

METROD (MALAYSIA) BERHAD

Interim report for the second quarter ended 30 June 2005

Condensed Consolidated Income Statements

	Current Quarter 30/06/2005 RM'000	Comparative Quarter 30/06/2004 RM'000	Current Year To Date 30/06/2005 RM'000	Comparative Year To Date 30/06/2004 RM'000
Revenue	340,633	234,367	668,902	408,601
Operating Expenses	-334,420	-229,863	-657,158	-402,535
Other Operating Income	3,615	1,273	6,518	2,369
Profit from Operations	9,828	5,777	18,262	8,435
Finance costs	-2,544	-1,360	-4,427	-1,591
Investing Results	0	0	0	0
Profit from ordinary activities before tax	7,284	4,417	13,835	6,844
Taxation	-2,042	-55	-2,939	-206
Profit from ordinary activities after tax	5,242	4,362	10,896	6,638
Minority Interest	0	0	0	0
Net Profit for the period	5,242	4,362	10,896	6,638
Earnings per share (sen)	Sen	Sen	Sen	Sen
- Basic	8.74	7.27	18.16	11.06
- 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 2004

METROD (MALAYSIA) BERHAD

Interim report for the second quarter ended 30 June 2005

Condensed Consolidated Balance Sheets

	As at Current Financial Period end 30/06/2005 RM'000	As at Preceding Financial Year end 31/12/2004 RM'000
Non current assets		
Property, plant and equipment	140,924	161,653
Deferred tax assets	5,469	5,712
Intangible assets	9,045	11,176
Goodwill on consolidation	23,810	27,854
Current assets		
Inventories	117,263	130,656
Trade and other receivables	158,297	141,162
Deposits, bank and cash balances	86,030	95,129
Tax Recoverable	1,467	1,772
	363,057	368,719
Less : Current Liabilities		
Trade and other payables	91,863	97,471
Provisions	6,965	6,082
Current tax liabilities	5,304	2,459
Post-employment benefit obligations	216	688
Short term bank borrowings (interest bearing)	130,332	94,838
	234,680	201,538
Net Current Assets	128,377	167,181
Less: Non current liabilities		
Term Loan	118,787	186,902
Post-employment benefit obligations	22,872	25,088
Deferred tax liabilities	656	794
	142,315	212,784
	165,310	160,792
Capital and reserves		
Share capital	60,000	60,000
Share premium	17	17
Exchange fluctuation reserve	-1,294	5,084
Retained earnings	106,587	95,691
	165,310	160,792

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004

METROD (MALAYSIA) BERHAD

Interim report for the second quarter ended 30 June 2005

Condensed Consolidated Statement of Changes in Equity

		<u>Non-distributable</u>		<u>Distributable</u>	
	Share Capital RM'000	Share premium RM'000	Exchange fluctuation reserves RM'000	Retained earnings RM'000	Total RM'000
<u>6 months ended 30/06/2005</u>					
Balance at 01/01/2005	60,000	17	5,084	95,691	160,792
Currency translation differences arising in the period	0	0	-6,378	0	-6,378
Net Profit for the period	0	0	0	10,896	10,896
Dividends for the year ended 31 December 2004	0	0	0	0	0
Balance at 30/06/2005	60,000	17	-1,294	106,587	165,310
<u>6 months ended 30/06/2004</u>					
Balance at 01/01/2004	60,000	17	217	83,270	143,504
Currency translation differences arising in the period	0	0	99	0	99
Net Profit for the period	0	0	0	6,638	6,638
Dividends for the year ended 31 December 2003	0	0	0	0	0
Balance at 30/06/2004	60,000	17	316	89,908	150,241

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004

METROD (MALAYSIA) BERHAD

Interim report for the second quarter ended 30 June 2005

Condensed Consolidated Cash Flow Statements

	Current Year To Date ended 30/06/2005 RM'000	Year To Date ended 30/06/2004 RM'000
<i>Operating activities</i>		
Cash from operations	9,821	10,322
Interest paid	-3,911	-1,075
Tax refund	485	126
Tax paid	-3,007	-341
Net cash flow from operating activities	<u>3,388</u>	<u>9,032</u>
<i>Investing Activities</i>		
Purchase of property, plant and equipment	-3,386	-1,918
Proceeds from disposal of property, plant and equipment	0	59
Net purchase of investments	0	-157,655
Interest received	1,537	2,107
Net cash flow from investing activities	<u>-1,849</u>	<u>-157,407</u>
<i>Financing Activities</i>		
Proceeds from short term borrowings (net)	38,578	20,346
Repayment of term loan	-46,936	164,713
Net cash flow from financing activities	<u>-8,358</u>	<u>185,059</u>
Changes in cash and cash equivalents	-6,819	36,684
Currency translation differences	-2,132	4
<i>Cash and cash equivalents</i>		
at start of the year	<u>54,481</u>	<u>98,975</u>
at end of the period	<u>45,530</u>	<u>135,663</u>

*The Condensed Consolidated Cash Flow Statement should be read in conjunction with
the Annual Financial Report for the year ended 31 December 2004*

METROD (MALAYSIA) BERHAD (66954-H)

Interim report for the second quarter ended 30 June 2005

Notes:-

1) Basis of preparation and Accounting Policies

This consolidated interim financial statements have been prepared in accordance with requirements of FRS 134: "Interim Financial Reporting" (formerly known as MASB26) 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 2004.

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 2004.

2) Audit qualification of preceding annual financial statements

The auditors' report for the preceding annual financial statements for the year ended 31 December 2004 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 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 2005.

