

METROD (MALAYSIA) BERHAD

Interim report for the third quarter ended 30 September 2008

Condensed Consolidated Income Statements

	Current Quarter 30/09/2008 RM'000	Comparative Quarter 30/09/2007 RM'000	Current Year To Date 30/09/2008 RM'000	Comparative Year To Date 30/09/2007 RM'000
Revenue	518,235	544,967	1,595,983	1,528,216
Operating Expenses	-506,143	-528,681	-1,558,310	-1,491,690
Other Operating Income	4,639	1,446	8,397	6,200
Profit from Operations	16,731	17,732	46,070	42,726
Finance costs	-5,572	-4,973	-15,401	-12,276
Investing Results	0	0	0	0
Profit from ordinary activities before tax	11,159	12,759	30,669	30,450
Taxation	-3,443	-2,801	14,357	-6,689
Profit from ordinary activities after tax	7,716	9,958	45,026	23,761
Minority Interest	0	0	0	0
Profit attributable to ordinary equity holders of the parent	7,716	9,958	45,026	23,761
Earnings per share (Sen)				
- Basic	12.86	16.60	75.04	39.60
- 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 2007*

METROD (MALAYSIA) BERHAD

Interim report for the third quarter ended 30 September 2008

Condensed Consolidated Balance Sheets

	As at Current Financial Period end 30/09/2008 RM'000	As at Preceding Financial Year end 31/12/2007 RM'000
Non current assets		
Property, plant and equipment	211,932	186,110
Deferred tax assets	19,317	9,400
Intangible assets	2,755	4,268
Goodwill on consolidation	26,450	25,987
Prepaid Lease Payment	5,254	4,983
Current assets		
Inventories	120,315	237,417
Trade and other receivables	343,904	256,295
Marketable securities	1,714	1,562
Deposits, bank and cash balances	151,663	92,795
Tax recoverable	4,507	5,107
	622,103	593,176
Less : Current Liabilities		
Trade and other payables	85,348	193,180
Provision	8,674	7,699
Current tax liabilities	5,354	5,240
Post-employment benefit obligations	220	558
Short term bank borrowings (interest bearing)	279,255	195,797
	378,851	402,474
Net Current Assets	243,252	190,702
Less: Non current liabilities		
Term loan	209,474	169,377
Post-employment benefit obligations	24,422	23,106
Deferred tax liabilities	197	27
Deferred income	3,413	3,126
	237,506	195,636
	271,454	225,814
Capital and reserves		
Share capital	60,000	60,000
Share premium	17	17
Exchange fluctuation reserve	8,152	338
Retained earnings	203,285	165,459
	271,454	225,814

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 third quarter ended 30 September 2008

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>9 months ended 30/09/2008</u>					
Balance at 01/01/2008	60,000	17	338	165,459	225,814
Currency translation differences arising in the period	0	0	7,814	0	7,814
Net Profit for the period	0	0	0	45,026	45,026
Dividends for the year ended 31 December 2007	0	0	0	-7,200	-7,200
Balance at 30/09/2008	60,000	17	8,152	203,285	271,454
 <u>9 months ended 30/09/2007</u>					
Balance at 01/01/2007	60,000	17	-2,028	136,145	194,134
Currency translation differences arising in the period	0	0	1,931	0	1,931
Net Profit for the period	0	0	0	23,761	23,761
Dividends for the year ended 31 December 2006	0	0	0	-7,200	-7,200
Balance at 30/09/2007	60,000	17	-97	152,706	212,626

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 third quarter ended 30 September 2008

Condensed Consolidated Cash Flow Statements

	Current Year To Date ended 30/09/2008 RM'000	Year To Date ended 30/09/2007 RM'000
<i>Operating activities</i>		
Cash from operations	-15,651	86,378
Interest paid	-15,098	-12,162
Tax refund	7,853	0
Tax paid	-5,406	-16,896
Net cash flow from operating activities	<u>-28,302</u>	<u>57,320</u>
<i>Investing Activities</i>		
Purchase of property, plant and equipment	-32,994	-41,926
Proceeds from disposal of property, plant and equipment	6,342	1,029
Proceeds from disposal of investment	0	1,883
Investment in marketable securities	-124	0
Interest received	3,002	2,990
Net cash flow from investing activities	<u>-23,774</u>	<u>-36,024</u>
<i>Financing Activities</i>		
(Repayment)/ drawdown of short term borrowings (net)	121,742	-6,545
(Repayment) / drawdown of term loan (net)	1,403	18,396
Dividends paid to shareholders	-7,200	-7,200
Net cash flow from financing activities	<u>115,945</u>	<u>4,651</u>
Changes in cash and cash equivalents	63,869	25,947
Currency translation differences	-1,023	433
Cash and cash equivalents		
- at start of period	<u>48,317</u>	<u>25,907</u>
- at end of period	<u>111,163</u>	<u>52,287</u>

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 third quarter ended 30 September 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

A first and final dividend of 12 sen per share, tax exempt (previous year 12 sen per share, tax exempt) amounting to RM7.2 million (previous year RM7.2 million) was paid on 17 July 2008 (previous year 17 July 2007) in respect of the financial year ended 31 December 2007.

