

**METROD (MALAYSIA) BERHAD**

Interim report for the third quarter ended 30 September 2006

**Condensed Consolidated Income Statements**

|   | <b>Current<br/>Quarter<br/>30/09/2006<br/>RM'000</b> | Comparative<br>Quarter<br>30/09/2005<br>RM'000 | <b>Current<br/>Year To Date<br/>30/09/2006<br/>RM'000</b> | Comparative<br>Year To Date<br>30/09/2005<br>RM'000 |
|---|--|--|---|---|
| Revenue   | <b>546,587</b>                                       | 350,129  | <b>1,462,174</b>  | 1,019,031   |
| Operating Expenses  | <b>-535,373</b>                                      | -343,927                                       | <b>-1,435,014</b>   | -1,001,759  |
| Other Operating Income  | <b>3,800</b>   | 3,001  | <b>10,448</b>   | 9,519   |
| Profit from Operations  | <b>15,014</b>  | 9,203  | <b>37,608</b>   | 26,791  |
| Finance costs   | <b>-4,159</b>  | -1,713   | <b>-10,737</b>  | -5,466  |
| Investing Results   | <b>0</b>   | 0  | <b>0</b>  | 0   |
| Profit from ordinary activities<br>before tax                   | <b>10,855</b>  | 7,490  | <b>26,871</b>   | 21,325  |
| Taxation  | <b>-2,777</b>  | -3,088   | <b>-6,604</b>   | -6,027  |
| Profit from ordinary activities<br>after tax                    | <b>8,078</b>   | 4,402  | <b>20,267</b>   | 15,298  |
| Minority Interest   | <b>0</b>   | 0  | <b>0</b>  | 0   |
| Profit attributable to ordinary equity<br>holders of the parent | <b>8,078</b>   | 4,402  | <b>20,267</b>   | 15,298  |
| Earnings per share (Sen)  |  |  |   |   |
| - Basic   | <b>13.46</b>   | 7.34   | <b>33.78</b>  | <b>25.50</b>  |
| - Diluted   | <b>N.A</b>   | N.A  | <b>N.A</b>  | <b>N.A</b>  |

*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 2005*

**METROD (MALAYSIA) BERHAD**

Interim report for the third quarter ended 30 September 2006

**Condensed Consolidated Balance Sheets**

|   | <b>As at<br/>Current<br/>Financial<br/>Period end<br/>30/09/2006<br/>RM'000</b> | <b>Audited<br/>As at<br/>Preceding<br/>Financial<br/>Year end<br/>31/12/2005<br/>RM'000</b> |
|---|---|---|
| <b>Non current assets</b>                     |   |   |
| Property, plant and equipment                 | 129,665   | 141,092   |
| Deferred tax assets                           | 7,439   | 7,163   |
| Intangible assets                             | 6,594   | 7,745   |
| Goodwill on consolidation                     | 24,687  | 23,653  |
| <b>Current assets</b>                         |   |   |
| Inventories                                   | 247,870   | 182,461   |
| Trade and other receivables                   | 286,285   | 189,449   |
| Deposits, bank and cash balances              | 67,251  | 57,869  |
| Tax recoverable                               | 2,809   | 2,838   |
|   | <b>604,215</b>  | <b>432,617</b>  |
| <b>Less : Current Liabilities</b>             |   |   |
| Trade and other payables                      | 108,674   | 139,912   |
| Provision                                     | 12,406  | 8,986   |
| Current tax liabilities                       | 7,220   | 8,678   |
| Post-employment benefit obligations           | 213   | 530   |
| Short term bank borrowings (interest bearing) | 353,406   | 181,738   |
|   | <b>481,919</b>  | <b>339,844</b>  |
| <b>Net Current Assets</b>                     | <b>122,296</b>  | <b>92,773</b>   |
| <b>Less: Non current liabilities</b>          |   |   |
| Term loan                                     | 83,096  | 81,602  |
| Post-employment benefit obligations           | 22,656  | 21,707  |
| Deferred tax liabilities                      | 0   | 0   |
|   | <b>105,752</b>  | <b>103,309</b>  |
|   | <b>184,929</b>  | <b>169,117</b>  |
| <b>Capital and reserves</b>                   |   |   |
| Share capital                                 | 60,000  | 60,000  |
| Share premium                                 | 17  | 17  |
| Exchange fluctuation reserve                  | -477  | -2,622  |
| Retained earnings                             | 125,389   | 111,722   |
|   | <b>184,929</b>  | <b>169,117</b>  |

