

METROD (MALAYSIA) BERHAD

Interim report for the second quarter ended 30 June 2009

Condensed Consolidated Income Statements

	Current Quarter 30/06/2009 RM'000	Comparative Quarter 30/06/2008 RM'000	Current Year To Date 30/06/2009 RM'000	Comparative Year To Date 30/06/2008 RM'000
Revenue	425,280	561,806	731,728	1,077,748
Operating Expenses	-414,185	-548,341	-712,432	-1,052,167
Other Operating Income	2,150	2,120	5,398	3,758
Profit from Operations	13,245	15,585	24,694	29,339
Finance costs	-4,167	-4,736	-9,358	-9,829
Investing Results	0	0	0	0
Profit from ordinary activities before tax	9,078	10,849	15,336	19,510
Taxation	-2,507	19,982	-3,985	17,800
Profit from ordinary activities after tax	6,571	30,831	11,351	37,310
Minority Interest	0	0	0	0
Profit attributable to ordinary equity holders of the parent	6,571	30,831	11,351	37,310
Earnings per share (Sen)				
- Basic	10.95	51.39	18.92	62.18
- 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 2008*

METROD (MALAYSIA) BERHAD

Interim report for the second quarter ended 30 June 2009

Condensed Consolidated Balance Sheets

	As at Current Financial Period end 30/06/2009 RM'000	As at Preceding Financial Year end 31/12/2008 RM'000
Non current assets		
Property, plant and equipment	291,543	263,983
Deferred tax assets	27,025	27,666
Intangible assets	2,498	3,393
Goodwill on consolidation	26,490	25,989
Prepaid Lease Payment	9,013	8,834
	<u>356,569</u>	<u>329,865</u>
Current assets		
Inventories	110,751	185,380
Trade and other receivables	226,136	232,984
Marketable securities	755	4,795
Deposits, bank and cash balances	169,809	215,461
Tax recoverable	1,029	5,995
	<u>508,480</u>	<u>644,615</u>
Less : Current Liabilities		
Trade and other payables	91,732	112,733
Provision	9,354	9,155
Current tax liabilities	8,754	5,570
Post-employment benefit obligations	485	595
Short term bank borrowings (interest bearing)	245,682	336,452
	<u>356,007</u>	<u>464,505</u>
Net Current Assets	<u>152,473</u>	<u>180,110</u>
Less: Non current liabilities		
Term loan	175,336	193,315
Post-employment benefit obligations	25,088	24,162
Deferred tax liabilities	1,398	1,182
Deferred income	5,867	5,420
	<u>207,689</u>	<u>224,079</u>
	<u>301,353</u>	<u>285,896</u>
Capital and reserves		
Share capital	60,000	60,000
Share premium	17	17
Exchange fluctuation reserve	6,790	2,684
Retained earnings	234,546	223,195
	<u>301,353</u>	<u>285,896</u>

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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 2008

METROD (MALAYSIA) BERHAD

Interim report for the second quarter ended 30 June 2009

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 30/06/2009</u>					
Balance at 01/01/2009	60,000	17	2,684	223,195	285,896
Currency translation differences arising in the period	0	0	4,106	0	4,106
Net Profit for the period	0	0	0	11,351	11,351
Dividends for the year ended 31 December 2008	0	0	0	0	0
Balance at 30/06/2009	60,000	17	6,790	234,546	301,353
<u>6 months ended 30/06/2008</u>					
Balance at 01/01/2008	60,000	17	338	165,459	225,814
Currency translation differences arising in the period	0	0	2,986	0	2,986
Net Profit for the period	0	0	0	37,310	37,310
Dividends for the year ended 31 December 2007	0	0	0	0	0
Balance at 30/06/2008	60,000	17	3,324	202,769	266,110

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2008

METROD (MALAYSIA) BERHAD

Interim report for the second quarter ended 30 June 2009

Condensed Consolidated Cash Flow Statements

	Current Year To Date ended 30/06/2009 RM'000	Year To Date ended 30/06/2008 RM'000
<i>Operating activities</i>		
Cash from operations	105,799	11,471
Interest paid	-8,879	-8,083
Tax refund	3,433	1,496
Tax paid	-4,398	-2,491
Net cash flow from operating activities	95,955	2,393
<i>Investing Activities</i>		
Purchase of property, plant and equipment	-34,130	-23,823
Proceeds from disposal of property, plant and equipment	442	935
Disposal of marketable securities	3,981	56
Dividend received	70	0
Interest received	2,302	1,739
Net cash flow from investing activities	-27,335	-21,093
<i>Financing Activities</i>		
(Repayment)/ drawdown of short term borrowings (net)	-110,006	22,384
Deposits pledged as securities	-9,794	0
(Repayment) / drawdown of term loan (net)	-7,717	37,554
Net cash flow from financing activities	-127,517	59,938
Changes in cash and cash equivalents	-58,897	41,238
Currency translation differences	3,441	626
Cash and cash equivalents		
- at start of period	173,581	48,317
- at end of period	118,125	90,181

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2008

METROD (MALAYSIA) BERHAD (66954-H)

Interim report for the second quarter ended 30 June 2009

Notes:-

1) Basis of preparation and Accounting Policies

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard (FRS) 134 “Interim Financial Reporting” and paragraph 9.22 and Appendix 9B 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 2008. 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 2008.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 31 December 2008.

2) Audit qualification of preceding annual financial statements

The auditors’ report for the preceding annual financial statements for the year ended 31 December 2008 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 2009.