8) Segmental information

The Group is principally engaged in the manufacturing of copper products in various parts of the world. Accordingly, geographical segment reporting of the Group is set out below:

Segment reporting	Malaysia RM'000	Rest of Asia RM'000	European Union RM'000	Eliminations RM'000	Group RM'000
Period ending 30.06.2005					
Revenue					
External	449,271	17,631	202,000	0	668,902
Inter segment revenue	17,216	1,696	0	(18,912)	0
Total revenue	466,487	19,327	202,000	(18,912)	668,902
Results					
Segment Results	7,106	(679)	11,832	3	18,262
Finance cost					(4,427)
Tax expense					(2,939)
Net profit for the period					10,896
As at 30.06.2005					
Segment assets	322,490	67,089	259,389	(113,598)	535,370
Unallocated assets					6,935
Total assets					542,305
Segment liabilities	53,712	12,548	72,144	(16,488)	121,916
Unallocated liabilities					255,079
Total liabilities					376,995

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 2004.

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.

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 2005 is as follows :

	<u>RM'000</u>
Property, plant and equipment :-	
Authorised and contracted for	4,200
Authorised but not contracted for	3,402
Total	<u>7,602</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 RM7.284 million and turnover of RM340.633 million. The Group's pre-tax profit was higher compared to previous year period pre-tax profit of RM4.417 million mainly due to incorporation of full quarter financial results of recently acquired subsidiaries, ASTA KG and ASTA GmbH. The revenue for the quarter was also accordingly higher compared to previous year period of RM234.367 million. Higher London Metal Exchange (LME) copper prices also contributed to higher revenues.

Malaysia :

The markets remained difficult due to weak recovery in domestic demand in the construction sector and intense competition due to over capacity.

Thailand :

The activity levels improved during the second quarter that will need to be sustained and then increased gradually.

Austria :

ASTA managed to improve its sales volumes to mitigate the impact of lower selling prices due to increasing competition.

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 RM7.284 million was marginally higher compared to preceding quarter's pre-tax profit of RM6.551 million mainly due to higher sales volumes during the quarter.

16) Current year Prospects

Malaysia :

Business conditions for the copper rod and wire industry in Malaysia remains challenging. The poor health and the fragmented nature of the cable industry, which is the principal user of the company's products, continue to pose credit risks.

The construction sector continues to be weak. The Company is trying its best to maintain volumes. The Company's performance is expected to be satisfactory.

Thailand :

Since the commencement of trial production last year, production volumes and quality are stabilizing. These are expected to increase gradually over time.

Austria :

Sales volumes and efficiencies are being increased to mitigate the impact of lower selling prices due to increasing competition.

Copper prices continue to be high thereby increasing working capital requirement and credit exposure. Competition remains intense due to over capacity.

The Group's performance is expected to be satisfactory in the context of the tough business environment in which it operates.

The Group is also looking into various opportunities to make ASTA operations global.

Barring any unforeseen events, the Board expects the performance of the Group for the financial year 2005 to be satisfactory in the context explained above.

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 30/06/05 RM'000	Comparative Year Quarter 30/06/04 RM'000	Current Year To Date 30/06/05 RM'000	Comparative Year To Date 30/06/04 RM'000
In respect of current period:				
- income tax	2,001	604	3,451	998
- deferred tax	41	(549)	(512)	(792)
	2,042	55	2,939	206
In respect of prior year:				
- income tax	-	-	-	-
	2,042	55	2,939	206

The effective rate for the current quarter was lower than the statutory tax rate mainly due to utilization of reinvestment allowance, reversal of deferred tax and lower tax rate for a foreign subsidiary.

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 12 August 2005)

There were no corporate proposals announced but not completed as at 12 August 2005.

22) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 30 June 2005 are as follows:-

	Amount RM'000	Denominated in Foreign Currency		Secured / Unsecured
		Foreign Currency	Foreign Currency Amount ('000)	
Long-term borrowings				
- Term Loans	118,787	EUR	25,853	Secured
Short-term borrowings:				
- Foreign Currency				
Trade Loan	74,100	USD	19,500	Unsecured
- Export Financing	22,974	EUR	5,000	Secured
- Short-Term Credit	32,163	EUR	7,000	Secured
- Bankers' Acceptance	1,095	THB	11,895	Unsecured
	<u>130,332</u>			
Total	<u>249,119</u>			

23) Off-balance sheet financial instruments

As at 12 August 2005, the foreign exchange currency contracts that have been entered into by the Group to hedge its trade payables/receivables are as follows:-

<u>Currency</u>	<u>Purpose</u>	<u>Contracts amounts (in thousands)</u>	<u>Equivalent amount (in RM'000)</u>
US Dollars	Trade payables	1,632	6,126
US Dollars	Trade receivables	7,500	28,309

All the contracts will be maturing within six months.

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

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

Neither Metrod nor any of its subsidiaries are engaged in any litigation, claims or arbitration either as plaintiff or defendant, which may have a material effect on the financial position of Metrod and Group.

25) Earnings per share

	Current Year Quarter <u>30/06/05</u>	Comparative Year Quarter <u>30/06/04</u>	Current Year To Date <u>30/06/05</u>	Comparative Year To Date <u>30/06/04</u>
Basic				
Net profit for the period (RM'000)	5,242	4,362	10,896	6,638
Weighted average number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	8.74	7.27	18.16	11.06

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 2005.

27) Authorisation for issue

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on **19 August 2005**.