*The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2005*

**METROD (MALAYSIA) BERHAD**

Interim report for the third quarter ended 30 September 2006

**Condensed Consolidated Statement of Changes in Equity**

|  | <b>Share<br/>Capital<br/>RM'000</b> | <b>Non-distributable<br/>Share<br/>premium<br/>RM'000</b> | <b>Exchange<br/>fluctuation<br/>reserves<br/>RM'000</b> | <b>Distributable<br/>Retained<br/>earnings<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|-------------------------------------|---|---|---|-------------------------|
| <b><u>9 months ended 30/09/2006</u></b>                |                                     |   |   |   |                         |
| Balance at 01/01/2006                                  | 60,000                              | 17  | -2,622  | 111,722   | 169,117                 |
| Currency translation differences arising in the period | 0                                   | 0   | 2,145   | 0   | 2,145                   |
| Net Profit for the period                              | 0                                   | 0   | 0   | 20,267  | 20,267                  |
| Dividends for the year ended 31 December 2005          | 0                                   | 0   | 0   | -6,600  | -6,600                  |
| Balance at 30/09/2006                                  | <b>60,000</b>                       | <b>17</b>   | <b>-477</b>   | <b>125,389</b>  | <b>184,929</b>          |
| <b><u>9 months ended 30/09/2005</u></b>                |                                     |   |   |   |                         |
| Balance at 01/01/2005                                  | 60,000                              | 17  | 5,084   | 95,691  | 160,792                 |
| Currency translation differences arising in the period | 0                                   | 0   | -7,118  | 0   | -7,118                  |
| Net Profit for the period                              | 0                                   | 0   | 0   | 15,298  | 15,298                  |
| Dividends for the year ended 31 December 2004          | 0                                   | 0   | 0   | -6,000  | -6,000                  |
| Balance at 30/09/2005                                  | <b>60,000</b>                       | <b>17</b>   | <b>-2,034</b>   | <b>104,989</b>  | <b>162,972</b>          |

*The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2005*

**METROD (MALAYSIA) BERHAD**

Interim report for the third quarter ended 30 September 2006

**Condensed Consolidated Cash Flow Statements**

|   | <b>Current<br/>Year To Date<br/>ended<br/>30/09/2006<br/>RM'000</b> | <b>Year To Date<br/>ended<br/>30/09/2005<br/>RM'000</b> |
|---|---|---|
| <b><i>Operating activities</i></b>                      |   |   |
| Cash from operations                                    | -137,934  | 62,515  |
| Interest paid   | -9,979  | -5,684  |
| Tax refund  | 2,984   | 480   |
| Tax paid  | -4,050  | -5,348  |
| Net cash flow from operating activities                 | <u>-148,979</u>   | <u>51,963</u>   |
| <b><i>Investing Activities</i></b>                      |   |   |
| Purchase of property, plant and equipment               | -5,466  | -4,276  |
| Proceeds from disposal of property, plant and equipment | 2,548   | 0   |
| Net purchase of investments                             | 0   | 0   |
| Interest received                                       | 2,057   | 2,212   |
| Net cash flow from investing activities                 | <u>-861</u>   | <u>-2,064</u>   |
| <b><i>Financing Activities</i></b>                      |   |   |
| Proceeds from short term borrowings (net)               | 190,538   | 8,696   |
| Bonus shares issue expenses                             | 0   | 0   |
| (Repayment) / drawdown of term loan                     | -25,139   | -58,003   |
| Deposits pledged as securities                          | 0   | 0   |
| Dividends paid to shareholders                          | -6,600  | -6,000  |
| Net cash flow from financing activities                 | <u>158,799</u>  | <u>-55,307</u>  |
| Changes in cash and cash equivalents                    | 8,959   | -5,408  |
| Currency translation differences                        | 423   | -2,322  |
| <b>Cash and cash equivalents</b>                        |   |   |
| - at start of year                                      | <u>17,369</u>   | <u>54,481</u>   |
| - at end of period                                      | <u>26,751</u>   | <u>46,751</u>   |

*The Condensed Consolidated Cash Flow Statements should be read in conjunction with  
the Annual Financial Report for the year ended 31 December 2005*

## **METROD (MALAYSIA) BERHAD (66954-H)**

Interim report for the third quarter ended 30 September 2006

*Notes:-*

### **1) Basis of preparation and Accounting Policies**

This consolidated interim financial statements have been prepared in accordance with requirements of FRS 134: "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements. The interim financial statements should be read in conjunction with the Group's financial statements for the year ended 31 December 2005.

The accounting policies and methods of computation adopted in the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2005 except that the Group has adopted the new Financial Reporting Standards ("FRS") mandatory for annual period beginning on or after 1 January 2006. There is no likely significant financial impact on the Group due to adoption of new FRS.

