NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

A1. Basis of preparation

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting, paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, International Financial Reporting Standards and the Companies Act 2016 in Malaysia.

Significant Accounting Policies

The accounting policies adopted in these condensed consolidated interim financial statements are consistent with those adopted for the financial year ended 31 December 2018, except for the adoption of the following Amendments and Annual Improvements to Standards which are effective for the annual periods beginning on or after 1 January 2019.

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standard 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

A1. Basis of preparation (continued)

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board but have not been adopted by Group:

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements*
- MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRS, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendment to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group plans to apply the abovementioned accounting standards, amendments and interpretations from the annual period beginning on 1 January 2020 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2020, except for Amendments to MFRS 11 which is not applicable to the Group. The Group does not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group.

PRESS METAL ®

PRESS METAL ALUMINIUM HOLDINGS BERHAD *(Company No.: 1198171-H)*
Suite 61 & 62, Setia Avenue, No. 2, Jalan Setia Prima S U13/S, Setia Alam Seksyen U13, 40170 Shah Alam, Selangor D.E.
Tel. : 603-3362-2188 Fax. : 603-3362-2003

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

A2. Auditors' report

The auditors' report of the audited financial statements for the financial year ended 2018 was not subject to any qualification.

A3. Seasonal or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors.

A4. Extraordinary and exceptional items

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the financial quarter under review.

A5. Changes in estimates

There were no changes in estimates during the financial quarter under review and financial period-to-date.

A6. Debt and equity securities

During the current financial period, the Company issued 81,629,864 new shares arising from the exercise of warrants.

There were no other debt and equity securities issued during the current financial period-to-date.

A7. Dividends paid

	Tax exempt (sen per share)	Total amount (RM'000)	Date of payment
Fourth interim 2018	1.50	60,292	02.04.2019
First interim 2019	1.25	50,403	28.06.2019

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

A8. Segmental information

Segmental information is presented in respect of the Group's business segments.

The Group comprises the following main business segments:

(i) Smelting and extrusion

Manufacturing and marketing of aluminium and other related products.

(ii) Contracting and others

Contracting of aluminium and stainless steel products.

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A8. Segmental information – *(cont'd)*

Business Segments

RM'000	**Smelting and extrusion**	**Contracting and others**	**Elimination**	**Total**
Revenue from external customers	4,255,996	48,859	-	4,304,855
Inter-segment revenue	757,415	53,868	(811,283)	-
Total revenue	**5,013,411**	**102,727**	**(811,283)**	**4,304,855**
Segment results	**367,151**	**(10,124)**		**357,027**
Share of associate's profit				8,057
Net finance costs				(86,046)
Profit before tax				279,038
Taxation				(16,607)
Profit after tax				262,431

Geographical Segments

RM'000	Malaysia	Asia Region	Europe Region	American Region	Elimination	Total
Revenue from external customers	4,209,742	581,429	209,984	114,983	(811,283)	4,304,855
Segment assets by location	12,661,309	1,345,638	144,740	57,819	(5,964,317)	8,245,189
Investment in associates	105,809	481,039	-	-	-	586,848
	12,767,118	1,826,677	144,740	57,819	(5,964,317)	8,832,037

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

A9. Valuation of property, plant and equipment

There was no revaluation of property, plant and equipment brought forward from the previous audited financial statements, as the Group does not adopt a revaluation policy on its property, plant and equipment.

A10. Material events subsequent to the balance sheet date

There were no material event subsequent to the end of the financial period to the date of issue of this report.

A11. Changes in the composition of the Group

There were no significant changes in the composition of the Group for the current quarter under review.

A12. Contingent liabilities and contingent assets

There were no material changes in contingent liabilities and contingent assets as at the date of this quarterly report.

A13. Capital commitments

As at 30 June 2019, the Group has the following known commitments:

	RM'000
Authorised property, plant and equipment expenditures not provided for in the financial statements	5,000
	=======

A14. Related party transactions

	6 months ended 30.06.2019
The Group	RM'000
With the affiliated companies – PMB Technology Berhad Group:-	
-Sales of aluminium products	73,112
-Purchase of fabricated aluminium products and building materials	24,647
	=======

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

Disclosure requirements per Bursa Malaysia Securities Berhad's Listing Requirements – Part A of Appendix 9B

Review of performance

B1. Q2 2019 vs Q2 2018

The Group registered a revenue of RM2.13 billion in Q2 2019 as compared to RM2.44 billion in Q2 2018. Revenue decreased by RM305.24 million or 12.52% mainly due to the lower metal price during the current year quarter.

