

PERUSAHAAN OTOMOBIL NASIONAL BERHAD

UNAUDITED FINANCIAL RESULTS

FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2003

The Board of Directors is pleased to announce the unaudited financial results of the Group for the second quarter ended 30 September 2003.

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UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2003

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	<u>Current quarter</u> 30.09.2003 RM'000	<u>Preceding year corresponding quarter</u> 30.09.2002 RM'000	<u>Current year to date</u> 30.09.2003 RM'000	<u>Unaudited Preceding year corresponding period</u> 30.09.2002 RM'000
Revenue	1,695,000	2,560,907	3,638,888	5,337,870
Operating expenses	(1,561,665)	(2,185,771)	(3,376,078)	(4,618,536)
Other operating income	91,016	67,659	150,448	114,390
Profit from operations	224,351	442,795	413,258	833,724
Finance cost	(10,397)	(8,987)	(20,600)	(20,104)
Share of results of associated and jointly controlled entities	14,723	9,663	23,328	22,753
Profit before taxation	228,677	443,471	415,986	836,373
Taxation	(21,496)	(94,940)	(46,746)	(194,994)
Profit after taxation	207,181	348,531	369,240	641,379
Minority interest	(3,805)	(3,250)	(7,748)	(6,508)
Net profit attributable to shareholders	<u>203,376</u>	<u>345,281</u>	<u>361,492</u>	<u>634,871</u>
Earnings per share				
- basic	37.0 sen	62.9 sen	65.8 sen	115.9 sen
- diluted	N/A	62.8 sen	N/A	115.7 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>30.09.2003</u> RM'000	Audited as at <u>31.03.2003</u> RM'000
CURRENT ASSETS		
Inventories	961,973	835,486
Trade and other receivables	954,504	852,498
Short term investments	193,658	166,435
Deposits, bank and cash balances	3,771,678	3,793,257
	<u>5,881,813</u>	<u>5,647,676</u>
CURRENT LIABILITIES		
Trade and other payables	1,627,717	1,692,241
Provisions	264,593	264,838
Taxation	155,101	206,453
Short term borrowings	874,766	507,376
Proposed dividend	65,906	-
	<u>2,988,083</u>	<u>2,670,908</u>
NET CURRENT ASSETS	2,893,730	2,976,768
NON CURRENT ASSETS		
Property, plant and equipment	2,554,478	2,256,884
Associated & jointly controlled companies	158,440	149,690
Other long term investments	6,276	6,276
Deferred tax assets	6,773	-
	<u>2,725,967</u>	<u>2,412,850</u>
NON CURRENT LIABILITIES		
Long term liabilities	169,926	222,268
Deferred tax liabilities	1,023	18,894
	<u>170,949</u>	<u>241,162</u>
	<u>5,448,748</u>	<u>5,148,456</u>
FINANCED BY:		
Share capital	549,213	549,213
Reserves	4,834,078	4,543,279
	<u>5,383,291</u>	<u>5,092,492</u>
Shareholders' funds	5,383,291	5,092,492
Minority interests	65,457	55,964
	<u>5,448,748</u>	<u>5,148,456</u>
Net Tangible Assets per share (RM)	<u>9.80</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 30 SEPTEMBER 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			(68,897)		(68,897)
Net profit attributable to shareholders				634,871	634,871
Dividend for the financial year				(43,935)	(43,935)
At 30 September 2002	<u>549,193</u>	<u>475,477</u>	<u>(379,720)</u>	<u>4,022,783</u>	<u>4,667,733</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			(4,787)		(4,787)
Net profit attributable to shareholders				361,492	361,492
Dividend for the financial year				(65,906)	(65,906)
At 30 September 2003	<u>549,213</u>	<u>475,617</u>	<u>(418,176)</u>	<u>4,776,637</u>	<u>5,383,291</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.

