

**NATIONAL METAL MANUFACTURING AND
CASTING COMPANY (MAADANIYAH)
(A Saudi Joint Stock Company)**

**INTERIM FINANCIAL STATEMENTS (UNAUDITED) AND
AUDITORS' LIMITED REVIEW REPORT**

**FOR THE THREE AND NINE MONTHS PERIOD ENDED
30 SEPTEMBER 2012**

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)**

Scope of limited review:

We have reviewed the accompanying interim balance sheet of National Metal Manufacturing and Casting Company (MAADANIYAH) - A Saudi Joint Stock Company as at 30 September 2012 and the related interim statements of income for the three month and nine month periods ended 30 September 2012 and the interim statements of cash flows for the nine month period then ended. These interim financial statements have been prepared by the Company and submitted to us together with the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). The limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion of limited review:

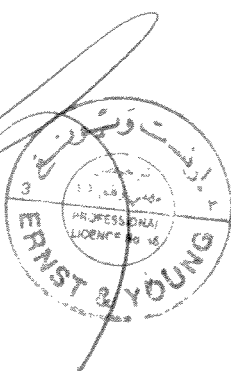
Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young


Abdulaziz Saud Alshubaihi
Certified Public Accountant
Registration No.339

24 Dhu Al-Qa'dah 1433H
10 October 2012

AlKhobar



National Metal Manufacturing and Casting Company (MAADANIYAH)

(A Saudi Joint Stock Company)

INTERIM BALANCE SHEET (UNAUDITED)

As At 30 September 2012

	Note	30 September 2012 SR "000"	30 September 2011 SR "000"
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		16,041	18,266
Accounts receivable and prepayments		106,821	83,072
Inventories		159,410	163,408
TOTAL CURRENT ASSETS		282,272	264,746
NON-CURRENT ASSETS			
Property, plant and equipment		186,019	194,805
Goodwill		61,921	61,921
Prepaid financing costs		1,452	2,122
TOTAL NON-CURRENT ASSETS		249,392	258,848
TOTAL ASSETS		531,664	523,594
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals		33,748	26,652
Notes payable		37,205	30,972
Short term loans		37,012	44,755
Current portion of term loans		15,914	15,914
Provision for zakat		5,536	5,304
TOTAL CURRENT LIABILITIES		129,415	123,597
NON-CURRENT LIABILITIES			
Term loans		26,833	32,511
Employees' terminal benefits		15,956	14,196
TOTAL NON-CURRENT LIABILITIES		42,789	46,707
TOTAL LIABILITIES		172,204	170,304
SHAREHOLDERS' EQUITY			
Share capital	1	281,121	255,564
Statutory reserve	1	17,731	30,072
Retained earnings	1	60,608	67,654
TOTAL SHAREHOLDERS' EQUITY		359,460	353,290
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		531,664	523,594

The accompanying notes form an integral part of these interim financial statements.

National Metal Manufacturing and Casting Company (MAADAIYAH)

(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME (UNAUDITED)

For the three and nine months period ended 30 September 2012

	<i>For the three months period ended 30 September</i>		<i>For the nine months period ended 30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>SR "000"</i>	<i>SR "000"</i>	<i>SR "000"</i>	<i>SR "000"</i>
Sales	107,833	82,879	312,584	269,403
Cost of sales	(98,153)	(74,763)	(282,494)	(241,090)
GROSS PROFIT	9,680	8,116	30,090	28,313
EXPENSES				
Selling and distribution	(3,794)	(2,311)	(9,579)	(7,977)
General and administration	(2,925)	(3,465)	(9,678)	(11,035)
INCOME FROM MAIN OPERATIONS	2,961	2,340	10,833	9,301
Other income, net	503	391	1,850	969
Financial charges	(626)	(663)	(1,968)	(2,082)
INCOME BEFORE ZAKAT	2,838	2,068	10,715	8,188
Zakat	(1,000)	(910)	(2,955)	(3,411)
NET INCOME FOR THE PERIOD	1,838	1,158	7,760	4,777
<u>EARNINGS PER SHARE (SR)</u>				
Attributable to income from main operations	0.11	0.08	0.39	0.33
Attributable to net income for the period	0.07	0.04	0.28	0.17
Weighted average number of shares outstanding (in thousands) (note 1)	28,112	28,112	28,112	28,112

The accompanying notes form an integral part of these interim financial statements.

