

METROD (MALAYSIA) BERHAD

Interim report for the second quarter ended 30 June 2006

Condensed Consolidated Income Statements

	Current Quarter 30/06/2006 RM'000	Comparative Quarter 30/06/2005 RM'000	Current Year To Date 30/06/2006 RM'000	Comparative Year To Date 30/06/2005 RM'000
Revenue	460,811	340,633	915,587	668,902
Operating Expenses	-452,476	-335,094	-899,641	-657,832
Other Operating Income	3,655	3,615	6,648	6,518
Profit from Operations	11,990	9,154	22,594	17,588
Finance costs	-3,468	-1,870	-6,578	-3,753
Investing Results	0	0	0	0
Profit from ordinary activities before tax	8,522	7,284	16,016	13,835
Taxation	-2,099	-2,042	-3,827	-2,939
Profit from ordinary activities after tax	6,423	5,242	12,189	10,896
Minority Interest	0	0	0	0
Profit attributable to ordinary equity holders of the parent	6,423	5,242	12,189	10,896
Earnings per share (Sen)				
- Basic	10.71	8.74	20.32	18.16
- 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 2005*

METROD (MALAYSIA) BERHAD

Interim report for the second quarter ended 30 June 2006

Condensed Consolidated Balance Sheets

	As at Current Financial Period end 30/06/2006 RM'000	Audited As at Preceding Financial Year end 31/12/2005 RM'000
Non current assets		
Property, plant and equipment	134,634	141,092
Deferred tax assets	7,389	7,163
Intangible assets	7,073	7,745
Goodwill on consolidation	24,622	23,653
Current assets		
Inventories	196,167	182,461
Trade and other receivables	246,882	189,449
Deposits, bank and cash balances	82,654	57,869
Tax recoverable	727	2,838
	526,430	432,617
Less : Current Liabilities		
Trade and other payables	128,658	139,912
Provision	10,739	8,986
Current tax liabilities	10,955	8,678
Post-employment benefit obligations	210	530
Short term bank borrowings (interest bearing)	272,643	181,738
	423,205	339,844
Net Current Assets	103,225	92,773
Less: Non current liabilities		
Term loan	71,203	81,602
Post-employment benefit obligations	22,754	21,707
Deferred tax liabilities	0	0
	93,957	103,309
	182,986	169,117
Capital and reserves		
Share capital	60,000	60,000
Share premium	17	17
Exchange fluctuation reserve	-942	-2,622
Retained earnings	123,911	111,722
	182,986	169,117

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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 second quarter ended 30 June 2006

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 30/06/2006</u>					
Balance at 01/01/2006	60,000	17	-2,622	111,722	169,117
Currency translation differences arising in the period	0	0	1,680	0	1,680
Net Profit for the period	0	0	0	12,189	12,189
Dividends for the year ended 31 December 2005	0	0	0	0	0
Balance at 30/06/2006	60,000	17	-942	123,911	182,986
<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

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 second quarter ended 30 June 2006

Condensed Consolidated Cash Flow Statements

	Current Year To Date ended 30/06/2006 RM'000	Year To Date ended 30/06/2005 RM'000
<i>Operating activities</i>		
Cash from operations	-40,791	9,821
Interest paid	-6,409	-3,911
Tax refund	1,578	485
Tax paid	-2,756	-3,007
Net cash flow from operating activities	-48,378	3,388
<i>Investing Activities</i>		
Purchase of property, plant and equipment	-2,900	-3,386
Proceeds from disposal of property, plant and equipment	70	0
Net purchase of investments	0	0
Interest received	1,332	1,537
Net cash flow from investing activities	-1,498	-1,849
<i>Financing Activities</i>		
Proceeds from short term borrowings (net)	87,533	38,578
Bonus shares issue expenses	0	0
(Repayment) / drawdown of term loan	-13,216	-46,936
Deposits pledged as securities	0	0
Dividends paid to shareholders	0	0
Net cash flow from financing activities	74,317	-8,358
Changes in cash and cash equivalents	24,441	-6,819
Currency translation differences	344	-2,132
Cash and cash equivalents		
- at start of year	17,369	54,481
- at end of period	42,154	45,530

