

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)
Quarterly Report on Consolidated Results for the Third Quarter Ended 31 December 2016

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of preparation

- (a) The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”).

The interim financial statements should be read in conjunction with the Group's financial statements for the year ended 31 March 2016. The 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 March 2016.

The significant accounting policies and methods of computation adopted in the preparation of this interim financial report are consistent with those adopted in the audited financial statements of the Company for the financial year ended 31 March 2016 except for the following standards, amendments to published standards and interpretations to existing standards which are applicable:

- Amendments to MFRS 116 “Property, plant and equipment”
- Amendments to MFRS 138 “Intangible assets”

The application of the standards and amendments to the standards do not have a material impact to the financial statements of the Group and the Company.

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective

The Group and the Company will apply the new standards, amendments to standards and interpretations in the following financial years:

- (i) Financial year beginning on/after 1 April 2017
- Amendments to MFRS 107 “Statement of cash flows” - Disclosure initiative
 - Amendments to MFRS 112 “Income taxes” - Recognition of deferred tax assets for unrealised losses
- (ii) Financial year beginning on/after 1 April 2018
- MFRS 9 “Financial instruments”
 - MFRS 15 “Revenue from contracts with customers”
- (iii) Financial year beginning on/after 1 April 2019
- MFRS 16 “Leases”

The Management is in the process of assessing the impact of the above standards and amendments to published standards on the financial statements of the Group and the Company in the year of initial application.

A2. Audit Report of the preceding annual Financial Statements

The audit report of the Group's preceding annual Financial Statements was not subject to any qualification.

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A3. Comments about Seasonal or Cyclical Factors

One of the products that the Group manufactures and sells is finstock (both bare and coated). This product is supplied to air conditioner manufacturers, in which sector demand is subject to seasonal changes.

A4. Unusual items affecting assets, liabilities, equity, net income, or cash flow

During the quarter under review, there were no unusual items affecting the assets, liabilities, equity, net income or cash flow of the Group.

A5. Material changes in estimates

There were no significant changes in estimates that have had a material effect on the financial year-to-date results.

A6. Debt and Equity Securities

The Company did not do any share buy-back during the quarter under review. There was therefore no movement on the 2,079,000 treasury shares held by the Company during the quarter under review.

In the same quarter, the Company did not issue or repay any debt or equity securities.

A7. Dividends paid

There was no dividend paid during the quarter under review.

A8. Segmental information

The Group is solely involved in the manufacturing of aluminium products and operates within Malaysia. Revenues are based on the regions in which the customers are located which are as follows:

	Revenue	
	Quarter Ended 31 Dec 2016 RM'000	Year To Date 31 Dec 2016 RM'000
Malaysia	22,388	69,417
Thailand	27,820	72,490
India	14,804	41,613
Asia (excluding Malaysia, Thailand and India)	2,763	8,651
Europe	9,611	23,212
Middle East	1,967	11,552
Others	2,436	5,923
Total	<u>81,789</u>	<u>232,858</u>

Revenue in the Malaysia segment which included sales to customers in the Licensed Manufacturing Warehouse and Free Trade Zone areas amounted to RM1.8 million for the current quarter and RM8.4 million for the year-to-date ended 31 December 2016.

Total Assets	RM'000
As at 31 December 2016	201,759

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A9. Valuation of Property, Plant and Equipment

There were no changes in the valuation of property, plant and equipment for the current financial quarter under review.

A10. Capital Commitments

Authorised capital expenditure for property, plant and equipment not provided for in the financial statements were as follows:

	Group 31 Dec 2016 RM'000
- Contracted	3,342
- Not Contracted	3,745
Total Capital Commitment	<u>7,087</u>

A11. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the quarter in which this report has been prepared.

A12. Changes in the composition of the Group

There were no changes in the composition of the Group as at the date of this report.

A13. Changes in contingent liabilities or contingent assets

The Group had no contingent liabilities or contingent assets as at end of the quarter.

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE
LISTING REQUIREMENTS OF BMSB**

B1. Review of Group Performance

Third quarter ended 31 December 2016 (“Q3 FY2017”) vs third quarter ended 31 December 2015 (“Q3 FY2016”)

The Group's recorded a revenue of RM81.8 million for the quarter under review (Q3 FY2017) which was RM2.0 million higher than the corresponding quarter of the preceding year (Q3 FY2016). This increased revenue was achieved with a better product mix against the background of a lower shipment volume and with aluminium prices on the London Metal Exchange (“LME”) being much higher in Q3 FY2017 compared to Q3 FY2016.

The Group registered a pre-tax profit of RM5.8 million for Q3 FY2017 as compared to the pre-tax profit of RM4.4 million in Q3 FY2016.

The comparatively better profitability performance was largely attributable to the higher contribution generated from a favorable sales mix shipment volume of the Coated Fin product category which is the one of the highest value product offerings by the Group. This was offset partially by higher costs with higher provisions made for staff bonus, employee welfare and directors' fees.

Cash reserve at the end of Q3 FY2017 stood at RM39.5 million as compared to RM36.6 million at the end of Q3 FY2016.

Year-to-date ended 31 December 2016 (“YTD FY2017”) vs year-to-date ended 31 December 2015 (“YTD FY2016”)

For the YTD FY2017, the Group recorded a revenue of RM232.9 million compared to RM209.7 million in the corresponding period YTD FY2016. This was largely derived from the higher shipment volumes achieved mainly for the Coated Fin product category which was in line with the Group's product portfolio strategy. This improved revenue was achieved despite the aluminium prices on the LME and transport premiums in aggregate being approximately 14% lower on average for YTD FY2017 as compared to YTD FY2016.

