

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2006

**Condensed Consolidated Income Statements**

	<b>Current Quarter 31/03/2006 RM'000</b>	Comparative Quarter 31/03/2005 RM'000	<b>Current Year To Date 31/03/2006 RM'000</b>	Comparative Year To Date 31/03/2005 RM'000
Revenue	<b>454,776</b>	328,269	<b>454,776</b>	328,269
Operating Expenses	<b>-447,165</b>	-322,738	<b>-447,165</b>	-322,738
Other Operating Income	<b>2,993</b>	2,903	<b>2,993</b>	2,903
Profit from Operations	<b>10,604</b>	8,434	<b>10,604</b>	8,434
Finance costs	<b>-3,110</b>	-1,883	<b>-3,110</b>	-1,883
Investing Results	<b>0</b>	0	<b>0</b>	0
Profit from ordinary activities before tax	<b>7,494</b>	6,551	<b>7,494</b>	6,551
Taxation	<b>-1,728</b>	-897	<b>-1,728</b>	-897
Profit from ordinary activities after tax	<b>5,766</b>	5,654	<b>5,766</b>	5,654
Minority Interest	<b>0</b>	0	<b>0</b>	0
Net Profit for the period	<b>5,766</b>	5,654	<b>5,766</b>	5,654
Earnings per share (Sen)				
- Basic	<b>9.61</b>	9.42	<b>9.61</b>	9.42
- Diluted	<b>N.A</b>	N.A	<b>N.A</b>	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 2005*

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2006

**Condensed Consolidated Balance Sheets**

	<b>As at Current Financial Period end 31/03/2006 RM'000</b>	<b>Audited As at Preceding Financial Year end 31/12/2005 RM'000</b>
<b>Non current assets</b>		
Property, plant and equipment	135,837	141,092
Deferred tax assets	6,967	7,163
Intangible assets	7,267	7,745
Goodwill on consolidation	23,632	23,653
<b>Current assets</b>		
Inventories	161,964	182,461
Trade and other receivables	264,620	189,449
Deposits, bank and cash balances	50,552	57,869
Tax recoverable	992	2,838
	<b>478,128</b>	<b>432,617</b>
<b>Less : Current Liabilities</b>		
Trade and other payables	80,770	139,912
Provision	10,070	8,986
Current tax liabilities	8,889	8,678
Post-employment benefit obligations	216	530
Short term bank borrowings (interest bearing)	273,826	181,738
	<b>373,771</b>	<b>339,844</b>
<b>Net Current Assets</b>	<b>104,357</b>	<b>92,773</b>
<b>Less: Non current liabilities</b>		
Term loan	81,533	81,602
Post-employment benefit obligations	21,937	21,707
	<b>103,470</b>	<b>103,309</b>
	<b>174,590</b>	<b>169,117</b>
<b>Capital and reserves</b>		
Share capital	60,000	60,000
Share premium	17	17
Exchange fluctuation reserve	-2,915	-2,622
Retained earnings	117,488	111,722
	<b>174,590</b>	<b>169,117</b>

*The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2005*

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2006

**Condensed Consolidated Statement of Changes in Equity**

	<b>Share Capital RM'000</b>	<b>Share premium RM'000</b>	<b>Non-distributable Exchange fluctuation reserves RM'000</b>	<b>Distributable Retained earnings RM'000</b>	<b>Total RM'000</b>
<b><u>3 months ended 31/03/2006</u></b>					
Balance at 01/01/2006	60,000	17	-2,622	111,722	169,117
Currency translation differences arising in the period	0	0	-293	0	-293
Net Profit for the period	0	0	0	5,766	5,766
Dividends for the year ended 31 December 2005	0	0	0	0	0
Balance at 31/03/2006	<b>60,000</b>	<b>17</b>	<b>-2,915</b>	<b>117,488</b>	<b>174,590</b>
<b><u>3 months ended 31/03/2005</u></b>					
Balance at 01/01/2005	60,000	17	5,084	95,691	160,792
Currency translation differences arising in the period	0	0	-2,787	0	-2,787
Net Profit for the period	0	0	0	5,654	5,654
Dividends for the year ended 31 December 2004	0	0	0	0	0
Balance at 31/03/2005	<b>60,000</b>	<b>17</b>	<b>2,297</b>	<b>101,345</b>	<b>163,659</b>