National Metal Manufacturing and Casting Company (MAADANIYAH)

(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine months period ended 30 September 2012

	<i>For the nine months period ended 30 September</i>	
	<i>2012 SR "000"</i>	<i>2011 SR "000"</i>
OPERATING ACTIVITIES		
Income before zakat	10,715	8,188
Adjustments for:		
Depreciation of property, plant and equipment	11,753	11,756
Amortisation of prepaid financing costs	503	503
Provision for employees' terminal benefits	1,971	1,576
Financial charges	1,968	2,082
Loss on disposal of property, plant and equipment	8	-
	26,918	24,105
Changes in operating assets and liabilities:		
Receivables	(19,926)	(21,865)
Inventories	8,999	18,433
Payables	(7,351)	(6,370)
Cash from operations	8,640	14,303
Financial charges paid	(1,968)	(2,082)
Zakat paid	(3,598)	(9,171)
Employees' terminal benefits paid	(611)	(428)
Net cash from operating activities	2,463	2,622
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,769)	(9,087)
Proceeds from disposal of property, plant and equipment	24	-
Net cash used in investing activities	(3,745)	(9,087)
FINANCING ACTIVITIES		
Repayment of term loans	(15,724)	(12,181)
Proceeds from term loans	10,046	13,960
Proceeds from short term loans	79,927	68,592
Repayment of short term loans	(69,015)	(57,170)
Net cash from financing activities	5,234	13,201
INCREASE IN CASH AND CASH EQUIVALENTS	3,952	6,736
Cash and cash equivalents at the beginning of the period	12,089	11,530
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	16,041	18,266

The accompanying notes form an integral part of these interim financial statements.

National Metal Manufacturing and Casting Company (MAADANIYAH)

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2012

1 ACTIVITIES

National Metal Manufacturing and Casting Company (MAADANIYAH) (the "Company") was incorporated in accordance with the Ministerial Resolution number 253 dated 13 Rabi' I, 1411H (corresponding: October 2, 1990) and registered as a Saudi Joint Stock Company under commercial registration number 2055002251 dated 16 Jumada' I, 1411H (corresponding: December 3, 1990) issued in Jubail. The share capital of the Company was amounting to SR 255,564,450 and was divided into 25,556,445 shares of SR 10 each.

The shareholders of the Company, during their Extraordinary General Assembly meeting held on 24 April 2012, have approved the recommendation of the Board of Directors to increase the Company's capital by capitalising a portion of retained earnings and a portion of statutory reserve amounting to SR 12,896,685 and SR 12,659,755, respectively. The capital increased by way of distributing bonus shares at 1 share for each 10 shares to the shareholders registered in the Company's shareholders' register at the close of the Extraordinary General Assembly business day. As a result, the capital increased from SR 255,564,450 to SR 281,120,890 and is divided into 28,112,089 shares of SR 10 each.

The earnings per share for the comparative figures of 2011 has been adjusted retrospectively to account for the effect of the bonus shares issued as required by the relevant accounting standards.

Certain legal formalities in respect of the corresponding increase are still in progress.

The Company has the following branch:

Branch name	Commercial registration number	Date
Axels, Foundries and Spare parts	2050016156	29/5/1406 H

The Company is engaged in the following activities:

- Manufacturing of drawn steel wire rod, pre-stressed concrete steel wire strand (PC strand), spring wire, matters spring wire, strengthening wire strand for electrical power and high and low galvanised steel wire, fasteners, nails, bolts and welding wire.
- Manufacturing of metal casting of various types.
- Manufacturing of axles, various qualities of suspensions and spare parts for trucks, vehicles and equipment.
- Wholesale and retail trade in the Company's products, building materials, industrial materials, including the import and export abroad.
- Ownership of land and property and constructing buildings on them.
- Ownership of patents and their use to achieve industrial objectives inside and outside the Kingdom of Saudi Arabia.
- Tenders and contracting business.
- Commercial agencies of local or foreign companies inside and outside the Kingdom of Saudi Arabia.

2 SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted, which are consistent with those used in the preparation of the annual financial statements, are as follows:

Accounting convention

The interim financial statements are prepared under the historical cost convention.

National Metal Manufacturing and Casting Company (MAADAIYAH)
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 September 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of interim financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period.

Cash and cash equivalents

Cash and cash equivalents consists of bank balances, cash in hand and term deposits that are readily convertible into known amounts of cash and have original maturities period of three months or less.

Accounts receivable

Accounts receivable are stated at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when the collection of the account receivable amount is considered doubtful. Bad debts are written off as incurred.

