

PROTON HOLDINGS BERHAD
UNAUDITED FINANCIAL RESULTS
FOR THE FOURTH QUARTER ENDED 31 MARCH 2006

The Board of Directors are pleased to announce the financial results of the Group for the fourth quarter ended 31 March 2006.

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PROTON HOLDINGS BERHAD

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2006

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	<u>Current quarter</u>	<u>Quarter ended (Restated)</u>	<u>Year ended</u>	<u>Year ended (Restated)</u>
	<u>31.03.2006</u>	<u>31.03.2005</u>	<u>31.03.2006</u>	<u>31.03.2005</u>
	RM'000	RM'000	RM'000	RM'000
Revenue	1,782,566	2,231,519	7,795,292	8,483,295
Operating expenses	(1,731,165)	(2,475,238)	(7,992,268)	(8,226,949)
Other operating income	49,405	36,596	230,544	148,572
Profit/(loss) from operations	100,806	(207,123)	33,568	404,918
Finance cost	(11,508)	(11,661)	(43,878)	(46,192)
Share of results of associated and jointly controlled entities	5,982	16,693	38,511	53,589
Profit/(loss) before taxation	95,280	(202,091)	28,201	412,315
Taxation	31,919	138,225	18,528	30,127
Profit/(loss) after taxation	127,199	(63,866)	46,729	442,442
Minority interest	0	0	296	0
Net profit/(loss) attributable to shareholders	<u>127,199</u>	<u>(63,866)</u>	<u>47,025</u>	<u>442,442</u>
Earnings/(loss) per share				
- basic	23.2 sen	(11.6) sen	8.6 sen	80.6 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

	As at 31.03.2006 (Unaudited) RM'000	As at 31.03.2005 (Restated) RM'000
CURRENT ASSETS		
Inventories	1,387,825	967,080
Trade and other receivables	1,251,434	1,403,154
Short term investments	211,965	201,535
Deposits, bank and cash balances	1,585,982	2,454,718
	<u>4,437,206</u>	<u>5,026,487</u>
CURRENT LIABILITIES		
Trade and other payables	1,310,880	1,739,594
Provisions	211,361	239,888
Taxation	16,585	2,624
Short term borrowings	804,766	227,921
	<u>2,343,592</u>	<u>2,210,027</u>
NET CURRENT ASSETS	2,093,614	2,816,460
NON CURRENT ASSETS		
Property, plant and equipment	3,330,994	3,313,352
Associated & jointly controlled companies	403,138	417,420
Other long term investments	10,397	6,276
Deferred tax assets	104,787	38,479
Goodwill	29,008	29,008
	<u>3,878,324</u>	<u>3,804,535</u>
NON CURRENT LIABILITIES		
Long term liabilities	100,255	759,639
Deferred taxation	805	1,074
	<u>101,060</u>	<u>760,713</u>
	<u>5,870,878</u>	<u>5,860,282</u>
FINANCED BY:		
Share capital	549,213	549,213
Reserves	5,321,665	5,310,736
	<u>5,870,878</u>	<u>5,859,949</u>
Shareholders' funds	5,870,878	5,859,949
Minority interests	0	333
	<u>5,870,878</u>	<u>5,860,282</u>
Net Assets per share (RM)	<u>10.69</u>	<u>10.67</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 THE YEAR ENDED 31 MARCH 2006

	<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>Capital reserves RM'000</u>	<u>RM'000</u>	<u>Retained earnings RM'000</u>	<u>Total RM'000</u>
At 1 April 2004 - as reported	549,213	475,617	(429,228)	4,942,385	5,537,987
Prior years' adjustment	0	0	359,597	(330,589)	29,008
Opening balance - restated	<u>549,213</u>	<u>475,617</u>	<u>(69,631)</u>	<u>4,611,796</u>	<u>5,566,995</u>
Currency translation differences	0	0	(12,185)	0	(12,185)
Net profit attributable to shareholders	0	0	0	442,442	442,442
Dividend for the financial year ended 31 March 2005	0	0	0	(137,303)	(137,303)
At 31 March 2005 - restated	<u><u>549,213</u></u>	<u><u>475,617</u></u>	<u><u>(81,816)</u></u>	<u><u>4,916,935</u></u>	<u><u>5,859,949</u></u>
At 1 April 2005 – as reported	549,213	475,617	(808,990)	5,615,101	5,830,941
Prior years' adjustment	0	0	727,174	(698,166)	29,008
Opening balance - restated	<u>549,213</u>	<u>475,617</u>	<u>(81,816)</u>	<u>4,916,935</u>	<u>5,859,949</u>
Currency translation differences	0	0	18,825	0	18,825
Net profit attributable to shareholders	0	0	0	47,025	47,025
Final dividend for the financial year ended 31 March 2005	0	0	0	(54,921)	(54,921)
At 31 March 2006	<u><u>549,213</u></u>	<u><u>475,617</u></u>	<u><u>(62,991)</u></u>	<u><u>4,909,039</u></u>	<u><u>5,870,878</u></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 THE YEAR ENDED 31 MARCH 2006