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	North America RM'000	Eliminations RM'000	Group RM'000
Period ending 30.09.2008						
Revenue						
External	1,021,640	93,421	480,922	0	0	1,595,983
Inter segment revenue	7,712	0	0	0	(7,712)	0
Total revenue	1,029,352	93,421	480,922	0	(7,712)	1,595,983
Results						
Segment Results	11,355	3,686	29,512	(3,589)	5,106	46,070
Finance cost						(15,401)
Tax expense						14,357
Net profit for the period						45,026
As at 30.09.2008						
Segment assets	406,121	207,073	279,537	49,280	(78,023)	863,988
Unallocated assets						23,823
Total assets						887,811
Segment liabilities	233,932	21,565	96,964	51,931	(3,060)	401,332
Unallocated liabilities						215,025
Total liabilities						616,357

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 30 September 2008 is as follows :

	RM'000
Property, plant and equipment :-	
Authorised and contracted for	53,286
Authorised but not contracted for	3,750
Total	57,036

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

For the third quarter under review, the Group recorded a pre-tax profit of RM11.159 million and turnover of RM518.235million. Cumulatively, Group's pre-tax profit of RM30.669 million was marginally higher compared to corresponding previous year period pre-tax profit of RM30.450 million mainly due to overall better operating performance of overseas businesses though partially off-set due to the costs associated with new plant in China and greenfield projects under execution of India and USA. The revenue for the period was also marginally higher at RM1595.983million as compared to corresponding previous year period of RM1528.216 million

Malaysia :

The markets remained depressed mainly due to weak domestic demand in the construction sector and intense competition due to over capacity. Due to turmoil in financial markets, credit risks have increased.

Austria :

The demand from Power Transmission & Distribution sector remained good. ASTA was able to utilize its full capacity.

China :

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

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 RM11.159 million was higher compared to preceding quarter's pre-tax of RM10.849 million mainly due to better sales-mix.

16) Current year Prospects

Global financial markets are in turmoil. The magnitude and severity of these events on the business of the Metrod Group going forward is as yet unclear.

Malaysia :

Market demand for copper rod, wire and strip industry in Malaysia has been affected due to current weak domestic business. Credit risks have increased. Domestic business seems to be slowing down with delays to several major projects and property market softening. There have been major increases in energy costs which are impacting the performance.

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 for the immediate future. Significant new capacity is being added in Europe and global market which could have an adverse effect on ASTA's profitability in the long run.

China :

Relocation of old factory has been completed. The capacity utilization is being ramped up both from production and market perspectives. Quality and efficiencies are being stabilized. 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 trial production by early next year with a gestation period of about eighteen months to two years.

Volatility in copper prices have also increased the risks.

The Board expects the performance of the Group for the financial year 2008 to be satisfactory in the context explained above. However, the on-going slow down in economic activity is likely to have an adverse impact on the performance of the Group going forward.

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 30/09/08 RM'000	Comparative Year Quarter 30/09/07 RM'000	Current Year To Date 30/09/08 RM'000	Comparative Year To Date 30/09/07 RM'000
In respect of current period:				
- income tax	3,032	4,101	7,936	8,256
- deferred tax	746	(39)	2,751	(306)
	3,778	4,062	10,687	7,950
In respect of prior year:				
- income tax	(335)	(1,261)	(12,684)	(1,261)
- deferred tax	-	-	(12,360)	-
	(335)	(1,261)	(25,044)	(1,261)
TOTAL :	3,443	2,801	(14,357)	6,689

Effective tax rate was lower due to lower tax rate for two foreign subsidiaries.

The tax credit for the current year-to-date for the Group and the Company was mainly due to impact of tax incentive accrued as explained in notes to the second quarter announced on 29 August 2008.

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 5 November 2008)

There were no corporate proposals announced but not completed as at 5 November 2008.

22) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 30 September 2008 are as follows:-

	Amount RM'000	Denominated in Foreign Currency		Secured / Unsecured
		Foreign Currency	Foreign Currency Amount ('000)	
Long-term borrowings				
- Term Loans	50,728	EUR	10,220	Secured
- Term Loan	158,746	EUR	31,982	Unsecured
	209,474			
Short-term borrowings:				
- Foreign Currency Trade Loan	100,267	USD	29,000	UnSecured
- Term Loans	52,229	EUR	10,523	Secured
- Banker Acceptance	76,380	RM		Unsecured
- Finance Lease Liability	266	EUR	54	Secured
- Short Term Credit Facility	50,113	RMB	100,000	Unsecured
	279,255			
Total :	488,729			

23) Off-balance sheet financial instruments

As at 5 November 2008, 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)	Maturity Date
USD	Future Sales	12,300	42,538	Nov'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

	Current Year Quarter 30/09/08 RM'000	Comparative Year Quarter 30/09/07 RM'000	Current Year To Date 30/09/08 RM'000	Comparative Year To Date 30/09/07 RM'000
Basic				
Net profit for the period (RM'000)	7,716	9,958	45,026	23,761
Weighted average number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	12.86	16.60	75.04	39.60

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. Basic earnings per share are affected by an unusual item pertaining to tax credit as explained in Note 18.

26) Authorisation for issue

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on **12 November 2008**.