Inventories

Inventories are stated at the lower of cost and market value, with due allowance for obsolete or slow moving items. Cost is determined as follows:

Raw materials, consumables and spare parts	- purchase cost on a weighted average basis.
Production in progress and finished products	- cost of direct materials and labor plus attributable overheads based on a normal level of activity using a weighted average basis.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Freehold land and work in progress are not depreciated. The cost of other property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Leasehold improvements/assets are amortised on a straight-line basis over the shorter of the useful life of the improvement/assets or the term of the lease.

Expenditure for repair and maintenance are charged to interim statement of income. Improvements that increase the value or the materially extend the useful life of the related assets are capitalised.

Prepaid financing cost

The appraisal fees for Saudi Industrial Development Fund (SIDF) which was paid in advance for obtaining the (SIDF) loans are deferred and amortised over the remaining loans period. These costs are presented in the interim balance sheet as prepaid financing cost under non-current assets.

Goodwill

Goodwill is measured at cost being the excess of the cost of the interest acquired in an entity over the Company's interest in the fair value of the net assets of the acquired entity. Following initial recognition, the goodwill is measured at cost less any impairment losses.

National Metal Manufacturing and Casting Company (MAADAIYAH)
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 September 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company.

Zakat

Zakat is provided for in the interim financial statements based on the period share of the estimated zakat for the whole year. Differences between the estimated zakat for the interim period and the zakat provision that is calculated based on the detailed calculation of the zakat base at year end are accounted for at that time.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' terminal benefits

Provision is made for amounts payable related to accumulated periods of service at the interim balance sheet date in accordance with the employees' contracts of employment.

Revenue recognition

Revenue is recognised when goods are delivered or services are rendered to customers, net of discounts.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the interim balance sheet date. All differences are taken to interim statement of income.

Expenses

Selling and distribution expenses are those that specifically relate to marketing personnel, advertisements, promotions as well as allowance for doubtful debts. All other expenses, other than cost of sales and financial charges, are classified as general and administration expenses.

Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset are capitalised up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the interim statement of income.

Earnings per share

Earnings per share attributable to main operations is calculated by dividing the income from main operations for the period by the number of shares outstanding at period end.

Earnings per share attributable to net income is calculated by dividing the net income for the period by the number of shares outstanding at period end.

Segmental analysis

A segment is a distinguishable component of the Company that is either engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographical segment) which is subject to risks and rewards that are different from those of other segments.

National Metal Manufacturing and Casting Company (MAADAIYAH)
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 September 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets

An assessment is made at each interim balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the interim statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the interim statement of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Fair values

The fair values of commission bearing items are estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

Operating lease

Operating lease payments are recognised as an expense in the interim statement of income on a straight line basis over the lease term.

Results of the interim period

The Company has made all necessary adjustments which are important in order to present fairly in all material respects the interim financial position and results of operations. The interim financial results may not be considered an accurate basis for the actual results for the whole year.

The management of the Company performs an assessment for the impairment in value of intangible assets with infinite useful lives (goodwill) at year end. Any impairment in value of intangible assets is accounted for in the annual financial statements. This exercise is not performed in the interim quarterly financial statements.

National Metal Manufacturing and Casting Company (MAADAIYAH)
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 September 2012

3 SEGMENTAL INFORMATION

Business segments:

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities. Transactions between the business segments are reported as recorded by the Company's transfer pricing system. The Company's sales, gross profit and net assets, by business segment, are as follows:

	<i>Transformation industries SR "000"</i>	<i>Engineering and metal forming industries SR "000"</i>	<i>Total SR "000"</i>
<u>2012:</u>			
<i>for the three months period ended 30 September</i>			
Sales	80,216	27,617	107,833
Gross profit for the period	7,530	2,150	9,680
<i>for the nine months period ended 30 September</i>			
Sales	222,273	90,311	312,584
Gross profit for the period	21,289	8,801	30,090
<i>as of 30 September 2012</i>			
Net assets	221,452	138,008	359,460
<u>2011:</u>			
<i>for the three months period ended 30 September</i>			
Sales	59,667	23,212	82,879
Gross profit for the period	6,397	1,719	8,116
<i>for the nine months period ended 30 September</i>			
Sales	197,890	71,513	269,403
Gross profit for the period	22,404	5,909	28,313
<i>as of 30 September 2011</i>			
Net assets	212,746	140,544	353,290

Geographical segments:

All of the Company's operating assets are located in the Kingdom of Saudi Arabia.