

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2008

**Condensed Consolidated Income Statements**

	<b>Current Quarter 31/03/2008 RM'000</b>	Comparative Quarter 31/03/2007 RM'000	<b>Current Year To Date 31/03/2008 RM'000</b>	Comparative Year To Date 31/03/2007 RM'000
Revenue	<b>515,942</b>	449,356	<b>515,942</b>	449,356
Operating Expenses	<b>-503,826</b>	-439,409	<b>-503,826</b>	-439,409
Other Operating Income	<b>1,638</b>	2,164	<b>1,638</b>	2,164
Profit from Operations	<b>13,754</b>	12,111	<b>13,754</b>	12,111
Finance costs	<b>-5,093</b>	-3,790	<b>-5,093</b>	-3,790
Investing Results	<b>0</b>	0	<b>0</b>	0
Profit from ordinary activities before tax	<b>8,661</b>	8,321	<b>8,661</b>	8,321
Taxation	<b>-2,182</b>	-2,026	<b>-2,182</b>	-2,026
Profit from ordinary activities after tax	<b>6,479</b>	6,295	<b>6,479</b>	6,295
Minority Interest	<b>0</b>	0	<b>0</b>	0
Profit attributable to ordinary equity holders of the parent	<b>6,479</b>	6,295	<b>6,479</b>	6,295
Earnings per share (Sen)				
- Basic	<b>10.80</b>	10.49	<b>10.80</b>	10.49
- 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 2007*

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2008

**Condensed Consolidated Balance Sheets**

	<b>As at Current Financial Period end 31/03/2008 RM'000</b>	<b>As at Preceding Financial Year end 31/12/2007 RM'000</b>
<b>Non current assets</b>		
Property, plant and equipment	<b>186,083</b>	186,110
Deferred tax assets	<b>9,686</b>	9,400
Intangible assets	<b>3,873</b>	4,268
Goodwill on consolidation	<b>26,841</b>	25,987
Prepaid Lease Payment	<b>4,970</b>	4,983
<b>Current assets</b>		
Inventories	<b>174,032</b>	237,417
Trade and other receivables	<b>320,394</b>	256,295
Marketable securities	<b>5,361</b>	1,562
Deposits, bank and cash balances	<b>91,132</b>	92,795
Tax recoverable	<b>4,510</b>	5,107
	<b>595,429</b>	593,176
<b>Less : Current Liabilities</b>		
Trade and other payables	<b>105,710</b>	193,180
Provision	<b>8,528</b>	7,699
Current tax liabilities	<b>7,242</b>	5,240
Post-employment benefit obligations	<b>230</b>	558
Short term bank borrowings (interest bearing)	<b>233,738</b>	195,797
	<b>355,448</b>	402,474
<b>Net Current Assets</b>	<b>239,981</b>	190,702
<b>Less: Non current liabilities</b>		
Term loan	<b>215,208</b>	169,377
Post-employment benefit obligations	<b>24,025</b>	23,106
Deferred tax liabilities	<b>84</b>	27
Deferred income	<b>3,187</b>	3,126
	<b>242,504</b>	195,636
	<b>228,930</b>	225,814
<b>Capital and reserves</b>		
Share capital	<b>60,000</b>	60,000
Share premium	<b>17</b>	17
Exchange fluctuation reserve	<b>-3,025</b>	338
Retained earnings	<b>171,938</b>	165,459
	<b>228,930</b>	225,814

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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 2007*

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2008

**Condensed Consolidated Statement of Changes in Equity**

		<u>Non-distributable</u>		<u>Distributable</u>	
	<b>Share Capital RM'000</b>	<b>Share premium RM'000</b>	<b>Exchange fluctuation reserves RM'000</b>	<b>Retained earnings RM'000</b>	<b>Total RM'000</b>
<b><u>3 months ended 31/03/2008</u></b>					
Balance at 01/01/2008	<b>60,000</b>	<b>17</b>	<b>338</b>	<b>165,459</b>	<b>225,814</b>
Currency translation differences arising in the period	<b>0</b>	<b>0</b>	<b>-3,363</b>	<b>0</b>	<b>-3,363</b>
Net Profit for the year	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,479</b>	<b>6,479</b>
Dividends for the year ended 31 December 2007	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Balance at 31/03/2008	<b>60,000</b>	<b>17</b>	<b>-3,025</b>	<b>171,938</b>	<b>228,930</b>
<b><u>3 months ended 31/03/2007</u></b>					
Balance at 01/01/2007	60,000	17	<b>-2,028</b>	<b>136,145</b>	194,134
Currency translation differences arising in the period	0	0	<b>-607</b>	<b>0</b>	-607
Net Profit for the year	0	0	<b>0</b>	<b>6,295</b>	6,295
Dividends for the year ended 31 December 2006	0	0	0	0	0
Balance at 31/03/2007	60,000	17	-2,635	142,440	199,822

