

METROD (MALAYSIA) BERHAD

Interim report for the second quarter ended 30 June 2004

Condensed Consolidated Income Statements

	Current Quarter 30/06/2004 RM'000	Comparative Quarter 30/06/2003 RM'000	Current Year To Date 30/06/2004 RM'000	Comparative Year To Date 30/06/2003 RM'000
Revenue	234,367	134,010	408,601	246,928
Operating Expenses	-229,863	-132,675	-402,535	-244,332
Other Operating Income	64	283	322	478
Profit from Operations	4,568	1,618	6,388	3,074
Finance costs	-151	415	456	899
Investing Results	0	0	0	0
Profit from ordinary activities before tax	4,417	2,033	6,844	3,973
Taxation	-55	573	-206	382
Profit from ordinary activities after tax	4,362	2,606	6,638	4,355
Minority Interest	0	0	0	0
Net Profit for the period	4,362	2,606	6,638	4,355
Earnings per share (Sen)				
- Basic	7.27	4.34	11.06	7.26
- Diluted	N.A	N.A	N.A	N.A

N.A - Not Applicable

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

METROD (MALAYSIA) BERHAD

Interim report for the second quarter ended 30 June 2004

Condensed Consolidated Balance Sheets

	As at Current Financial Period end 30/06/2004 RM'000	As at Preceding Financial Year end 31/12/2003 RM'000
Non current assets		
Property, plant and equipment	159,013	49,017
Unquoted investment, at cost	183	0
Deferred tax assets	4,832	0
Intangible assets	12,065	0
Goodwill on consolidation	28,542	0
Current assets		
Inventories	120,433	65,020
Trade and other receivables	146,138	73,437
Deposits, bank and cash balances	135,663	98,975
Tax recoverable	1,754	807
	403,988	238,239
Less : Current Liabilities		
Trade and other payables	170,737	100,944
Current tax liabilities	2,685	1,004
Post-employment benefit obligations	469	406
Short term bank borrowings (interest bearing)	95,947	38,000
	269,838	140,354
Net Current Assets	134,150	97,885
Less: Non current liabilities		
Term loan	164,960	0
Post-employment benefit obligations	22,296	1,472
Deferred tax liabilities	1,304	1,926
	188,560	3,398
	150,225	143,504
Capital and reserves		
Share capital	60,000	60,000
Share premium	17	17
Exchange fluctuation reserve	300	217
Retained earnings	89,908	83,270
	150,225	143,504

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

METROD (MALAYSIA) BERHAD

Interim report for the second quarter ended 30 June 2004

Condensed Consolidated Statement of Changes in Equity

	Share Capital RM'000	Non-distributable Share premium RM'000	Exchange fluctuation reserves RM'000	Distributable Retained earnings RM'000
<u>6 months ended 30/06/2004</u>				
Balance at 01/01/2004				
- as previously reported	60,000	17	217	83,270
- change in accounting policies	0	0	0	0
- as restated	60,000	17	217	83,270
Currency translation differences arising in the period	0	0	83	0
Net Profit for the period	0	0	0	6,638
Dividends for the year ended 31 December 2003	0	0	0	0
Balance at 30/06/2004	60,000	17	300	89,908
 <u>6 months ended 30/06/2003</u>				
Balance at 01/01/2003				
- as previously reported	60,000	17	0	80,787
- change in accounting policies	0	0	0	-1,331
- as restated	60,000	17	0	79,456
Net Profit for the period	0	0	0	4,355
Dividends for the year ended 31 December 2002	0	0	0	0
Balance at 30/06/2003	60,000	17	0	83,811

