

METROD (MALAYSIA) BERHAD

Interim report for the fourth quarter ended 31 December 2009

Condensed Consolidated Income Statements*The figures for the individual quarters have not been audited but figures for the cumulative quarters have been audited.*

	Current Quarter 31/12/2009 RM'000	Comparative Quarter 31/12/2008 RM'000	Current Year To Date 31/12/2009 RM'000	Comparative Year To Date 31/12/2008 RM'000
Revenue	407,332	400,531	1,553,049	1,996,514
Operating Expenses	-396,565	-384,418	-1,514,982	-1,942,728
Other Operating Income	8,535	3,605	18,712	12,002
Profit from Operations	19,302	19,718	56,779	65,788
Finance costs	-4,161	-8,689	-16,904	-24,090
Investing Results	0	0	0	0
Profit from ordinary activities before tax	15,141	11,029	39,875	41,698
Taxation	241	8,881	-5,799	23,238
Profit from ordinary activities after tax	15,382	19,910	34,076	64,936
Minority Interest	0	0	0	0
Profit attributable to ordinary equity holders of the parent	15,382	19,910	34,076	64,936
Earnings per share (Sen)				
- Basic	25.64	33.18	56.79	108.23
- 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 (66954-H)

Interim report for the fourth quarter ended 31 December 2009

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 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 adopted are consistent with those of the audited financial statements for the year ended 31 December 2008, except that the Group had adopted the new / revised standards mandatory for annual periods beginning on or after 1 January 2009, 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 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 31 December 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 31.12.2009						
Revenue						
External	898,759	134,684	502,842	16,764	0	1,553,049
Inter segment revenue	24,435	0	1,051	0	(25,486)	0
Total revenue	923,194	134,684	503,893	16,764	(25,486)	1,553,049
Results						
Segment Results	23,761	3,278	48,566	(17,216)	(1,610)	56,779
Finance cost						(16,904)
Tax expense						(5,799)
Net profit for the period						34,076
As at 31.12.2009						
Segment assets	368,229	203,366	568,278	92,535	(395,408)	837,000
Unallocated assets						34,832
Total assets						871,832
Segment liabilities	63,221	24,256	81,903	13,160	(12,274)	170,266
Unallocated liabilities						387,760
Total liabilities						558,026

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 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 31 December 2009 is as follows :

	RM'000
Property, plant and equipment :-	
Authorised and contracted for	3,330
Authorised but not contracted for	1,320
Total	4,650

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

For the fourth quarter under review, the Group recorded a pre-tax profit of RM15.141 million and turnover of RM407.332 million. Cumulatively, Group's pre-tax profit of RM39.875 million was marginally lower compared to previous year pre-tax profit of RM41.698 million mainly due to the costs associated with green-field projects in India and USA. The revenue for the year was also lower at RM1553.049 million as compared to previous year of RM1996.514 million mainly due to lower copper prices.

Malaysia :

The markets having shown some signs of improvement during the earlier part of the year, got depressed again 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.

Austria :

The order backlog and resultant demand from Power Transmission & Distribution sector showed signs of a decline. ASTA was able to utilize almost its full capacity. Competition had also increased.

China :

The transformer industry slowed down. Competition from local producers of CTC had been strong with government support and prices remained very competitive.

USA / India :

Both plants have secured approvals from various customers for its production processes and quality. Production and quality is being further stabilized and quantities are being ramped up. Competition is already strong in both the markets. Gestation period is expected to get extended due to unforeseen market conditions.

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 RM15.141 million was higher compared to preceding quarter's pre-tax of RM9.398 million mainly due to better product-mix, cost savings and lower provisions.

16) Current year Prospects

The global economies are yet to come out of the grips of recession and the recoveries are fragile. 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 continues to be weak. Domestic competition is also expected to increase with new capacities being installed. With the implementation of ASEAN free trade agreements and bilateral ASEAN agreements with China and Korea, the margins are under pressure. The strip business has been adversely affected by reduced demand from the transformer and construction industry. Credit risks remain as before.

Austria :

The demand from the power transmission and distribution sector is weakening as a result of the global financial crisis. Significant new capacity has been added in Europe and in global markets which would 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 experiencing a considerable slow down.

USA & India :

The green-field projects in USA and India are expected to remain in gestation for this year as envisaged earlier.

Volatility in copper prices has also 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 2010 to be negatively impacted due to the global recession and uncertainties in the 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 31/12/09 RM'000	Comparative Year Quarter 31/12/08 RM'000	Current Year To Date 31/12/09 RM'000	Comparative Year To Date 31/12/08 RM'000
In respect of current period:				
- income tax	6,939	(796)	11,635	7,140
- deferred tax	(7,233)	(7,478)	(5,889)	(4,727)
	(294)	(8,274)	5,746	2,413
In respect of prior year:				
- income tax	176	(491)	176	(13,175)
- deferred tax	(122)	(116)	(122)	(12,476)
	53	(607)	53	(25,651)
TOTAL :	(241)	(8,881)	5,799	(23,238)

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, this year being the last year for such tax credit.

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 18 February 2010)

There were no corporate proposals announced but not completed as at 18 February 2010.

22) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 31 December 2009 are as follows:-

	Amount RM'000	Denominated in Foreign Currency		Secured / Unsecured
		Foreign Currency	Foreign Currency Amount ('000)	
Long-term borrowings				
- Term Loans	110,950	EUR	22,555	Secured
- Term Loan	38,327	EUR	7,792	Unsecured
	149,277			
Short-term borrowings:				
- Export Financing	41,812	EUR	8,500	Unsecured
- Foreign Currency Trade Loan	70,545	USD	41,100	Unsecured
- Term Loans	64,330	EUR	13,078	Secured
- Bank Overdraft	1,057	INR	14,445	Secured
- Term Loans	23,395	EUR	4,756	Unsecured
- Short Term Credit Facility	9,537	RMB	19,000	Unsecured
- Short Term Credit Facility	2,196	INR	30,000	Unsecured
- Short Term Credit Facility	17,160	USD	5,000	Secured
	230,032			
Total :	379,309			

23) Off-balance sheet financial instruments

As at 18 February 2010, 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	5,000	17,255	Dec'10

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 31/12/09 RM'000	Comparative Year Quarter 31/12/08 RM'000	Current Year To Date 31/12/09 RM'000	Comparative Year To Date 31/12/08 RM'000
Basic				
Net profit for the period (RM'000)	15,382	19,910	34,076	64,936
Weighted average number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	25.64	33.18	56.79	108.23

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 41.74 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 **25 February 2010**.

METROD (MALAYSIA) BERHAD

Interim report for the fourth quarter ended 31 December 2009

Condensed Consolidated Balance Sheets

	As at Current Financial Period end 31/12/2009	As at Preceding Financial Year end 31/12/2008
	AUDITED	
	RM'000	RM'000
Non current assets		
Property, plant and equipment	288,063	263,983
Deferred tax assets	34,088	27,666
Intangible assets	2,150	3,393
Goodwill on consolidation	24,609	25,989
Prepaid Lease Payment	8,866	8,834
	<u>357,776</u>	<u>329,865</u>
Current assets		
Inventories	168,704	185,380
Trade and other receivables	177,315	232,984
Marketable securities	11	4,795
Deposits, bank and cash balances	167,281	215,461
Tax recoverable	745	5,995
	<u>514,056</u>	<u>644,615</u>
Less : Current Liabilities		
Trade and other payables	131,036	112,733
Provision	8,678	9,155
Current tax liabilities	995	5,570
Post-employment benefit obligations	739	595
Short term bank borrowings (interest bearing)	230,032	336,452
	<u>371,480</u>	<u>464,505</u>
Net Current Assets	<u>142,576</u>	<u>180,110</u>
Less: Non current liabilities		
Term loan	149,277	193,315
Post-employment benefit obligations	24,461	24,162
Deferred tax liabilities	1,547	1,182
Non current tax liabilities	5,909	0
Deferred income	5,352	5,420
	<u>186,546</u>	<u>224,079</u>
	<u>313,806</u>	<u>285,896</u>
Capital and reserves		
Share capital	60,000	60,000
Share premium	17	17
Exchange fluctuation reserve	3,718	2,684
Retained earnings	250,071	223,195
	<u>313,806</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 fourth quarter ended 31 December 2009

Condensed Consolidated Statement of Changes in Equity

The figures are audited.

	Share Capital RM'000	Share premium RM'000	Non-distributable Exchange fluctuation reserves RM'000	Distributable Retained earnings RM'000	Total RM'000
<u>12 months ended 31/12/2009</u>					
Balance at 01/01/2009	60,000	17	2,684	223,195	285,896
Currency translation differences arising in the period	0	0	1,034	0	1,034
Net Profit for the year	0	0	0	34,076	34,076
Dividends for the year ended 31 December 2008	0	0	0	-7,200	-7,200
Balance at 31/12/2009	60,000	17	3,718	250,071	313,806
<u>12 months ended 31/12/2008</u>					
Balance at 01/01/2008	60,000	17	338	165,459	225,814
Currency translation differences arising in the period	0	0	2,346	0	2,346
Net Profit for the year	0	0	0	64,936	64,936
Dividends for the year ended 31 December 2007	0	0	0	-7,200	-7,200
Balance at 31/12/2008	60,000	17	2,684	223,195	285,896

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 fourth quarter ended 31 December 2009

Condensed Consolidated Cash Flow Statements

	AUDITED	
	Current	
	Year To Date	Year To Date
	ended	ended
	31/12/2009	31/12/2008
	RM'000	RM'000
<i>Operating activities</i>		
Cash from operations	164,354	77,077
Interest paid	-17,102	-22,681
Tax refund	3,608	7,908
Tax paid	-7,475	-5,934
Net cash flow from operating activities	143,385	56,370
<i>Investing Activities</i>		
Purchase of property, plant and equipment	-54,967	-95,781
Proceeds from disposal of property, plant and equipment	3,953	6,955
Purchase of intangible assets	-1,200	0
Investment in subsidiaries	0	0
Disposal of / (Investment in) marketable securities	7,050	-3,168
Dividend received	89	212
Interest received	3,878	5,279
Net cash flow from investing activities	-41,197	-86,503
<i>Financing Activities</i>		
(Repayment)/ drawdown of short term borrowings (net)	-112,662	66,323
Deposits pledged as securities	-10,073	-1,352
(Repayment) / drawdown of term loan (net)	-32,140	95,566
Cash grant received	347	1,988
Dividends paid to shareholders	-7,200	-7,200
Net cash flow from financing activities	-161,728	155,325
Changes in cash and cash equivalents	-59,540	125,192
Currency translation differences	218	72
Cash and cash equivalents		
- at start of year	173,581	48,317
- at end of year	114,259	173,581

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