

PROTON HOLDINGS BERHAD

UNAUDITED FINANCIAL RESULTS

FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2005

The Board of Directors hereby announce the financial results of the Group for the second quarter ended 30 September 2005

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PROTON HOLDINGS BERHAD

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2005

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	<u>Current quarter</u>	<u>Preceding year corresponding quarter Restated</u>	<u>Current year to date</u>	<u>Unaudited Preceding year corresponding period Restated</u>
	<u>30.09.2005</u>	<u>30.09.2004</u>	<u>30.09.2005</u>	<u>30.09.2004</u>
	RM'000	RM'000	RM'000	RM'000
Revenue	1,804,535	2,228,431	3,858,831	4,149,655
Operating expenses	(2,004,584)	(2,026,857)	(4,122,325)	(3,779,110)
Other operating income	42,739	33,072	102,637	56,388
(Loss)/profit from operations	(157,310)	234,646	(160,857)	426,933
Finance cost	(10,574)	(8,491)	(20,837)	(16,721)
Share of results of associated and jointly controlled entities	9,053	14,830	18,566	29,035
(Loss)/profit before taxation	(158,831)	240,985	(163,128)	439,247
Taxation	4,492	(42,068)	(3,872)	(73,863)
(Loss)/profit after taxation	(154,339)	198,917	(167,000)	365,384
Minority interest	5	0	314	0
Net (loss)/profit attributable to shareholders	<u>(154,334)</u>	<u>198,917</u>	<u>(166,686)</u>	<u>365,384</u>
(Loss)/Earnings per share				
- basic	(28.1 sen)	36.2 sen	(30.3 sen)	66.5 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 <u>30.09.2005</u> RM'000	Audited as at <u>31.03.2005</u> RM'000
CURRENT ASSETS		
Inventories	1,151,312	967,080
Trade and other receivables	1,309,081	1,403,154
Short term investments	205,623	201,535
Deposits, bank and cash balances	1,860,296	2,454,718
	<u>4,526,312</u>	<u>5,026,487</u>
CURRENT LIABILITIES		
Trade and other payables	1,433,825	1,753,807
Provisions	262,080	239,888
Taxation	330	2,624
Short term borrowings	363,456	227,921
Dividend payable	54,921	0
	<u>2,114,612</u>	<u>2,224,240</u>
NET CURRENT ASSETS	2,411,700	2,802,247
NON CURRENT ASSETS		
Property, plant and equipment	3,380,469	3,313,352
Associated & jointly controlled companies	399,811	417,420
Other long term investments	6,276	6,276
Deferred tax assets	63,737	38,479
	<u>3,850,293</u>	<u>3,775,527</u>
NON CURRENT LIABILITIES		
Long term liabilities	641,987	745,426
Deferred taxation	1,161	1,074
	<u>643,148</u>	<u>746,500</u>
	<u>5,618,845</u>	<u>5,831,274</u>
FINANCED BY:		
Share capital	549,213	549,213
Reserves	5,069,632	5,281,728
Shareholders' funds	5,618,845	5,830,941
Minority interests	0	333
	<u>5,618,845</u>	<u>5,831,274</u>
Net Tangible Assets per share (RM)	<u>10.23</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 SIX MONTHS ENDED 30 SEPTEMBER 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	(5,573)	0	(5,573)
Net profit attributable to shareholders	0	0	0	365,384	365,384
Final dividend for the financial year ended 31 March 2004	0	0	0	(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>
At 1 April 2005	549,213	475,617	(808,990)	5,615,101	5,830,941
Currency translations	0	0	9,511	0	9,511
Net loss attributable to shareholders	0	0	0	(166,686)	(166,686)
Final dividend for the financial year ended 31 March 2005	0	0	0	(54,921)	(54,921)
At 30 September 2005	<u>549,213</u>	<u>475,617</u>	<u>(799,479)</u>	<u>5,393,494</u>	<u>5,618,845</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 SIX MONTHS ENDED 30 SEPTEMBER 2005

	Current year to date	Preceding year to date Restated
Note	<u>30.09.2005</u>	<u>30.09.2004</u>
	RM'000	RM'000
CASH FLOWS (USED IN) / GENERATED FROM OPERATING ACTIVITIES	(481,111)	339,683
CASH FLOWS USED IN INVESTING ACTIVITIES	(196,436)	(418,417)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	72,247	707,089
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(605,300)	628,355
EXCHANGE RATE EFFECTS	4,204	192
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>975,829</u></u>	<u><u>3,076,519</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 - 30 SEPTEMBER 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 30 September 2005.