METROD (MALAYSIA) BERHAD

Interim report for the second quarter ended 30 June 2004

Condensed Consolidated Cash Flow Statements

	Current Year To Date ended 30/06/2004 RM'000	Year To Date ended 30/06/2003 RM'000
<i>Operating activities</i>		
Cash from operations	10,322	-41,367
Interest paid	-1,075	0
Tax refund	126	0
Tax paid	-341	-351
Net cash flow from operating activities	9,032	-41,718
<i>Investing Activities</i>		
Purchase of property, plant and equipment	-1,918	-381
Proceeds from disposal of property, plant and equipment	59	0
Net purchase of investments	-157,655	0
Interest received	2,107	316
Net cash flow from investing activities	-157,407	-65
<i>Financing Activities</i>		
Proceeds from short term bank borrowings (net)	20,346	64,600
Repayments of short term bank borrowings	0	0
Drawdown of term loan	164,713	0
Dividends paid to shareholders	0	0
Net cash flow from financing activities	185,059	64,600
		0
Changes in cash and cash equivalents	36,684	22,817
Currency translation differences	4	0
Cash and cash equivalents		
- at start of year	98,975	46,025
- at end of period	135,663	68,842

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

METROD (MALAYSIA) BERHAD (66954-H)

Interim report for the second quarter ended 30 June 2004

Notes:-

1) Basis of preparation and Accounting Policies

This consolidated interim financial statements have been prepared in accordance with requirements of MASB26: "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements. The interim financial statements should be read in conjunction with the Group's financial statements for the year ended 31 December 2003.

The accounting policies used and presentation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2003

2) Audit qualification of preceding annual financial statements

The auditors' report for the preceding annual financial statements for the year ended 31 December 2003 was not subject to any qualification.

3) Seasonal or cyclical factors

The business operations of the Group were not materially affected by any seasonal or cyclical factors during the interim period.

4) Unusual items

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence during the interim period.

5) Changes in estimates

There were no changes in estimates of amounts reported in prior interim period of the current financial year or changes in estimates of amounts reported in prior financial years, that have a material effect in the interim period.

6) Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the interim period.

7) Dividends paid

No dividend was paid during the financial quarter ended 30 June 2004.

8) Segmental information

The Group is principally engaged in the manufacturing of copper products in Malaysia, Thailand and Austria. Accordingly, geographical segment reporting of the Group is set out below:

Segment reporting Year ending 30.06.2004	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Singapore	Austria	Eliminations RM'000	Group RM'000
Revenue							
External	377,435	3,208	0	0	27,958	0	408,601
Inter segment revenue	4,943	0	0		0	(4,943)	0
Total revenue	382,378	3,208	0	0	27,958	(4,943)	408,601
Results							
Profit/(loss) from operations	5,253	(1,000)	(38)	(5)	2,134	44	6,388
Finance cost	767	(6)	0	0	(317)	12	456
Tax	(99)	0	0	0	(107)	0	(206)
Profit after tax	5,921	(1,006)	(38)	(5)	1,710	56	6,638
As at 30.06.2004							
Total assets	372,939	17,378	3,463	36,960	275,405	(97,522)	608,623
Total liabilities	(220,720)	(15,726)	(198)	(5)	(236,383)	14,634	(458,398)
	152,219	1,652	3,265	36,955	39,022	(82,888)	150,225

9) Carrying amount of revalued assets

Valuations of property, plant and equipment have been brought forward without any amendment from the previous annual financial statements for the year ended 31 December 2003.

10) Material subsequent events

There were no material events subsequent to the end of the interim period reported on that have not been reflected in the financial statements for the said interim period.

11) Changes in composition of the Group

There were no changes in the composition of the Group during the interim period, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations.

One of the Metrod's wholly owned subsidiary, ASTA Holdings GmbH, Austria completed the acquisition for the following subsidiaries on 4 June 2004 :

? ASTA Elektrodraht GmbH (ASTA GmbH)

? ASTA Elektrodraht GmbH & Co (ASTA KG) (announcement dated 4 June 2004)

12) Contingent liabilities / assets

There were no contingent liabilities or contingent assets as at the date of this report.

13) Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 June 2004 is as follows :

	<u>RM'000</u>
Property, plant and equipment :-	
Authorised and contracted for	406,000
Authorised but not contracted for	6,646,000
	<u>7,052,000</u>

14) Review of the performance of the Company and its principal subsidiaries

For the second quarter under review, the Group recorded a pre-tax profit of RM4.417 million and turnover of RM234.367 million. The Group's pre-tax profit was higher compared to previous year period pre-tax profit of RM2.033 million mainly due to incorporation of financial results of recently acquired subsidiaries viz. ASTA KG and ASTA GmbH for one month period as the acquisition was completed on 4 June 2004. The turnover was also accordingly higher compared to previous year period of RM134.010 million and also due to higher London Metal Exchange (LME) copper prices.

Malaysia :

The markets remained difficult due to slow recovery in domestic demand in the construction sector and intense competition due to over capacity. The financial position of many units in the wire and cable industry continues to be weak affecting timely collections. The availability of raw material viz copper cathode had been very tight. Due to better planning and relationship with suppliers, Metrod was able to ensure the continuous supply of copper without interrupting the production.

Thailand :

Trial production commenced during late February this year. The activity levels are being gradually increased.

Austria :

Financial results incorporated are only for post-acquisition period of one month as the pre-acquisition profits have been set-off against purchase price in accordance with Malaysian Accounting Standards. The subsidiaries performed as per plan though markets are becoming more competitive.

Subject to above, in the opinion of the Directors, the results of the operations for the Group have not been substantially affected by any item, transaction or event of a material and unusual nature as at the date of this report.

15) Material Changes in Quarterly Results

Pre-tax profit for the quarter of RM4.417 million was significantly higher compared to preceding quarter's pre-tax profit of RM2.427 million mainly due to incorporation of financial results of Austrian subsidiaries for the post-acquisition period of one month during the quarter.

16) Current year Prospects

Malaysia :

Business conditions for the copper rod and wire industry remains difficult. Raw material cost continues to be high and competition remains intense due to over capacity in the region.

The poor health and the fragmented nature of the cable industry, which is the principal user of the company's products, has increased credit risks. Collections are being monitored closely and continuously. London Metal Exchange (LME) copper prices have increased by more than 50% over last year thereby increasing working capital requirements and credit exposure.

Thailand :

As the trial production started in February 2004, the production and quality is being stabilized. Consequently, the production and sales volumes are expected to increase gradually.

Austria :

Financial results incorporated are only for post-acquisition period of one month as the pre-acquisition profits have been set-off against purchase price in accordance with the Accounting Standards. The subsidiaries performed as per plan though markets are becoming more competitive.

The Group is focusing its efforts on improving its overall margin and is continuing to seek new opportunities for growth in the region and elsewhere.

Barring any unforeseen events, the Board expects the performance of the Group for the financial year 2004 to be satisfactory as explained above. The recently completed acquisition of ASTA entities (as stated in clause 14) has started contributing positively to the earnings of the Group as stated in Note 14 above. The positive contribution is expected to be maintained.

17) Profit forecast and variance

There was no profit forecast or profit guarantee issued during the financial period to-date.

18) Taxation

	Current Year Quarter 30/06/04 RM'000	Comparative Year Quarter 30/06/03 RM'000	Current Year To Date 30/06/04 RM'000	Comparative Year To Date 30/06/03 RM'000
In respect of current period:				
- income tax	604	200	998	418
- deferred tax	(549)	99	(792)	72
	55	299	206	490
In respect of prior year:				
- income tax	-	(872)	-	(872)
	55	(573)	206	(382)

The effective rate for the current quarter was lower than the statutory tax rate mainly due to utilization of unabsorbed reinvestment allowance and recognition of deductible temporary differences.

19) Profit/(losses) on sales of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties for the current financial period to-date.

20) Purchase/disposal of quoted securities

(a) There were no purchases / sales of quoted securities for the current financial period to-date.

(b) There were no investments in quoted shares as at end of the reporting period.