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2003

	Current year to date <u>30.09.2003</u>	Preceding year to date <u>30.09.2002</u>
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	415,986	836,373
Adjustments for:		
Depreciation	154,152	131,499
Interest expense	20,599	20,104
Interest Income	(55,576)	(55,914)
Share of profits of associated and joint venture companies	(23,327)	(22,753)
Realised gain on disposal of investments	(835)	(5,520)
Write back of diminution in short term investments	(17,791)	17,781
Other non-cash & non operating items	(37,806)	(28,457)
	<u>455,402</u>	<u>893,113</u>
Operating profit before changes in working capital		
Changes in working capital:		
Net change in current assets	(177,719)	(73,529)
Net change in current liabilities	(83,580)	244,653
	<u>194,103</u>	<u>1,064,237</u>
Cash generated from operations		
Taxation paid	(142,672)	(194,407)
Net interest received	30,769	30,721
	<u>82,200</u>	<u>900,551</u>
Net cash flow generated from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net outflow from equity investments	2,747	8,175
Net outflow from other capital investments	(409,319)	(366,839)
	<u>(406,572)</u>	<u>(358,664)</u>
Net cash flow used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	-	49,117
Net inflow/(outflow) from bank borrowings	345,598	(61,629)
Net outflow from term loans	(78,112)	(35,609)
	<u>267,486</u>	<u>(48,121)</u>
Net cash flow generated from/(used in) financing activities		
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(56,886)	493,766
EXCHANGE RATE EFFECTS	3,364	5,349
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	<u>3,719,613</u>	<u>3,609,027</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER	<u>3,666,091</u>	<u>4,108,142</u>

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 - 30 SEPTEMBER 2003

1 ACCOUNTING POLICIES

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 30 September 2003.

4 INDIVIDUALLY SIGNIFICANT ITEMS

The individually significant item for the period ended 30 September 2003 is as follows:

	RM Million
Purchase of property, plant and equipment	454.0
R&D expenditure	252.2
Depreciation	154.2

5 CHANGES IN ESTIMATES

There were no changes in estimates that have a material effect in the current quarter. The Company continued to adopt the accelerated depreciation policy announced in the last financial year.

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	(8,586)	(27,650)
Hire purchase & finance lease	-	(133)
Unsecured	(40,927)	(50,329)

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

7 DIVIDENDS

a) Dividend paid

No dividend was paid between 31 March 2003 and 30 September 2003

b) Dividend proposed or declared

The shareholders approved 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 at the last Annual General Meeting held on 29 September 2003. The dividend 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.

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 is declared. The dividend is payable on 16 January 2004 to shareholders on the Register of Members and Record of Depositors at the close of business on 19 December 2003.

c) Total dividend

The total dividend declared 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> RM Million	<u>Other countries</u> RM Million	<u>Eliminations</u> RM Million	<u>Consolidated</u> RM Million
<u>Revenue</u>				
External Sales	3,211.3	427.6	-	3,638.9
Inter-segment sales	86.3	134.8	(221.1)	-
Total Revenue	<u>3,297.6</u>	<u>562.4</u>	<u>(221.1)</u>	<u>3,638.9</u>
<u>Result</u>				
Segment operating profit	285.0	27.2	26.8	339.0
Unallocated income				18.6
Interest expense				(20.6)
Interest income				55.6
Share of net profits of associated companies & jointly controlled entities	8.1	9.2		17.3
Income taxes of Company & subsidiary companies				(40.7)
Net profit after tax				<u>369.2</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

On 3 July 2003, Proton Edar Sdn. Bhd., a wholly-owned subsidiary of PROTON incorporated a company in Singapore, Proton Singapore Pte Ltd with subscriber's shares of SGD 2. On 28 August 2003, Proton Edar Sdn. Bhd. subscribed for 3 million new ordinary shares at SGD1 each which represents 100% of the issued and paid-up capital of Proton Singapore Pte. Ltd. The new subsidiary will be engaged in the distribution of motor vehicles, workshop services, distribution of spare parts and relevant services in Singapore.

On 5 August 2003, PROTON subscribed for 1.8 million new ordinary shares at RM 1 each which represents 51% of the issued and paid up capital of a new subsidiary, Miyazu Malaysia Sdn. Bhd.

The company will be engaged in the business of development, marketing and sale of products and services relating to the design of dies and jigs, maintenance services of dies, die manufacturing and engineering consultancy services.

11 SUBSEQUENT EVENTS

On 22 October 2003, Proton Edar Sdn. Bhd., a wholly-owned subsidiary of PROTON entered into a Joint Venture Agreement with Bumiputra-Commerce Finance for the purpose of establishing and operating a vehicle financing business in Malaysia. The joint venture is expected to generate a new income stream for the Group and increase the product offerings to Proton customers.

On 29th October 2003, PROTON signed a Technology Cooperation Agreement with AIDCO, a company incorporated under the laws of the Islamic Republic of Iran for the purpose of co-developing a range of vehicles and engines for the Iranian and world market.