*The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007*

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2008

**Condensed Consolidated Cash Flow Statements**

	<b>Current Year To Date ended 31/03/2008 RM'000</b>	Year To Date ended 31/03/2007 RM'000
<b><i>Operating activities</i></b>		
Cash from operations	-62,406	98,961
Interest paid	-5,241	-3,542
Tax refund	1,492	0
Tax paid	-1,642	-2,514
Net cash flow from operating activities	-67,797	92,905
<b><i>Investing Activities</i></b>		
Purchase of property, plant and equipment	-8,502	-8,772
Proceeds from disposal of property, plant and equipment	935	53
Investment in subsidiaries	0	0
Proceeds from disposal of investment	0	1,883
Investment in marketable securities	-3,747	0
Dividend received	0	0
Interest received	898	1,050
Net cash flow from investing activities	-10,416	-5,786
<b><i>Financing Activities</i></b>		
Proceeds from short term borrowings (net)	39,503	-63,011
Bonus shares issue expenses	0	0
(Repayment) / drawdown of term loan (net)	40,295	4,611
Cash grant received	0	0
Dividends paid to shareholders	0	0
Net cash flow from financing activities	79,798	-58,400
Changes in cash and cash equivalents	1,585	28,719
Currency translation differences	730	-86
<b>Cash and cash equivalents</b>		
- at start of period	48,317	25,907
- at end of period	50,632	54,540

*The Condensed Consolidated Cash Flow Statements should be read in conjunction with  
the Annual Financial Report for the year ended 31 December 2007*

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

Interim report for the first quarter ended 31 March 2008

*Notes:-*

### **1) Basis of preparation and Accounting Policies**

The interim financial statements have been prepared in accordance with Financial Reporting Standard (FRS) 134 “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007, except that the Group had adopted the new / revised standards mandatory for annual periods beginning on or after 1 January 2008, which are as below :

FRS 107	:	Cash Flow Statements
FRS 112	:	Income Taxes
FRS 118	:	Revenue
FRS 119	:	Employee Benefits
Amendment to FRS 121	:	The effects of Changes in Foreign Exchange Rates – New Investment in a Foreign Operation
FRS 126	:	Accounting and Reporting by Retirement Benefit Plan
FRS 134	:	Interim Financial Reporting
FRS 137	:	Provisions, Contingent Liabilities and Contingent Assets

The adoption of these new / revised standard and interpretation does not result in significant changes in accounting policies of the Group.

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

The auditors’ report for the preceding annual financial statements for the year ended 31 December 2007 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 2008.

**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:

<b>Segment reporting</b>	<b>Malaysia RM'000</b>	<b>Rest of Asia RM'000</b>	<b>European Union RM'000</b>	<b>North America RM'000</b>	<b>Eliminations RM'000</b>	<b>Group RM'000</b>
<b>Period ending 31.03.2008</b>						
<b>Revenue</b>						
External	329,128	26,873	159,941	0	0	515,942
Inter segment revenue	1,477	0	0	0	(1,477)	0
Total revenue	330,605	26,873	159,941	0	(1,477)	515,942
<b>Results</b>						
Segment Results	4,533	1,122	8,302	(464)	261	13,754
Finance cost						(5,093)
Tax expense						(2,182)
Net profit for the period						6,479
<b>As at 31.03.2008</b>						
Segment assets	416,623	154,988	306,683	20,573	(86,181)	812,686
Unallocated assets						14,197
Total assets						826,883
Segment liabilities	204,977	53,686	100,082	23,046	(6,371)	375,420
Unallocated liabilities						222,533
Total liabilities						597,953

**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 2007.

**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 2008 is as follows :

	<b><u>RM'000</u></b>
Property, plant and equipment :-	
Authorised and contracted for	90,909
Authorised but not contracted for	11,232
Total	102,141

### 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 RM8.661 million and turnover of RM515.942 million. Group's pre-tax profit was marginally higher compared to corresponding previous year period pre-tax profit of RM8.321 million mainly due to overall better operating performance. The revenue for the period was higher as compared to previous year period of RM449.356 million mainly due to higher copper prices.