21) Corporate proposals (status as at 20 August 2004)

On 8 March 2004, the Company entered into a sale and purchase agreement with VA TECH Transmission & Distribution GmbH & Co KEG and VA Tech SAT GmbH & Co to acquire 100% interest in ASTA Elektrodraht GmbH and ASTA Elektrodraht GmbH & Co for a purchase consideration of Euro 34.16 million to be paid in cash. The acquisition was completed as scheduled on 4 June 2004.

There were no corporate proposals announced but not completed as at 20 August 2004.

22) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 30 June 2004 are as follows:-

	Amount RM'000	Denominated in Foreign Currency		Secured / Unsecured
		Foreign Currency	Foreign Currency Amount ('000)	
Long-term borrowings				
- Term Loans	164,960	EUR	35,468	Secured
Short-term borrowings:				
- Foreign Currency Trade Loan	57,000	USD	15,000	Unsecured
- Export Financing	28,329	EUR	6,091	Secured
- Bridge Financing	9,302	EUR	2,000	Secured
- Banker Acceptance	814	THB	8,574	Unsecured
- Bank Overdraft	502	THB	5,304	Unsecured
	95,947			
Total	260,907			

23) Off-balance sheet financial instruments

As at 20 August 2004, the foreign exchange currency contracts that have been entered into by the Group to hedge its trade payables/receivables are as follows:-

Currency	Purpose	Contracts amounts (in thousands)	Equivalent amount (in RM'000)
US Dollars	Trade payables	1,464	5,572
US Dollars	Trade receivables	6,750	25,765

All the trade receivables and payables will be maturing within six months.

There are no cash requirement risks as the Group only uses forward foreign currency contracts as its hedging instrument.

24) Changes in Material litigations (including status of any pending material litigation)

There is no material litigation pending as at 20 August 2004 except as below :

- (a) A case was filed in 2001 by the Group against a customer M/s : Wire Malaysia Sdn Bhd (WMSB) for recovery of debts amounting to RM4.425 million. The sealed copy of the amended Judgment in Default of Appearance, extracted from Court, was served on the Defendant and the Receiver and Manager of the Defendant on 8 July 2004. The Receiver and Manager of the Defendant had replied on 15 July 2004 that no surplus fund was available for unsecured creditors. In view of the said reply, it is concluded that no further action will be instituted at the moment.
- (b) Suit no D4-22-1019-2003 is a case filed with the Kuala Lumpur High Court on 20 June 2003 by the Group against a customer M/s : Gunung Kabel Sdn Bhd (GKSB) for recovery of debts amounting to RM2.099 million and an alternative claim of the sum of the dishonored cheques RM424K as partial payment. GKSB filed its Statement of Defence on 5 August 2003. An application was filed on 4 August 2003 for summary judgment to be entered against GKSB for the recovery of the said debts. The court directed parties to file in written submission for the hearing of the summary judgment application. The Deputy Registrar dismissed the application for summary judgment on 17 May 2004. An appeal has been filed by Metrod on 18 May 2004 against this decision. The date fixed for the hearing of the appeal is on 29 September 2004.

Necessary allowances for the said amounts have already been made in earlier years.

25) Earnings per share

	Current Year Quarter <u>30/06/04</u>	Comparative Year Quarter <u>30/06/03</u>	Current Year To Date <u>30/06/04</u>	Comparative Year To Date <u>30/06/03</u>
Basic				
Net profit for the period (RM'000)	4,362	2,606	6,638	4,355
Weighted average number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	7.27	4.34	11.06	7.26

The Group does not have in issue any financial instrument or other contract that may entitle its holder to ordinary shares and therefore, dilutive to its basic earnings per share.

26) Dividends

No dividend has been proposed till date for the current financial period ended 30 June 2004.

27) Authorisation for issue

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on **27 August 2004**.

**Total
RM'000**

143,504
0

143,504

83

6,638

0

150,225

140,804
-1,331

139,473

4,355

0

143,828