### **2) Audit qualification of preceding annual financial statements**

The auditors' report for the preceding annual financial statements for the year ended 31 December 2005 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 11 sen per share, tax exempt (previous year 10 sen per share, tax exempt) amounting to RM6.6 million (previous year RM6.0 million) was paid on 18 July 2006 (previous year 18 July 2005) in respect of the financial year ended 31 December 2005.

### **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<br>RM'000 | Rest<br>of Asia<br>RM'000 | European<br>Union<br>RM'000 | Eliminations<br>RM'000 | Group<br>RM'000 |
|-------------------------------------|--------------------|---------------------------|-----------------------------|------------------------|-----------------|
| <b>Period ending<br/>30.09.2006</b> |                    |                           |                             |                        |                 |
| <b>Revenue</b>                      |                    |                           |                             |                        |                 |
| External                            | 976,136            | 94,934                    | 391,104                     | 0                      | 1,462,174       |
| Inter segment revenue               | 49,297             | 1,008                     | 0                           | (50,305)               | 0               |
| Total revenue                       | 1,025,433          | 95,942                    | 391,104                     | (50,305)               | 1,462,174       |
| <b>Results</b>                      |                    |                           |                             |                        |                 |
| Segment Results                     | 11,720             | 6,187                     | 19,380                      | 321                    | 37,608          |
| Finance cost                        |                    |                           |                             |                        | (10,737)        |
| Tax expense                         |                    |                           |                             |                        | (6,604)         |
| Net profit for the period           |                    |                           |                             |                        | 20,267          |
| <b>As at 30.09.2006</b>             |                    |                           |                             |                        |                 |
| Segment assets                      | 448,007            | 139,331                   | 289,466                     | (114,452)              | 762,352         |
| Unallocated assets                  |                    |                           |                             |                        | 10,248          |
| Total assets                        |                    |                           |                             |                        | 772,600         |
| Segment liabilities                 | 53,165             | 25,036                    | 84,989                      | (19,241)               | 143,949         |
| Unallocated liabilities             |                    |                           |                             |                        | 443,722         |
| Total liabilities                   |                    |                           |                             |                        | 587,671         |

**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 2005.

**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 2006 is as follows :

|                                   | <u>RM'000</u> |
|-----------------------------------|---------------|
| Property, plant and equipment :-  |               |
| Authorised and contracted for     | 31,940        |
| Authorised but not contracted for | 8,076         |
| Total                             | 40,016        |

**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 RM10.855 million and turnover of RM546.587 million. Group's pre-tax profit was higher compared to corresponding previous year period pre-tax profit of RM7.490 million mainly due to better operating performance and contribution from recently acquired Chinese subsidiary. Cumulatively, the pre-tax profit for the first nine months was higher at RM26.871 million as compared to RM21.325 million for the corresponding previous year period. The revenue for the current period was also higher at RM1462.174 million as compared to previous year period of RM1019.031 million mainly due to high copper prices.

Malaysia :

Domestic market remained sluggish mainly due to higher copper prices, weak recovery of domestic demand in the construction sector and intense competition due to over capacity.

Thailand :

The activity levels have stabilized and the capacity is almost fully being utilised.

Austria :

The improved investment climate within Power Transmission & Distribution sector was sustained. ASTA was able to utilize almost full capacity thereby mitigating the impact of lower selling prices due to increasing competition.

China :

The transformer industry sector is performing well. Chinese operations are being run at full capacity though competition from local producers of CTC is strong and prices remain 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 RM10.855 million was higher compared to preceding quarter's pre-tax profit of RM8.522 million mainly due to better product-mix.

**16) Current year Prospects**

Malaysia :

Copper prices remain at unprecedented levels having almost doubled since the beginning of this year. Market demand for copper rod, wire and strips industry in Malaysia has been affected due to this significant increase. In addition, to mitigate credit and pricing risks, business volumes have been and are being adjusted, where necessary. The situation is being reviewed continuously.

Recently, Malaysian Government has announced certain major infrastructure projects under 9<sup>th</sup> Plan. This is expected to give a boost to the weak construction sector and the demand for company's products, the impact and timing thereof will be seen in due course.

Thailand :

Production volumes and quality have now stabilised. However, margins remain under pressure.

Austria :

Production facilities are operating at full capacity and additional efficiencies are being pursued to mitigate the impact of lower selling prices due to increasing competition. The demand from the power transmission and distribution sector remains good. Certain investments in equipments are being made to debottleneck the capacity at certain processes.

China :

Production facilities are operating at full capacity. Operations are being expanded. Expansion is expected to be completed by end of next year.

Copper prices have increased sharply thereby further increasing working capital requirement and financing costs across the Group. Higher and volatile copper prices have also increased the credit risks and pricing risks on copper booked by customer.

