

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 RM'000	Rest of Asia RM'000	European Union RM'000	Eliminations RM'000	Group RM'000
Period ending 30.09.2006					
Revenue					
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
Results					
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
As at 30.09.2006					
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 9th 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

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

	Amount RM'000	Denominated in Foreign Currency Foreign Currency	Foreign Currency Amount ('000)	Secured / Unsecured
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			
Total	436,502			

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 (in thousands)</u>	<u>Equivalent amount (in RM'000)</u>	<u>Maturity Date</u>
¥en	Trade payables	12,958	425	Nov'06-Jan'07
US Dollars	Trade 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

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