourable by approximately RM6,719,000.

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 period under review.

23 EARNINGS PER SHARE

	<u>Current</u>	<u>Current year</u>
	<u>quarter</u>	<u>to date</u>
<u>Basic EPS</u>		
Net profit attributable to shareholders (RM'000)	(42,969)	318,522
Weighted average no of shares ('000)	549,213	549,213
Basic EPS (sen)	(7.8)	58.0

Fully diluted EPS

The Employees' Share Options Scheme, the only options that may have a potential dilution effect expired on 10 March 2003. Therefore, no fully diluted EPS is applicable at 31 December 2003.

24 CAPITAL COMMITMENTS

Capital commitment for property, plant and equipment not provided for in the financial statements as at 31 December 2003 is as follows:

	RM Million	
Authorised by Directors and contracted		851.0
Authorised by Directors and not contracted	4,901.4	
	<u>5,752.4</u>	

25 STATUS OF CORPORATE PROPOSAL

The current status of the corporate reorganisation exercise announced on 27 May 2003 is as follows:

- a) On 31 December 2003, Lotus Advance Technologies Sdn. Bhd was incorporated with an issued and paid-up share capital of RM2.00 comprising two (2) ordinary shares of RM1.00 each. The principal activity of Lotus Advance is that of investment holding.
- b) On the same day, the Engineering Reorganisation Agreement was signed between PROTON, Proton Holdings Berhad and Lotus Advance Technologies Sdn. Bhd., for the proposed disposal by PROTON to Lotus Advance Technologies Sdn. Bhd the shares of Lotus Group International Limited, Proton Engineering Research Sdn. Bhd. and Miyazu (Malaysia) Sdn. Bhd.
- c) On 8 January 2004, the Ministry of International Trade and Industry has approved the corporate reorganisation subject to obtaining the approval of the Securities Commission and compliance to the Guidelines for the Acquisition of Assets, Mergers and Take-Overs.
- d) On 16 January 2004, the Securities Commission has approved the followings:
 - I) the Proposed Share Exchange would not result in Minister of Finance Incorporated, Khazanah and PETRONAS triggering Part II of the Malaysian Code on Take-Overs and Mergers, 1998 requiring them to extend an offer to acquire the remaining voting shares in Proton Holdings;
 - II) the acquisition by Proton Marketing Sdn Bhd of 55% equity interest in Proton Parts Centre Sdn. Bhd. from PROTON and the acquisition by Proton Hartanah Sdn. Bhd. of 40% equity interest in Proton City Development Corporation Sdn Bhd from PROTON would not cause Proton Marketing and Proton Hartanah to trigger Part II of the Code, requiring them to acquire the remaining voting shares in PPCSB and PCDC respectively.
- e) On 28 January 2004, the Company has received the majority approval from its shareholders in relation to the Proposed Share Exchange at the Court Convened Meeting for the scheme of arrangement under section 176 of the Companies Act, 1965.
- f) On the same date, the shareholders have approved the Proposed Share Exchange, Proposed Listing Transfer and Proposed Group Reorganisation at the Extraordinary General Meeting.
- g) On 19 February 2004, it was announced that the High Court of Malaya had on 12 February 2004, granted an order pursuant to Petition No. D1-26-4-2004 to sanction the Scheme of

Arrangement under section 176 of the Companies Act, 1965 between PROTON and all its shareholders for the purpose of the Proposed Share Exchange.

BY ORDER OF THE BOARD

YEAP KOK LEONG
COMPANY SECRETARY

27 February 2004
Shah Alam