Barring any unforeseen events, the Board expects the performance of the Group for the financial year 2006 to be satisfactory in the context explained above.

**17) Profit forecast and variance**

There was no profit forecast or profit guarantee issued during the financial period to-date.

**18) Taxation**

|                                     | <b>Current Year<br/>Quarter<br/>30/09/06<br/>RM'000</b> | <b>Comparative<br/>Year Quarter<br/>30/09/05<br/>RM'000</b> | <b>Current Year<br/>To Date<br/>30/09/06<br/>RM'000</b> | <b>Comparative<br/>Year To Date<br/>30/09/05<br/>RM'000</b> |
|-------------------------------------|---|---|---|---|
| In respect of current period:       |   |   |   |   |
| - income tax                        | <b>2,813</b>  | 2,805   | <b>6,668</b>  | 6,256   |
| - deferred tax                      | <b>(36)</b>   | (920)   | <b>(64)</b>   | (1,432)   |
|                                     | <b>2,777</b>  | 1,885   | <b>6,604</b>  | 4,824   |
| In respect of prior year income tax | <b>0</b>  | 1,203   | <b>0</b>  | 1,203   |
|                                     | <b>2,777</b>  | 3,088   | <b>6,604</b>  | 6,027   |

The effective rate for the current quarter was marginally lower than the statutory tax rate mainly due to lower tax rate for a foreign subsidiary and tax exempted income for other foreign 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 21 November 2006)**

There were no corporate proposals announced but not completed as at 21 November 2006.

**22) Group Borrowings and Debt Securities**

Group borrowings and debt securities as at 30 September 2006 are as follows:-

|                        | <b>Amount<br/>RM'000</b> | <b>Denominated in Foreign Currency<br/>Foreign<br/>Currency</b> | <b>Foreign Currency<br/>Amount ('000)</b> | <b>Secured /<br/>Unsecured</b> |
|------------------------|--------------------------|---|---|--------------------------------|
| Long-term borrowings   |                          |   |   |                                |
| - Term Loans           | 83,096                   | EUR   | 17,748                                    | Secured                        |
| Short-term borrowings: |                          |   |   |                                |
| - Foreign Currency     |                          |   |   |                                |
| - Trade Loan           | 149,995                  | USD   | 41,121                                    | Unsecured                      |
| - Working Capital Loan | 66,064                   | EUR   | 14,110                                    | Unsecured                      |
| - Working Capital Loan | 17,222                   | RMB   | 37,000                                    | Unsecured                      |
| - Banker Acceptance    | 54,987                   | RM  |   | Unsecured                      |
| - Export Financing     | 32,775                   | EUR   | 7,000                                     | Secured                        |
| - Banker Acceptance    | 8,437                    | THB   | 86,000                                    | Secured                        |
| - Term Loan            | 23,926                   | EUR   | 5,110                                     | Secured                        |
|                        | 353,406                  |   |   |                                |
| <b>Total</b>           | <b>436,502</b>           |   |   |                                |

**23) Off-balance sheet financial instruments**

As at 21 November 2006, the foreign exchange currency contracts that have been entered into by the Group to hedge its trade payables/receivables are as follows:-

| <u>Currency</u> | <u>Purpose</u>       | <u>Contracts amounts<br/>(in thousands)</u> | <u>Equivalent<br/>amount<br/>(in RM'000)</u> | <u>Maturity<br/>Date</u> |
|-----------------|----------------------|---|--|--------------------------|
| ¥en             | Trade payables       | 12,958                                      | 425  | Nov'06-Jan'07            |
| US Dollars      | Trade<br>receivables | 5,500                                       | 19,803                                       | Nov'06-Dec'07            |
| US Dollars      | Trade payables       | 760   | 2,806  | Nov'06                   |

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**

|   | <b>Current Year<br/>Quarter<br/>30/09/06<br/>RM'000</b> | Comparative<br>Year Quarter<br>30/09/05<br>RM'000 | <b>Current Year<br/>To Date<br/>30/09/06<br/>RM'000</b> | Comparative<br>Year To Date<br>30/09/05<br>RM'000 |
|---|---|---|---|---|
| <b>Basic</b>  |   |   |   |   |
| Net profit for the period (RM'000)                            | <b>8,078</b>  | 4,402   | <b>20,267</b>   | 15,298  |
| Weighted average number of<br>ordinary shares in issue ('000) | <b>60,000</b>   | 60,000  | <b>60,000</b>   | 60,000  |
| Basic earnings per share (sen)                                | <b>13.46</b>  | 7.34  | <b>33.78</b>  | 25.50   |

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.

**26) Authorisation for issue**

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on **28 November 2006**.