This increased revenue was the large contributor to the pre-tax profit achievement of RM10.6 million in YTD FY2017 as compared to the pre-tax profit of RM3.1 million posted in YTD FY2016. This significant improvement was mainly due to the strong shipment performance with focus on the increased volumes in the higher value product portfolio.

This performance was partially offset by increased costs in repairs & maintenance of machinery, higher imported reroll premium incurred, higher provisions for staff bonus, employee welfare and directors' fees. In addition, there was also higher provision for customer complaints with the introduction of warranty claims for roofing in YTD FY2017; contrasting with the reversal of provision for quality claim no longer required in YTD FY2016. The Group also incurred costs in YTD FY2017 which were related directly to the divestment by Novelis Inc. of its major stake in the Company. These costs included the engagement of professional services in relation to this divestment.

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B2. Material Changes in Profit before Taxation for the Quarter of Q3 FY2017 (“Q3 FY2017”) as compared with the Immediate Preceding Quarter ended 30 September 2016 (“Q2 FY2017”)

The Group recorded a pre-tax profit of RM5.8 million for the current quarter under review (Q3 FY2017) as compared to a pre-tax profit of RM2.5 million registered in the immediate preceding quarter (“Q2 FY2017”).

The higher pre-tax result in Q3 FY2017 was attained with a more favourable product mix despite shipment volumes being flat in Q3 FY2017 vs Q2 FY2017. The result also improved due to a higher *metal price lag gain**, lower warranty claims provisions, lower repairs & maintenance costs as well as lower provision requirement for inventory obsolescence. These items were offset partially by higher provisions made for staff bonus, employee welfare and directors' fees.

**metal price lag refers to timing differences experienced on the pass through of changing aluminium prices based on the price we pay for aluminium and the price we charge our customers after the aluminium is processed.*

B3. Commentary on Prospects

Notwithstanding the uncertainty of the macro environment which persisted in 2016, the Group has reported profits for the three consecutive financial quarters.

Going forward into 2017 with global growth expected to register at an uneven pace across regions and major economies, the Group will continue to be vigilant and responsive to the external business environment to sustain its performance. Concentration on operational efficiency and financial discipline will continue whilst maintaining focus on optimizing its products' sales mix and aggressively exploring potential new markets for its core products.

B4. Variance of actual profit from forecast profit

Not applicable.

B5. Profit for the Period

Profit for the period is arrived at after charging/(crediting):

	Quarter Ended 31 Dec 2016 RM'000	Year-To-Date 31 Dec 2016 RM'000
Interest income	301	900
Other income	4	71
Interest expenses	(8)	(23)
Depreciation and amortization	(2,502)	(8,240)
Provision for and write-off inventories	124	(57)
Foreign exchange (gain)/loss		
- Realised	412	(206)
- Unrealised	(576)	(1,813)
Net fair value (gain)/loss on Derivatives	10	1,623

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B6. Taxation

	Quarter ended		Year-To-Date	
	31 Dec 2016 RM'000	31 Dec 2015 RM'000	31 Dec 2016 RM'000	31 Dec 2015 RM'000
Current Tax				
- current year	(1,825)	(1,065)	(3,675)	(1,201)
- under/(over) provision	-	-	-	-
Deferred Taxation				
- Origination and reversal of temporary differences	(196)	(184)	(251)	204
Total	(2,021)	(1,249)	(3,926)	(997)

The effective tax rate of the Group for the current quarter was higher than the statutory tax rate due to non-deductibility of certain expenses.

B7. Status of Corporate Proposals

Not applicable.

B8. Group borrowings

As at end of Q3 FY2017, the Group had no bank borrowings.

B9. Derivative Financial Instruments

As at 31 December 2016, total contract value and fair value of the Group's outstanding forward foreign exchange contracts stood as follows:

Types of Derivatives (Foreign Exchange Contracts)	Contract/Notional Value RM'000	Fair Value RM'000
Less than 1 year		
- Payable	4,887	4,888
- Receivable	41,487	41,975

B10. Changes in Material Litigation

Not applicable.

B11. Dividend Payable

Not applicable. No dividend has been declared for the current period under review.

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B12. Earnings Per Share

	Quarter ended 31 Dec 2016	Quarter ended 31 Dec 2015	Year-To-Date 31 Dec 2016	Year-To-Date 31 Dec 2015
Net Profit/(Loss) attributable to shareholders (RM'000)	3,732	3,108	6,644	2,144
Weighted average number of ordinary shares in issue (000)	132,252	132,252	132,252	132,252
Basic earnings/(loss) per share (sen)	2.82	2.35	5.02	1.62

B13. Realised and Unrealised Profit and Losses Disclosure

The determination of Realised and Unrealised Profits or Losses is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to BMSB's Listing Requirements, as issued by the Malaysian Institute of Accountants and at the directive of BMSB:

	As at 31Dec 2016	
	Group RM'000	Company RM'000
Total retained profits before consolidated adjustments		
- Realised	51,025	16,755
- Unrealised	(4,674)	(4,131)
Total Retained Profits as per consolidated accounts	46,351	12,624
Less: Consolidation adjustments	(15,257)	-
Total Retained Profits as per Financial Statements:	31,094	12,624

B14. Authorization of Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors passed on 21 February 2017.

BY ORDER OF THE BOARD
21 February 2017