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 30.06.2009						
Revenue						
External	407,423	73,751	249,328	1,226	0	731,728
Inter segment revenue	11,904	0	0	0	(11,904)	0
Total revenue	419,327	73,751	249,328	1,226	(11,904)	731,728
Results						
Segment Results	9,520	2,501	19,402	(6,729)	0	24,694
Finance cost						(9,358)
Tax expense						(3,985)
Net profit for the period						11,351
As at 30.06.2009						
Segment assets	319,028	219,415	309,897	76,150	(87,494)	836,996
Unallocated assets						28,053
Total assets						865,049
Segment liabilities	25,481	22,110	89,122	5,306	(9,492)	132,527
Unallocated liabilities						431,169
Total liabilities						563,696

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 30 June 2009.

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 2009 is as follows :

	RM'000
Property, plant and equipment :-	
Authorised and contracted for	13,489
Authorised but not contracted for	2,505
Total	15,994

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 RM9.078 million. Group's pre-tax profit was lower compared to corresponding previous year period pre-tax profit of RM10.849 million mainly due to lower margins and start-up costs associated with green-field projects under execution in India and USA. The revenue for the period was lower at RM425.280 million as compared to corresponding previous year period of RM561.806 million mainly due to lower copper prices.

Malaysia :

The markets showed some signs of improvement though remained depressed mainly due to weak domestic demand in the construction sector and intense competition due to over capacity. The difficult conditions in financial markets, increased credit and commercial risks.

Austria :

The demand from Power Transmission & Distribution sector showed signs of a decline. ASTA was able to utilize most of its capacity.

China :

The transformer industry showed sign of slowing down. Competition from local producers of CTC has been strong with government support and prices remained 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 RM9.078 million was higher compared to preceding quarter's pre-tax profit of RM6.258 million mainly due to higher volumes, better product-mix and savings.

16) Current year Prospects

Although a fragile stability appears to have returned to financial markets, the impact of recent events suggest a continuing adverse impact on the business segments in which the Group is involved. Visibility in respect of forward business remains poor and price competition remains intense.

Malaysia :

Market demand for copper rod and wire in Malaysia is showing some signs of improvement. Domestic business remains slow due to soft property market and weak demand. Credit risks remain. The strips business has been adversely affected by reduced demand.

Austria :

The demand from the power transmission and distribution sector showed signs of weakening as a result of the global financial crisis. Significant new capacity has been added in Europe and in global markets which could have an adverse effect on ASTA's profitability in the long run.

China :

Capacity utilization has been increased. Quality has stabilized and efficiencies are being pursued. Competition from domestic producers remains intense with considerable pressure on operating margins. The transformer industry is showing signs of slow down which will affect volumes.

USA & India :

The green-field projects in USA and India have just commenced commercial production. Gestation period is expected to remain about eighteen months to two years.

Volatility in copper prices has increased the risks. Copper prices which had come down significantly have almost doubled from the lower levels seen earlier this year.

The Board expects the performance of the Group for the financial year 2009 to be negatively impacted due to the global recession, the extent of which is difficult to determine at this stage. Nevertheless, the Board expects the performance to be reasonably satisfactory in the context of current economic conditions.

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 30/06/09 RM'000	Comparative Year Quarter 30/06/08 RM'000	Current Year To Date 30/06/09 RM'000	Comparative Year To Date 30/06/08 RM'000
In respect of current period:				
- income tax	2,096	2,694	3,010	4,904
- deferred tax	411	2,033	975	2,005
	2,507	4,727	3,985	6,909
In respect of prior year:				
- income tax	-	(12,349)	-	(12,349)
- deferred tax	-	(12,360)	-	(12,360)
	-	(24,709)	-	(24,709)
TOTAL :	2,507	(19,982)	3,985	(17,800)

Effective tax rate was marginally lower mainly due to lower tax rates of two subsidiaries.

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 20 August 2009)

There were no corporate proposals announced but not completed as at 20 August 2009.

22) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 30 June 2009 are as follows:-

	Amount RM'000	Denominated in Foreign Currency		Secured / Unsecured
		Foreign Currency	Foreign Currency Amount ('000)	
Long-term borrowings				
- Term Loan	124,794	EUR	25,110	Secured
- Term Loan	50,542	EUR	10,170	Unsecured
	175,336			
Short-term borrowings:				
- Foreign Currency Trade Loan	64,110	USD	18,200	Unsecured
- Working Capital Loan	36,179	RMB	70,000	Unsecured
- Working Capital Loan	4,245	USD	1,200	Secured
- Working Capital Loan	332	INR	4,563	Secured
- Export Financing	52,185	EUR	10,500	Secured
- Term Loan	64,994	EUR	13,078	Secured
- Term Loan	23,637	EUR	4,756	Unsecured
	245,682			
Total :	421,018			

23) Off-balance sheet financial instruments

As at 20 August 2009, the foreign exchange currency contracts that have been entered into by the Group to hedge its receivables are as follows:-

Currency	Purpose	Contracts amounts (in thousands)	Equivalent amount (in RM'000)	Maturity Date
USD	Future Sales	1,600	5,420	Sept'09-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 30/06/09 RM'000	Comparative Year Quarter 30/06/08 RM'000	Current Year To Date 30/06/09 RM'000	Comparative Year To Date 30/06/08 RM'000
Basic				
Net profit for the period (RM'000)	6,571	30,831	11,351	37,310
Weighted average number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	10.95	51.39	18.92	62.18

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.

Comparative period earnings were significantly higher (by 41.18 sen) due to tax credit for prior years.

26) Authorisation for issue

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on **27 August 2009**.