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 profit before tax of RM 416.0 million on a Group revenue of RM 3.6 billion for the first half of the financial year, lower by 50.3% and 31.8% respectively compared to the corresponding period last year. The lower profit was mainly due to lower sales volume.

At the Company level, sales fell by 28.5% from 60,962 units in the previous corresponding quarter to 43,574 units in the current quarter amid weaker domestic demand and stronger competition.

14 QUARTERLY RESULTS COMPARISON

Despite recording lower sales, the Group recorded a profit before tax of RM228.7 million in the current quarter as compared to RM 187.3 million in the previous quarter. The higher profit was mainly due to gain on the disposal of certain properties by two subsidiary companies (Note 18).

15 PROSPECTS FOR THE REST OF THE FINANCIAL YEAR

Consumer sentiment continues to remain weak as reflected by the lower total sales by the motor industry this year. This trend is expected to remain unchanged for the rest of the financial year.

However, the Company will continue to respond to this competitive and weak environment by introducing innovative variants and new models.

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	34,041	63,986
Arising outside Malaysia	(691)	1,374

	<u>33,350</u>	<u>65,360</u>
Deferred tax	(16,000)	(24,644)
Share of taxation in associated & jointly controlled companies	<u>4,146</u>	<u>6,030</u>
	<u>21,496</u>	<u>46,746</u>
Effective tax rate	9%	11%

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 in the current quarter and year to date are as follows:

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

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	33,707	62,416
Total disposals	40,110	52,983
Total (loss)/gain on disposal	(415)	835

b) As at 30 September 2003, the Group's quoted securities are as follows:

	RM'000
At cost	193,658
At carrying value	193,658
At market value	197,298

20 GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 30 September 2003 are as follows:

	<u>Total</u> 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	(52,342)			
	<u>169,926</u>			

Secured:				
Long term loans	252,984			39,988
Portion repayable within twelve months	(252,984)			(39,988)
	<u>-</u>			<u>-</u>
	<u>169,926</u>			<u>-</u>
Short Term Liabilities:				
Unsecured:				
Current portion of long term loans	52,342			
Short term loans	463,852	104,192	2,127,492	
Bank overdrafts	105,587			16,690
	<u>621,781</u>	<u>104,192</u>	<u>2,127,492</u>	<u>16,690</u>
Secured:				
Current portion of long term loans	252,985			39,988
	<u>874,766</u>	<u>104,192</u>	<u>2,127,492</u>	<u>56,678</u>

21 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 14 November 2003, 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	316,394	310,372	5,252	770

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 14 November 2003 is favourable by approximately RM18,848,000.

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)	203,376	361,492
Weighted average no of shares ('000)	549,213	549,213
Basic EPS (sen)	37.0	65.8

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 30 September 2003.

24 CAPITAL COMMITMENTS

Capital commitment for property, plant and equipment not provided for in the financial statements as at 30 September 2003 is as follows:

	RM Million	
Authorised by Directors and contracted		855.2
Authorised by Directors and not contracted	5,374.5	
	<u>6,229.7</u>	

25 STATUS OF CORPORATE PROPOSAL

On 22 October 2003, the Securities Commission approved the corporate reorganisation announced on 27 May 2003. On 10 November 2003, PROTON signed the following agreements in respect of the proposed reorganisation:

- a) Marketing Division reorganisation agreement between PROTON, Proton Holdings Berhad and Proton Marketing Sdn. Bhd. for the disposal by Proton to Proton Marketing Sdn. Bhd. the shares of Proton Edar Sdn. Bhd., Proton Cars (Australia) Pty Ltd., Proton Cars (Europe) Ltd., Proton Cars Benelux, Lotus Cars Asia Pacific Sdn. Bhd., Proton Cars (UK) Ltd., Proton Corporation Sdn. Bhd., Auto Compound & Distribution Sdn Bhd. and Proton Parts Centre Sdn. Bhd.
- b) Property Division reorganisation agreement between PROTON, Proton Holdings Berhad and Proton Hartanah Sdn. Bhd. for the disposal by Proton to Proton Hartanah Sdn. Bhd. the shares of Proton City Development Corporation Sdn. Bhd and Proton Properties Sdn. Bhd.

BY ORDER OF THE BOARD

YEAP KOK LEONG
COMPANY SECRETARY

19 November 2003
Shah Alam