The Group profit before tax ("PBT") dropped from RM221.42 million in Q2 2018 to RM123.47 million. PBT declined was in tandem with the lower metal price as compared to Q2 2018.

6M/2019 vs 6M/2018

The Group recorded a revenue of RM4.30 billion for the six months period ended 30 June 2019, representing a reduction of RM259.42 million or 5.68% as compared to the same period last year. The decline was mainly due to the softening of metal price during the period under review.

B2. Q2 2019 vs Q1 2019

The Group PBT in Q2 2019 was also lower than Q1 2019 by RM32.10 million or 20.64%, following by the further softening of metal price during the current quarter under review.

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

B3. Current year's prospects

For the last few quarters, we were operating in challenging macro environment exacerbated by on-going trade tensions. Overall, we deem 2019 as a challenging year but our low-cost model ensured we remained profitable. With alumina prices dropping to approximately USD300 per tonne in August 2019 from the year high of USD417, we expect margins to improve in the later part of 2019.

Aluminium being the emerging metal of choice with its green characteristics has the potential to further replace traditional materials. The long-term prospects are promising as we foresee wider applications across multiple industries.

B4. Profit forecast

Not applicable as no profit forecast was published.

B5. Taxation

Taxation comprises the following:

	6 months ended 30.6.2019 ***RM'000***
Malaysian income tax	2,778
Foreign tax	6,763
Deferred tax	7,066
	16,607

The effective tax rate of the Group was lower than the prevailing statutory tax rate due to the tax incentives granted to its subsidiaries.

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

B6. Retained earnings

	As at 30.06.2019 *RM'000*	As at 31.12.2018 *RM'000*
Retained earnings:		
Realised	2,517,955	2,396,476
Unrealised	(191,403)	(183,962)
	2,326,552	2,212,514
Total share of retained earnings of associate:		
Unrealised	(41,660)	(34,921)
Total Group retained earnings	2,284,892	2,177,593

B7. Status of Corporate Proposals Announced and Pending Completion

(i) Memorandum of Understanding ("MOU")

The Company had on 31 May 2019, entered into a MOU with PT Bintan Alumina Indonesia ("PT BAI") and its direct and indirect shareholders, which are Shandong Nanshan Aluminium Co. Ltd., Redstone Alumina International Pte. Ltd., and PT Mahkota Karya Utama.

PT BAI is principally involved in the production of non-ferrous metals. PT BAI is currently in the midst of constructing an alumina refinery plant together with the necessary facilities in Galang Batang.

The MOU set out the principles for the parties to further discuss the proposed capital injection by PMAHB into PT BAI via a subscription of approximately 25% of PT BAI shares by the Company.

B7. Status of Corporate Proposals Announced and Pending Completion-*cont'd*

(ii) Power Purchase Agreement entered with Syarikat Sesco Berhad

On 31 July 2019, the Company announced that it had executed a Power Purchase Agreement ("PPA") with Syarikat Sesco Berhad ("SESCO") for the sale and purchase of electric power of up to 500MW for a proposed third aluminium smelter plant at Samalaju Industrial Park, Sarawak. The power is expected to be drawn in 2 stages, with the 300MW tranche to commence first drawdown by October 2020 and lasts for 15 years and the balance 200 MW tranche as and when the same is made available, on a reasonable endeavor basis, by SESCO.

With this, Press Metal plans to construct a proposed third aluminium smelter in Samalaju Industrial Park, Sarawak, which will potentially increase its total smelting capacity up to 1,080,000 tonnes per annum upon full power drawdown, from the current 760,000 tonnes per annum. This will further enhance Press Metal's position as the region's largest integrated aluminium producer and a key global player in this industry.

Save as above**,** there were no corporate proposals announced but pending completion during the financial quarter.

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

B8. Group borrowings and debt securities as at 30 June 2019

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Long term	458,825	2,075,780	2,534,605
Short term	295,926	779,539	1,075,465
	754,751	2,855,319	3,610,070

Borrowings that are denominated in foreign currencies amounting to RM3,272 million are as follow: -

Currency		As at 30.06.2019 million
US Dollar	USD	756
Renminbi	RMB	241

B9. Derivative Financial Instruments

(a) Details of derivative financial instruments

Details of derivative financial instrument that are outstanding as at 30 June 2019 are as follows:

	Nominal value RM'000	Fair value assets/(liabilities) RM'000
Commodity swaps		
- Less than 1 year	5,114,751	16,329
- 1 year to 3 years	807,774	(18,502)
- More than 3 years	-	-
	5,922,525	(2,173)
Forward exchange contracts		
- Less than 1 year	1,694,371	4,424
- 1 year to 3 years	6,182,567	(116,355)
- More than 3 years	-	-
	7,876,938	(111,931)

The Group entered into commodity swaps to hedge its highly probable forecast physical alumimium delivery that are expected to occur at various dates in the future. The commodity swaps have maturity dates which match the expected occurrence of these transactions.