*The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with  
the Annual Financial Report for the year ended 31 December 2005*

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2006

**Condensed Consolidated Cash Flow Statements**

	<b>Current Year To Date ended 31/03/2006 RM'000</b>	Year To Date ended 31/03/2005 RM'000
<b><i>Operating activities</i></b>		
Cash from operations	-95,208	-44,979
Interest paid	-3,012	-2,010
Tax refund	1,197	526
Tax paid	-1,749	-1,841
Net cash flow from operating activities	<b>-98,772</b>	<b>-48,304</b>
<b><i>Investing Activities</i></b>		
Purchase of property, plant and equipment	-1,542	-1,143
Proceeds from disposal of property, plant and equipment	60	0
Net purchase of investments	0	0
Interest received	633	620
Net cash flow from investing activities	<b>-849</b>	<b>-523</b>
<b><i>Financing Activities</i></b>		
Proceeds from short term borrowings (net) (Repayment) / drawdown of term loan	92,342	66,539
Deposits pledged as securities	0	0
Dividends paid to shareholders	0	0
Net cash flow from financing activities	<b>92,342</b>	<b>54,012</b>
Changes in cash and cash equivalents	-7,279	5,185
Currency translation differences	-38	-973
<b>Cash and cash equivalents</b>		
- at start of year	<b>17,369</b>	<b>54,481</b>
- at end of period	<b>10,052</b>	<b>58,693</b>

*The Condensed Consolidated Cash Flow Statements should be read in conjunction with  
the Annual Financial Report for the year ended 31 December 2005*

## **METROD (MALAYSIA) BERHAD (66954-H)**

Interim report for the first quarter ended 31 March 2006

*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” issued by the Malaysian Accounting Standards Board (“MASB”) 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 2005.

The accounting policies and methods of computation adopted in the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2005 except that the Group has adopted the new Financial Reporting Standards (“FRS”) mandatory for annual period beginning on or after 1 January 2006. There is no likely significant financial impact on the Group due to adoption of new FRS.

**2) Audit qualification of preceding annual financial statements**

The auditors’ report for the preceding annual financial statements for the year ended 31 December 2005 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 31 March 2006.

**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
<b>Period ending 31.03.2006</b>					
<b>Revenue</b>					
External	298,745	29,688	126,343	0	454,776
Inter segment revenue	10,725	0	0	(10,725)	0
Total revenue	<u>309,470</u>	<u>29,688</u>	<u>126,343</u>	<u>(10,725)</u>	<u>454,776</u>
<b>Results</b>					
Segment Results	4,659	965	4,918	62	10,604
Finance cost					(3,110)
Tax expense					<u>(1,728)</u>
Net profit for the period					<u>5,766</u>
<b>As at 31.03.2006</b>					
Segment assets	378,885	87,567	291,030	(113,610)	643,872
Unallocated assets					<u>7,959</u>
Total assets					<u>651,831</u>
Segment liabilities	28,618	25,325	75,871	(16,821)	112,993
Unallocated liabilities					<u>364,248</u>
Total liabilities					<u>477,241</u>

**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 2005.

**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 31 March 2006 is as follows :

	<u>RM'000</u>
Property, plant and equipment :-	
Authorised and contracted for	1,956
Authorised but not contracted for	<u>6,052</u>
Total	<u>8,008</u>

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

For the first quarter under review, the Group recorded a pre-tax profit of RM7.494 million and turnover of RM454.776 million. Group's pre-tax profit was higher compared to corresponding previous year period pre-tax profit of RM6.551 million. The revenue for the year was also higher as compared to previous year period of RM328.269 million mainly due to high copper prices.

Malaysia :

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

Thailand :

The activity levels have stabilized and are being increased gradually.

Austria :

The improved investment climate within Power Transmission & Distribution sector was sustained. ASTA was able to utilize almost full capacity thereby mitigating largely the impact of lower selling prices due to increasing competition.