4 INDIVIDUALLY SIGNIFICANT ITEMS

The individually significant items for the quarter ended 30 September 2005 are as follows:

	<u>Current quarter</u> RM Million
<u>Income Statement</u>	
R&D and project expenditure written off	112.5
Depreciation	88.4
Allowance for doubtful debts for amount due from/ advances to a jointly controlled entity*	54.0
Inventories write off	71.1
Provisions for a contract entered on behalf of a jointly controlled entity*	36.5
Non reimbursable warranty claims from vendors	36.4
Allowance for doubtful debts	23.6
Writeback of allowances for doubtful debts (Note 11)	(80.4)

* The jointly controlled entity is MV Agusta SpA

Balance Sheet

Purchases of property, plant and equipment	140.5
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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.	44,266	54,435

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

No final dividend was paid between 1 April 2005 and 30 September 2005.

Interim Dividend

No interim dividend was paid between 1 April 2005 and 30 September 2005.

b) Dividends proposed or declared

The shareholders approved a final tax exempt dividend of 10.0 sen (2004: Nil) per share in respect of the financial year ended 31 March 2005 at the last Annual General Meeting held on 28 September 2005. The dividend 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.

c) Total dividends

The total dividend declared and paid in respect of financial year ending 31 March 2006 is Nil.

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>				
Third party sales	3,166.2	692.6	-	3,858.8
Inter-segment sales	99.3	70.6	(169.9)	-
Total Revenue	<u>3,265.5</u>	<u>763.2</u>	<u>(169.9)</u>	<u>3,858.8</u>
<u>Result</u>				
Segment operating loss	(151.0)	(54.6)	(3.7)	(209.3)
Unallocated income				13.2
Interest expense				(20.8)
Interest income				35.3
Share of net profits of associated companies & jointly controlled entities	10.7	5.4	(3.6)	12.5
Income taxes of Company & subsidiary companies				2.1
Net loss after tax				<u>(167.0)</u>

Included in third party sales from Malaysia are export sales of RM72.0 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.

11 SUBSEQUENT EVENTS

The Group received a payment of RM 80.4 million in respect of a doubtful debt provided in the previous quarter and it was adjusted in this current quarter income statement.

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

12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Except as disclosed in Note 22, there is no material change in contingent assets and contingent liabilities since the last annual financial statements to the date of the issue of this quarterly report.

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 disclosures.

13 PERFORMANCE REVIEW

At the Group level, the cumulative 6 months period loss before tax was RM163.1 million for the current financial period compared to a profit before tax of RM439.2 million in the corresponding period last year, a variance of RM 602.3 million. The loss was mainly due to higher allowances for doubtful debts, lower sales, higher components cost and 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, lower sales, higher allowances for doubtful debts and higher allowances for aging stock.

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

Proton Cars UK Ltd also recorded a substantial loss arising from doubtful debts allowances for advances to MV Agusta.

The Group acquired 57.5% of the equity of MV Agusta group of companies at the end of November 2004, for a purchase consideration of EURO 70.0 million (RM 367.6 million including professional fees). The acquisition was made by Proton Capital Sdn Bhd ("PCSB"), a wholly owned subsidiary of PROTON Holdings Berhad. The Directors and management of the Group have been reviewing the operations and state of affairs of MV Agusta. The carrying value of PCSB's investment in MV Agusta has, since the date of acquisition, now been fully written off as the directors believe that the investment is impaired. The book value of PCSB's investment is now RM nil.

In the consolidated financial statement, MV Agusta has no carrying value and there is no goodwill in the Group's balance sheet. This is because the net assets on acquisition were deemed to have RM nil fair value. In respect of goodwill, the Group's existing accounting policy is to write off goodwill on acquisition directly to reserves.

However, if the goodwill had been capitalised as an intangible asset in the balance sheet, the Directors would be required to review its recoverability and, if necessary, make an impairment charge in the Group's income statement up to RM 367.6 million, in the period that the impairment arose. If the impairment charge of RM 367.6 million was applied in the financial year ended 31 March 2005, then the profit before taxation for the financial year ended 31 March 2005 would have been RM 412.3 million instead of RM 779.9 million as reported.

