

METROD (MALAYSIA) BERHAD

Interim report for the third quarter ended 30 September 2009

Condensed Consolidated Income Statements

	Current Quarter 30/09/2009 RM'000	Comparative Quarter 30/09/2008 RM'000	Current Year To Date 30/09/2009 RM'000	Comparative Year To Date 30/09/2008 RM'000
Revenue	413,989	518,235	1,145,717	1,595,983
Operating Expenses	-405,985	-506,143	-1,118,417	-1,558,310
Other Operating Income	4,779	4,639	10,177	8,397
Profit from Operations	12,783	16,731	37,477	46,070
Finance costs	-3,385	-5,572	-12,743	-15,401
Investing Results	0	0	0	0
Profit from ordinary activities before tax	9,398	11,159	24,734	30,669
Taxation	-2,055	-3,443	-6,040	14,357
Profit from ordinary activities after tax	7,343	7,716	18,694	45,026
Minority Interest	0	0	0	0
Profit attributable to ordinary equity holders of the parent	7,343	7,716	18,694	45,026
Earnings per share (Sen)				
- Basic	12.24	12.86	31.16	75.04
- 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 third quarter ended 30 September 2009

Condensed Consolidated Balance Sheets

	As at Current Financial Period end 30/09/2009 RM'000	As at Preceding Financial Year end 31/12/2008 RM'000
Non current assets		
Property, plant and equipment	291,710	263,983
Deferred tax assets	26,811	27,666
Intangible assets	2,354	3,393
Goodwill on consolidation	27,076	25,989
Prepaid Lease Payment	8,890	8,834
	<u>356,841</u>	<u>329,865</u>
Current assets		
Inventories	148,621	185,380
Trade and other receivables	235,739	232,984
Marketable securities	876	4,795
Deposits, bank and cash balances	179,992	215,461
Tax recoverable	1,591	5,995
	<u>566,819</u>	<u>644,615</u>
Less : Current Liabilities		
Trade and other payables	83,303	112,733
Provision	9,984	9,155
Current tax liabilities	5,225	5,570
Post-employment benefit obligations	331	595
Short term bank borrowings (interest bearing)	314,703	336,452
	<u>413,546</u>	<u>464,505</u>
Net Current Assets	<u>153,273</u>	<u>180,110</u>
Less: Non current liabilities		
Term loan	179,216	193,315
Post-employment benefit obligations	25,953	24,162
Deferred tax liabilities	1,515	1,182
Deferred income	5,762	5,420
	<u>212,446</u>	<u>224,079</u>
	<u>297,668</u>	<u>285,896</u>
Capital and reserves		
Share capital	60,000	60,000
Share premium	17	17
Exchange fluctuation reserve	2,962	2,684
Retained earnings	234,689	223,195
	<u>297,668</u>	<u>285,896</u>

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 third quarter ended 30 September 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>9 months ended 30/09/2009</u>					
Balance at 01/01/2009	60,000	17	2,684	223,195	285,896
Currency translation differences arising in the period	0	0	278	0	278
Net Profit for the period	0	0	0	18,694	18,694
Dividends for the year ended 31 December 2008	0	0	0	-7,200	-7,200
Balance at 30/09/2009	<u>60,000</u>	<u>17</u>	<u>2,962</u>	<u>234,689</u>	<u>297,668</u>
<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	<u>60,000</u>	<u>17</u>	<u>8,152</u>	<u>203,285</u>	<u>271,454</u>

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 third quarter ended 30 September 2009

Condensed Consolidated Cash Flow Statements

	Current Year To Date ended 30/09/2009 RM'000	Year To Date ended 30/09/2008 RM'000
<i>Operating activities</i>		
Cash from operations	72,105	-15,651
Interest paid	-12,833	-15,098
Tax refund	3,610	7,853
Tax paid	-6,390	-5,406
Net cash flow from operating activities	<u>56,492</u>	<u>-28,302</u>
<i>Investing Activities</i>		
Purchase of property, plant and equipment	-46,327	-32,994
Proceeds from disposal of property, plant and equipment	3,193	6,342
Disposal of / (Investment in) marketable securities	3,949	-124
Dividend received	83	0
Interest received	3,211	3,002
Net cash flow from investing activities	<u>-35,891</u>	<u>-23,774</u>
<i>Financing Activities</i>		
(Repayment)/ drawdown of short term borrowings (net)	-44,821	121,742
Deposits pledged as securities	-9,829	0
(Repayment) / drawdown of term loan (net)	-7,849	1,403
Dividends paid to shareholders	-7,200	-7,200
Net cash flow from financing activities	<u>-69,699</u>	<u>115,945</u>
Changes in cash and cash equivalents	-49,098	63,869
Currency translation differences	3,759	-1,023
Cash and cash equivalents		
- at start of year	<u>173,581</u>	<u>48,317</u>
- at end of period	<u>128,242</u>	<u>111,163</u>