China :

The transformer industry sector is performing well. Chinese operations are being run to full capacity though competition from local producers of CTC is strong and prices remain very 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 RM7.494 million was lower compared to preceding quarter's pre-tax profit of RM8.544 million mainly due to higher financing costs due to increased copper prices.

**16) Current year Prospects**

Malaysia :

Copper prices have almost doubled since the beginning of this year. Market demand for copper rod, wire and strips industry in Malaysia has been affected due to this significant increase. In addition, to mitigate credit and pricing risks, business volumes are being adjusted, where necessary. The situation is being reviewed continuously. It is hoped that the expected improvement in the infrastructure and construction spending will help to counter balance these negative factors.

Thailand :

Production volumes and quality have now stabilised. However, margins remain under pressure.

Austria :

Production facilities are operating at full capacity and additional efficiencies are being pursued to mitigate the impact of lower selling prices due to increasing competition. The demand from the power transmission and distribution sector remains good.

China :

The Group is actively looking into opportunities to expand ASTA, China operations.

Copper prices have increased sharply thereby further increasing working capital requirement and financing costs across the Group.

Barring any unforeseen events, the Board expects the performance of the Group for the financial year 2006 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**

	<b>Current Year Quarter 31/03/06 RM'000</b>	<b>Comparative Year Quarter 31/03/05 RM'000</b>	<b>Current Year To Date 31/03/06 RM'000</b>	<b>Comparative Year To Date 31/03/05 RM'000</b>
In respect of current period:				
- income tax	<b>1,700</b>	1,450	<b>1,700</b>	1,450
- deferred tax	<b>28</b>	(553)	<b>28</b>	(553)
	<b>1,728</b>	897	<b>1,728</b>	897
In respect of prior year:				
- income tax	-	-	-	-
	<b>1,728</b>	897	<b>1,728</b>	897

The effective rate for the current quarter was marginally lower than the statutory tax rate mainly due to 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 18 May 2006)**

There were no corporate proposals announced but not completed as at 18 May 2006.

**22) Group Borrowings and Debt Securities**

Group borrowings and debt securities as at 31 March 2006 are as follows:-

	<b>Amount RM'000</b>	<b>Denominated in Foreign Currency Foreign Currency</b>	<b>Foreign Currency Amount ('000)</b>	<b>Secured / Unsecured</b>
Long-term borrowings				
- Term Loans	81,533	EUR	18,188	Secured
Short-term borrowings:				
- Foreign Currency				
Trade Loan	127,344	USD	33,800	Unsecured
- Bridge Financing	22,415	EUR	5,000	Unsecured
- Working Capital Loan	26,897	EUR	6,000	Unsecured
- Working Capital Loan	12,011	RMB	26,000	Unsecured
- Banker Acceptance	29,400	RM		Unsecured
- Export Financing	26,897	EUR	6,000	Secured
- Banker Acceptance	5,954	THB	62,727	Unsecured
- Term Loan	22,908	EUR	5,110	Secured
	<u>273,826</u>			
<b>Total</b>	<b><u>355,359</u></b>			

**23) Off-balance sheet financial instruments**

As at 18 May 2006, 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>	<u>Maturity Date</u>
¥en	Trade payables	23,564	763	Jul'06-Dec'06
US Dollars	Trade receivables	7,900	28,654	Jun'06-Dec'07
US Dollars	Trade payables	5,838	21,227	May'06

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**

	<b>Current Year Quarter 31/03/06 RM'000</b>	Comparative Year Quarter 31/03/05 RM'000	<b>Current Year To Date 31/03/06 RM'000</b>	Comparative Year To Date 31/03/05 RM'000
<b>Basic</b>				
Net profit for the period (RM'000)	<b>5,766</b>	5,654	<b>5,766</b>	5,654
Weighted average number of ordinary shares in issue ('000)	<b>60,000</b>	60,000	<b>60,000</b>	60,000
Basic earnings per share (sen)	<b>9.61</b>	9.42	<b>9.61</b>	9.42

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) Authorisation for issue**

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on **25 May 2006**.