14 QUARTERLY RESULTS COMPARISON

The Group recorded a loss before tax of RM158.8 million in the current quarter as compared to a loss before tax of RM 4.3 million in the previous quarter despite recording a write back of allowances for doubtful debts from overseas market of RM 80.4 million. The loss was mainly due to lower sales, inventory written off and provisions for contract entered on behalf of MV Agusta.

The Group registered a profit before tax of RM241.0 million in the previous year corresponding quarter. The significant adverse variances were mainly due higher allowances for doubtful debts to MV Agusta and other debtors, higher component costs, raw material obsolescence and lower sales.

15 PROSPECTS FOR THE REST OF THE FINANCIAL YEAR

The Group expects the higher component cost arising from higher steel and oil prices will continue to have an adverse impact on margins. Intense competition in the both domestic and exports market is expected to put additional pressures on Group sales and profitability.

The Group will continue to focus on gaining 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	5,428	22,328
Arising outside Malaysia	382	697
	<u>5,810</u>	<u>23,025</u>
Deferred tax	(13,256)	(25,171)
Share of taxation in associated & jointly controlled companies	2,954	6,018
	<u>(4,492)</u>	<u>3,872</u>
Effective tax rate	3%	(2%)

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	219	744
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	31,679	59,631
Total disposals	44,507	66,366
Total (loss)/gain on disposal	(846)	661

b) As at 30 September 2005, the Group's quoted securities are as follows:

	RM'000
At cost	113,418
At carrying value	113,272
At market value	113,272

20 GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 30 September 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	583,109
Portion repayable within 12 months	-
	<u>583,109</u>
Total Long Term Borrowings	<u><u>641,987</u></u>
Short Term Liabilities:	
Unsecured:	
Current portion of long term loans	56,613
Banker acceptances	128,093
Bank overdrafts	178,750
	<u>363,456</u>
Total Short Term Borrowings	<u>363,456</u>
Total Borrowings	<u><u>1,005,443</u></u>

20 GROUP BORROWINGS AND DEBT SECURITIES (CONTINUED)

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

	Ringgit <u>Malaysia</u> RM'000	Pound <u>Sterling</u> RM'000	<u>EUR</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Functional Currency</u>					
Ringgit Malaysia	243,584	0	317,729	0	561,313
Pound Sterling	0	402,578	21,031	20,521	444,130
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Total	243,584	402,578	338,760	20,521	1,005,443
	=====	=====	=====	=====	=====

21 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 23 November 2005, being the latest practicable date, the outstanding notional principal amount of the Group off balance sheet financial instruments as follows:

	<u>Total</u> RM'000	<u>Less than 6 months</u> RM'000	<u>6 months to 1 year</u> RM'000	<u>Maturity More than 1 year</u> RM'000
Foreign exchange contracts	471,366	399,150	33,642	38,574

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 23 November 2005 is unfavourable by approximately RM23,110,000.

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.

During the six months period under review, the subsidiary was successful in setting aside the judgement in default and the statement of defence against the claim has been filed.

23 (LOSS)/EARNINGS PER SHARE

	<u>Current quarter</u>	<u>Current year to date</u>
<u>Loss per share</u>		
Net loss attributable to shareholders (RM'000)	(154,334)	(166,686)
Weighted average no of shares ('000)	549,213	549,213
Loss per share (sen)	(28.1)	(30.3)

Diluted EPS

Diluted EPS is not applicable at 30 September 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 30 September 2005 are as follows:

	RM Million
Authorised by Directors and contracted	434.3
Authorised by Directors and not contracted	3,023.2
	<hr/>
	3,457.5
	<hr/> <hr/>

25 STATUS OF CORPORATE PROPOSALS

Not applicable.

26 CASH AND CASH EQUIVALENTS

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

	RM Million
Deposits, bank and cash balances	1,860.3
Bank overdrafts	(178.8)
Fixed deposits pledged as security	(705.7)
	<hr/>
	975.8
	<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
YEAP KOK LEONG
JOINT COMPANY SECRETARY

29 November 2005
Shah Alam