	Note	Year ended <u>31.03.2006</u>	Year ended <u>31.03.2005</u>
		RM'000	RM'000
CASH FLOWS (USED IN) / GENERATED FROM OPERATING ACTIVITIES		(345,584)	736,842
CASH FLOWS USED IN INVESTING ACTIVITIES		(422,004)	(1,367,573)
CASH FLOWS USED IN FINANCING ACTIVITIES		<u>(120,584)</u>	<u>(240,829)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(888,172)	(871,560)
EXCHANGE RATE EFFECTS		4,441	513
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 FINANCIAL YEAR	26	<u><u>693,194</u></u>	<u><u>1,576,925</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 MARCH 2006

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, except for the treatment of goodwill on acquisition.

In prior financial years, goodwill on acquisition was written off and set off against reserves in the year of acquisition. In the current year, the Directors had made the decision to change the accounting policy to recognise goodwill as an asset subject to annual impairment review. The Directors believe that this change in policy will result in better presentation of the financial statements and is in line with developments in international standards on goodwill, namely FRS 3 'Business Combinations' as it relates to goodwill accounting. The effect of the change in policy is detailed below.

Balance Sheet

	<u>As at 31.03.2005</u>		
	<u>As previously stated</u>	<u>Adjustments</u>	<u>As restated</u>
	RM'000	RM'000	RM'000
Retained earnings	5,615,101	(698,166)	4,916,935
Goodwill reserves	(727,174)	727,174	0
Goodwill	0	29,008	29,008

Income Statement

	<u>Quarter ended 31.03.05</u>		
	<u>As previously stated</u>	<u>Adjustments</u>	<u>As restated</u>
	RM'000	RM'000	RM'000
Profit after tax	303,711	(367,577)	(63,866)

	<u>Cumulative YTD ended 31.03.2005</u>		
	<u>As previously stated</u>	<u>Adjustments</u>	<u>As restated</u>
	RM'000	RM'000	RM'000
Profit after tax	810,019	(367,577)	442,442

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 March 2006.

4 INDIVIDUALLY SIGNIFICANT ITEMS

The individually significant items for the quarter ended 31 March 2006 are as follows:

	<u>Current quarter</u> RM Million
<u>Income Statement</u>	
Depreciation	94.1
R & D expenditure written off	66.2
Provision for pension fund of an overseas subsidiary	26.2
Partial recovery of amount due from a jointly controlled entity	14.7

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

Secured long term debts of certain subsidiary companies were reclassified to current liabilities, as the loans are repayable in May and 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 ended 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 in respect of the financial year ended 31 March 2006. (2005: 25.0 sen tax exempt dividend per Ordinary share).

b) Dividends proposed or declared

A final dividend of 5.0 sen tax exempt per Ordinary share is proposed in respect of the financial year ended 31 March 2006.

c) Total dividends

No dividend has been paid in respect of financial year ended 31 March 2006 (2005: 35.0 sen tax exempt dividend per Ordinary share).

8 SEGMENTAL INFORMATION

Analysis of the Group's revenue and results by geographical locations is as follows:

	Current year to date			
	<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	6,585.0	1,210.3	-	7,795.3
Inter-segment sales	129.9	193.8	(323.7)	-
Total Revenue	6,714.9	1,404.1	(323.7)	7,795.3
<u>Result</u>				
Segment operating profit/(loss)	48.9	(114.4)	18.4	(47.1)
Unallocated income				22.2
Interest expense				(43.9)
Interest income				58.5
Share of results net of tax of associated companies & jointly controlled entities	17.6	8.7		26.3
Taxes of Company & subsidiary companies				31.0
Net profit attributable to shareholders				47.0

Included in third party sales from Malaysia are export sales of RM64.7 million and RM175.7 million for the quarter and year to date respectively.

9 PROPERTY, PLANT AND 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

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 organised 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 Agusta Motor S.p.A ("MVA") to the Purchaser for a cash consideration of Euro 1.00 ("The Disposal"). The Disposal did not have any significant effect on the earnings, net assets, share capital nor shareholdings of the PROTON Group.

With the Disposal completed on 1 March 2006, the acquisition loan of EUR70 million was repaid on 26 May 2006.

As at 31 March 2006, the Group's investment in an associated company, Aluminium Alloy Castings Sdn Bhd, with a carrying value of RM4.1 million, was reclassified as a long term investment due to reduced shareholdings from 25% to 19%.

11 SUBSEQUENT EVENTS

The Group is currently undertaking a recapitalisation exercise of Proton Cars (UK) Limited and Proton Cars Australia Pty Ltd. The proposal is still pending regulatory approval.