*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 second quarter ended 30 June 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 30 June 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
Period ending 30.06.2006					
Revenue					
External	601,800	58,825	254,962	0	915,587
Inter segment revenue	26,398	0	0	(26,398)	0
Total revenue	<u>628,198</u>	<u>58,825</u>	<u>254,962</u>	<u>(26,398)</u>	<u>915,587</u>
Results					
Segment Results	7,809	2,959	11,631	195	22,594
Finance cost					(6,578)
Tax expense					<u>(3,827)</u>
Net profit for the period					<u>12,189</u>
As at 30.06.2006					
Segment assets	406,329	103,227	300,195	(117,719)	692,032
Unallocated assets					<u>8,116</u>
Total assets					<u>700,148</u>
Segment liabilities	71,629	25,793	85,867	(20,929)	162,360
Unallocated liabilities					<u>354,802</u>
Total liabilities					<u>517,162</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 30 June 2006 is as follows :

	<u>RM'000</u>
Property, plant and equipment :-	
Authorised and contracted for	3,528
Authorised but not contracted for	<u>11,358</u>
Total	<u>14,886</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 RM8.522 million and turnover of RM460.811 million. Group's pre-tax profit was higher compared to corresponding previous year period pre-tax profit of RM7.284 million mainly due to better operating performance and some contribution from recently acquired Chinese subsidiary. Cumulatively, the pre-tax profit for the first six months was higher at

RM16.016 million as compared to RM13.835 million for the corresponding previous year period. The revenue for the current period was also higher at RM915.887 million as compared to previous year period of RM668.902 million mainly due to high copper prices.

Malaysia :

Domestic market is sluggish mainly due to higher copper prices, weak recovery of domestic demand in the construction sector and intense competition due to over capacity.

Thailand :

The activity levels have stabilized.

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 RM8.522 million was higher compared to preceding quarter's pre-tax profit of RM7.494 million mainly due to better product-mix.

16) Current year Prospects

Malaysia :

Copper prices remain at unprecedented levels having 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 have been and are being adjusted, where necessary. The situation is being reviewed continuously.

Recently, Malaysian Government has announced certain major infrastructure projects under 9th Plan. This is expected to give a boost to the weak construction sector and the demand for company's products, the impact and timing thereof will be seen in due course.

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 :

Production facilities are operating at full capacity. The Group has decided to expand ASTA China operations, which is expected to be completed by later part of next year.

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

	Current Year Quarter 30/06/06 RM'000	Comparative Year Quarter 30/06/05 RM'000	Current Year To Date 30/06/06 RM'000	Comparative Year To Date 30/06/05 RM'000
In respect of current period:				
- income tax	2,155	2,001	3,855	3,451
- deferred tax	(56)	41	(28)	(512)
	2,099	2,042	3,827	2,939

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 11 August 2006)

There were no corporate proposals announced but not completed as at 11 August 2006.

22) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 30 June 2006 are as follows:-

	Amount RM'000	Denominated in Foreign Currency Foreign Currency	Foreign Currency Amount ('000)	Secured / Unsecured
Long-term borrowings				
- Term Loans	71,203	EUR	15,248	Secured
Short-term borrowings:				
- Foreign Currency				
Trade Loan	103,124	USD	27,800	Unsecured
- Working Capital Loan	56,551	EUR	12,110	Unsecured
- Working Capital Loan	19,518	RMB	42,000	Unsecured
- Banker Acceptance	36,100	RM		Unsecured
- Export Financing	28,019	EUR	6,000	Secured
- Banker Acceptance	5,468	THB	56,900	Unsecured
- Term Loan	23,863	EUR	5,110	Secured
	<u>272,643</u>			
Total	<u>343,846</u>			

23) Off-balance sheet financial instruments

As at 11 August 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	20,122	657	Aug'06-Dec'06
US Dollars	Trade receivables	7,100	25,698	Aug'06-Dec'07
US Dollars	Trade payables	3,005	11,803	Aug'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

	Current Year Quarter 30/06/06 RM'000	Comparative Year Quarter 30/06/05 RM'000	Current Year To Date 30/06/06 RM'000	Comparative Year To Date 30/06/05 RM'000
Basic				
Net profit for the period (RM'000)	6,423	5,242	12,189	10,896
Weighted average number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	10.71	8.74	20.32	18.16

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 **18 August 2006**.