#### Malaysia :

The domestic markets remained sluggish mainly due to higher copper prices, weak recovery of domestic demand in the construction sector and intense competition due to over capacity. High credit risks are restricting the company's sales in the domestic market.

#### Austria :

The demand within Power Transmission & Distribution sector remained strong. ASTA was able to utilize almost full capacity. However, it was only able to mitigate partially the impact of selling prices pressures due to increasing competition and costs.

#### China :

The transformer industry sector is performing well. However, competition from local producers of CTC is strong and prices remain very competitive. The utilization of new capacity is being augmented gradually. Quality is being stabilized.

Subject to above, in the opinion of the Directors, the results from 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 RM8.661 million was lower compared to preceding quarter's pre-tax of RM14.364 million mainly due to lower sales volumes due to festive season and costs associated with new plant in China and greenfield projects under execution in India and USA.

### 16) **Current year Prospects**

#### Malaysia :

Copper prices remain very high and volatile as compared to historical levels. Market demand for copper rod, wire and strip industry in Malaysia has been affected due to this. Credit risks remain high. Domestic business seems to be slowing down considerably with delays to several major projects.

Austria :

Production facilities are operating at full capacity and additional efficiencies are being pursued to mitigate the impact of cost increases and lower selling prices due to increasing competition. The demand from the power transmission and distribution sector remains good. Significant new capacity is being added in European market which will have adverse effect on the profitability.

China :

New facility has just commenced production. Quality and efficiencies are being stabilized. Relocation of old factory is expected to be completed by mid-year. Plans are being developed to place a good part of the new capacity in the market. Competition from domestic producers remains intense with considerable pressure on operating margins.

USA & India:

USA and India greenfield projects are under execution and are expected to commence production by early next year with a gestation period of about eighteen months.

Copper prices remain high thereby increasing working capital requirements and financing costs across the Group. Volatility in copper prices have also increased the risks.

Barring any unforeseen events, the Board expects the performance of the Group for the financial year 2008 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 31/03/08 RM'000</b>	<b>Comparative Year Quarter 31/03/07 RM'000</b>	<b>Current Year To Date 31/03/08 RM'000</b>	<b>Comparative Year To Date 31/03/07 RM'000</b>
In respect of current period:				
- income tax	<b>2,210</b>	2,231	<b>2,210</b>	2,231
- deferred tax	<b>(28)</b>	(205)	<b>(28)</b>	(205)
	<b>2,182</b>	2,026	<b>2,182</b>	2,026

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 and tax-exempt income of 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 22 May 2008)**

There were no corporate proposals announced but not completed as at 22 May 2008.

## 22) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 31 March 2008 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	104,478	EUR	20,743	Secured
- Term Loan	110,730	EUR	21,984	Unsecured
	<u>215,208</u>			
Short-term borrowings:				
- Foreign Currency Trade Loan	150,560	USD	46,000	Unsecured
- Working Capital Loan	21,791	RMB	48,000	Unsecured
- Banker Acceptance	8,500			Unsecured
- Export Financing	52,887	EUR	10,500	Secured
	<u>233,738</u>			
<b>Total</b>	<b><u>448,946</u></b>			

## 23) Off-balance sheet financial instruments

As at 22 May 2008, the foreign exchange currency contracts that have been entered into by the Group to hedge its trade payables/receivables are as follows:-

<b><u>Currency</u></b>	<b><u>Purpose</u></b>	<b><u>Contracts amounts (in thousands)</u></b>	<b><u>Equivalent amount (in RM'000)</u></b>	<b><u>Maturity Date</u></b>
USD	Future Sales	7,800	26,608	Jun'08 – Dec'09

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 31/03/08 RM'000</b>	<b>Comparative Year Quarter 31/03/07 RM'000</b>	<b>Current Year To Date 31/03/08 RM'000</b>	<b>Comparative Year To Date 31/03/07 RM'000</b>
<b>Basic</b>				
Net profit for the period (RM'000)	6,479	6,295	6,479	6,295
Weighted average number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	10.80	10.49	10.80	10.49

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 **29 May 2008**.