12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As disclosed in Note 38 of the most recent Annual Report, insurance claim 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, was received in December 2005 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 profit before tax of RM28.2 million for the financial year was significantly lower compared to RM412.3 million recorded in the previous corresponding period, a variance of RM384.1 million. The reduced profit was mainly due to lower sales, higher allowances for doubtful debts and promotion costs, higher components cost and allowance for stock obsolescence.

14 QUARTERLY RESULTS COMPARISON

The Group recorded a profit before tax of RM95.3 million in the current quarter, marginally lower compared to RM96.0 million profit before tax recorded in the previous quarter.

However, the Group profit before tax of RM95.3 million in this current quarter compares favourably to the loss before tax of RM202.1 million recorded in the previous year corresponding quarter. The loss registered in the previous year corresponding quarter included a goodwill impairment charge of RM367.6 million in respect of a jointly controlled entity, as described in Note 1. The result in the current quarter is affected by lower sales, higher component cost and promotional cost.

15 PROSPECTS FOR THE NEXT FINANCIAL YEAR

Intense competition in both the domestic and export markets is expected to continue to put pressures on Group sales and profitability. Further hardening of interest rate, tighter credit control by financial institutions and the softening of used car market will continue to dampen new car sales. Higher fuel prices and the recent increase in electricity tariffs will correspondingly increase the cost of production.

Despite the difficult environment, the Group will endeavour to improve and regain its domestic market share while continuing to promote export growth. The Group will continue to intensify efforts to further improve quality, enhance cost competitiveness and introduce 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 during the year.

17 TAXATION

	<u>Current quarter</u> RM'000	<u>Current year to date</u> RM'000
Current taxation		
Arising in Malaysia	12,476	34,537
Arising outside Malaysia	233	1,312
	<hr/>	<hr/>
	12,709	35,849
Deferred tax	(51,019)	(66,577)
Share of taxation in associated & jointly controlled companies	6,391	12,200
	<hr/>	<hr/>
	(31,919)	(18,528)
	<hr/> <hr/>	<hr/> <hr/>
Effective tax rate	(34%)	(66%)

The negative effective tax rate of 66% is attributable to double deduction and allowance incentives in the main operating company, Perusahaan Otomobil Nasional Sdn Bhd.

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	77	1,266
Properties owned by Proton Cars UK	0	8,992

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	66,042	157,580
Total disposals	78,307	164,419
Total profit on disposal	2,682	1,398

b) As at 31 March 2006, the Group's quoted securities are as follows:

	RM'000
At cost	117,320
At carrying value	117,320
At market value	122,536

20 GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 31 March 2006 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	570,900
Portion repayable within 12 months	(570,900)
	<u>0</u>
Total Long Term Borrowings	<u>58,878</u>
Short Term Liabilities:	
Unsecured:	
Current portion of long term loans	56,613
Banker acceptances	1,304
Bank overdrafts	175,949
	<u>233,866</u>
Secured:	
Current portion of long term loans	570,900
Total Short Term Borrowings	<u>804,766</u>
Total Borrowings	<u><u>863,644</u></u>

The significant increase in the short term borrowings is due to the classification of secured long term debts in certain subsidiaries to current as the loans are repayable in May and October 2006.

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

	Ringgit	Pound			
	<u>Malaysia</u>	<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	116,795	0	313,740	0	430,535
Pound Sterling	0	332,193	28,243	72,673	433,109
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	116,795	332,193	341,983	72,673	863,644
	<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 May 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	331,001	296,304	32,978	1,719

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 May 2006 is unfavourable by approximately RM3,621,000.

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 RM12.2 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 29 September 2006. The management had obtained a legal opinion that the subsidiary has a good defence to the plaintiff's claim.

23 EARNINGS PER SHARE

	<u>Current</u>	<u>Current</u>
	<u>quarter</u>	<u>year to date</u>
<u>Earnings per share</u>		
Net profit attributable to shareholders (RM'000)	127,199	47,025
Weighted average number of shares ('000)	549,213	549,213
Earnings per share (sen)	23.2	8.6

Diluted EPS

Diluted EPS is not applicable at 31 March 2006 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 March 2006 are as follows:

	RM Million
Authorised by Directors and contracted	267.7
Authorised by Directors and not contracted	3,900.5
	<hr/>
	4,168.2
	<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	1,585.9
Bank overdrafts	(175.9)
Fixed deposits pledged as security	(716.8)
	<hr/>
	693.2
	<hr/> <hr/>

27 COMPARATIVES

The pension liabilities balance of RM14.2 million as at 31 March 2005 has been reclassified to conform with current year presentation.

With the change in accounting policy with regards to goodwill as detailed in Note 1, the comparatives for the fourth quarter and year to date for the last financial year have been changed accordingly.

BY ORDER OF THE BOARD

MOHD NIZAMUDDIN MOKHTAR
COMPANY SECRETARY

30 May 2006
Shah Alam