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 third quarter ended 30 September 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

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 RM 7.2 million) was paid on 17 July 2009 (previous year 17 July 2008) in respect of the financial year ended 31 December 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:

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 30.09.2009						
Revenue						
External	670,234	100,840	369,134	5,509		1,145,717
Inter segment revenue	16,835	-	-	-	(16,835)	-
Total revenue	687,069	100,840	369,134	5,509	(16,835)	1,145,717
Results						
Segment Results	13,781	2,154	33,801	(12,259)	-	37,477
Finance cost						(12,743)
Tax expense						(6,040)
Net profit for the period						18,694
As at 30.09.2009						
Segment assets	394,694	201,402	305,897	80,545	(87,280)	895,258
Unallocated assets						28,402
Total assets						923,660
Segment liabilities	16,338	28,196	84,415	5,660	(9,277)	125,332
Unallocated liabilities						500,660
Total liabilities						625,992

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 2008.

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 2009 is as follows :

	RM'000
Property, plant and equipment :-	
Authorised and contracted for	3,978
Authorised but not contracted for	1,666
Total	5,644

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 RM9.398 million. Group's pre-tax profit was lower compared to corresponding previous year period pre-tax profit of RM11.159 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 RM413.989 million as compared to corresponding previous year period of RM518.235 million mainly due to lower copper prices.

Malaysia :

The markets showed some signs of improvement more because of inventory pipeline 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 have increased credit and commercial risks. Copper prices increased further during the quarter.

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 is showing signs of slowing down. Competition from local producers of CTC has been strong with government support and prices remained very competitive.

USA/ India :

Commercial production commenced during the quarter and the plant and production processes are under customers' audit. Orders are being executed with good quality. Production quality is being stabilised and quantities are being ramped up. Competition is already strong in both the markets. Gestation period is expected to remain about eighteen months to two years.

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 RM9.398 million was marginally higher compared to preceding quarter's pre-tax profit of RM9.078 million mainly due to better product-mix and cost savings.

16) Current year Prospects

Although a fragile stability appears to have returned to financial markets, the depth of the problems 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 seems to be weak again after seeing some demand for inventory build up. Domestic business remains slow due to soft property market and weak demand. Credit risks remain. The strip business has been adversely affected by reduced demand from the transformer and construction industry.

Austria :

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

China :

Capacity utilization has increased. 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 commenced commercial production during 2nd quarter. 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 more than 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, though 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 RM'000 30.09.2009	Comparative Year Quarter RM'000 30.09.2008	Current Year To Date RM'000 30.09.2009	Comparative Year To Date RM'000 30.09.2008
In respect of current period:				
- income tax	1,686	3,032	4,696	7,936
- deferred tax	369	746	1,344	2,751
	2,055	3,778	6,040	10,687
In respect of prior year:				
- income tax	-	(335)	-	(12,684)
- deferred tax	-	-	-	(12,360)
	-	(335)	-	(25,044)
TOTAL :	2,055	3,443	6,040	(14,357)

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 2 November 2009)

There were no corporate proposals announced but not completed as at 2 November 2009.

22) Group Borrowings and Debt Securities

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

	Amount RM'000	Denominated in Foreign Currency		Secured / Unsecured
		Foreign Currency	Foreign Currency Amount ('000)	
Long-term borrowings				
- Term Loan	127,556	EUR	25,110	Secured
- Term Loan	51,660	EUR	10,170	Unsecured
	179,216			
Short-term borrowings:				
- Foreign Currency Trade Loan	142,802	USD	41,100	Unsecured
- Banker Acceptance	8,800	RM		Unsecured
- Working Capital Loan	11,710	RMB	23,000	Unsecured
- Working Capital Loan	15,515	USD	4,437	Secured
- Working Capital Loan	2,171	INR	30,144	Unsecured
- Export Financing	43,179	EUR	8,500	Secured
- Term Loan	66,432	EUR	13,078	Secured
- Term Loan	24,094	EUR	4,473	Unsecured
	314,703			
Total :	493,919			

23) Off-balance sheet financial instruments

As at 2 November 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	800	2706	Nov 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 30/09/09 RM'000	Comparative Year Quarter 30/09/08 RM'000	Current Year To Date 30/09/09 RM'000	Comparative Year To Date 30/09/08 RM'000
Basic				
Net profit for the period (RM'000)	7,343	7,716	18,694	45,026
Weighted average number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (Sen)	12.24	12.86	31.16	75.04

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) Authorization for issue

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on **9 November 2009**.