The Group entered into the forward exchange contracts to hedge its highly probable forecast transactions denominated in foreign currency expected to occur in the future. Such contracts have maturity dates that match the expected occurrence of these transactions.

These financial instruments are stated at fair value based on the financial institutions' quote.

B9. Derivative Financial Instruments *(cont'd)*

(a) Details of derivative financial instruments *(cont'd)*

All the derivatives were contracted with creditworthy financial institutions to mitigate the credit risk, market risk and liquidity risk associated with the derivatives.

There is no cash requirement for these derivatives other than the repayment obligation for the bank borrowings.

There have been no changes made to the accounting polices associated with those derivatives since the end of the previous financial year ended 31 December 2018.

(b) Fair value changes in financial liabilities

The gain arising from fair value changes of financial liabilities for the current quarter and financial year are as follows: -

Type of financial liabilities	Basis of fair value measurement	Reason for gain	Fair value gain/(loss)	
			Current quarter 30.6.2019 RM'000	Current period-to-date 30.6.2019 RM'000
Commodity swaps	Difference between the commodity swaps contracted price and the market forward price	Commodity price differential between the contracted price and market forward price which have moved in favour/(not in favour) of the Group	(8,976)	(14,712)
Forward exchange contracts	Difference between the contracted foreign exchange rates and the market forward rate	Foreign exchange rate differential between the contracted rate and the market forward rate which have moved in favour/(not in favour) of the Group	(141,632)	(126,609)
Total			(150,608)	(141,321)

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

B10. Material Litigation

There was no pending material litigation as at the date of this report.

B11. Dividend

The Board of Directors has approved a second interim single tier dividend of 1.25 sen per ordinary share, amounting approximately of RM50,435,000 for the financial year ending 31 December 2019.

The Book Closure and Payment Dates for the aforesaid dividend are 5 September 2019 and 24 September 2019 respectively.

B12. Earnings per ordinary share

(a) Basic earnings per share

	2nd Quarter 3 months ended		**Period-to-date 6 months ended**	
	30.06.19	**30.06.18**	**30.06.19**	**30.06.18**
Profit attributable to shareholders (RM'000)	102,887	160,603	217,994	311,080
Weighted average number of ordinary shares ('000)	4,024,776	3,868,061	4,002,295	3,864,207
Basic earnings per share (sen)	2.56	4.15	5.45	8.05
	========	========	========	========

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2019

B12. Earnings per ordinary share-*cont'd*

(b) Diluted earnings per share

	2nd Quarter 3 months ended		Period-to-date 6 months ended	
	30.06.19	**30.06.18**	**30.06.19**	**30.06.18**
Profit attributable to shareholders (RM'000)	102,887	160,603	217,994	311,080
Weighted average number of ordinary shares ('000)	4,024,776	3,868,061	4,002,295	3,864,207
Warrants C ('000)	5,810	156,813	5,805	156,813
	4,030,586	4,024,874	4,008,100	4,021,020
Diluted earnings per share (sen)	2.55	3.99	5.44	7.74

B13. Note to the Condensed Consolidated Income Statement

Profit before tax is arrived at after charging/(crediting) the following items:

	Current Quarter RM'000	Current Financial Period-To-Date RM'000
Interest income	(4,182)	(5,901)
Other income including investment income	-	-
Interest expense	47,760	91,947
Depreciation and amortisation	92,480	183,886
Provision for and write off of trade receivables	-	-
Provision for and write off of inventories	-	-
Loss/(Gain) on disposal of quoted or unquoted investment or properties	325	(3,093)
Impairment on assets	-	-
Realised foreign exchange loss	7,046	3,241
Unrealised foreign exchange loss/(gain)	3,201	(2,284)
Gain on derivatives	-	-
Property, plant and equipment written off	797	5,195
Exceptional item	-	-

On behalf of the Board

Tan Sri Dato' Koon Poh Keong
Group Chief Executive Officer
20 August 2019