

METAIR INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

Abridged Audited Results for the year ended 31 December 2007



METAIR
(Reg. No. 1948/031013/06)
JSE code: MTA
ISIN: ZAE 00090692

ABRIDGED GROUP INCOME STATEMENTS

	31 December 2007	31 December 2006
	R'000	R'000
Revenue	2 984 293	2 641 911
Cost of sales	(2 391 410)	(2 043 704)
Gross profit	592 883	598 207
Other operating income	33 030	30 064
Distribution, administrative and other expenses	(344 249)	(317 034)
Operating profit	281 664	311 237
Interest income	14 175	13 440
Interest expense	(17 038)	(6 846)
Share of results of associates	8 384	7 100
Profit before taxation	287 185	324 931
Taxation	(92 175)	(98 388)
Profit for the year	195 010	226 543
Attributable to:		
Equity holders of the company	174 509	203 240
Minority interest	20 501	23 303
	195 010	226 543
Depreciation and amortisation	73 650	54 562
Earnings per share (cents)		
Basic earnings per share	123	134
(Profit)/loss on disposal of property, plant and equipment	1	1
Profit on disposal of investment	(2)	(2)
Headline earnings per share	124	133
Diluted earnings per share (cents)		
Basic earnings per share	120	133
Headline earnings per share	121	132
Dividend per share (cents)	40	34
Number of ordinary shares in issue ('000)	152 532	151 645
Weighted average number of ordinary shares in issue ('000)	142 085	151 250
Adjustment for dilution due to share options ('000)	1 597	1 975
Treasury shares held by the Metair Share Incentive Trust ('000)	10 000	
Weighted average number of ordinary shares in issue used for dilution calculation ('000)	153 682	153 225
Adjusted headline earnings per share (cents)		
Adjusted headline earnings per share	121	121
Headline earnings	176 351	176 351
Interest expense for the Metair Share Incentive Trust	7 182	7 182
Adjusted headline earnings	183 533	183 533
Weighted average number of ordinary shares in issue ('000)	142 085	142 085
Treasury shares held by the Metair Share Incentive Trust ('000)	10 000	10 000
Weighted average number of ordinary shares in issue used for adjusted headline earnings calculation ('000)	152 085	152 085

ABRIDGED GROUP CASH FLOW STATEMENTS

	31 December 2007	31 December 2006
	R'000	R'000
Operating activities		
Profit before taxation	287 185	324 931
Non-cash items	71 106	37 247
Working capital changes	(118 096)	(119 915)
Cash generated from operations	240 195	242 263
Finance charges	(17 038)	(6 846)
Taxation paid	(93 702)	(89 857)
Dividends paid	(68 983)	(57 055)
Dividend income from associate	6 860	416
Net cash inflow from operating activities	67 332	88 921
Investing activities		
Proceeds on disposal of interest in subsidiary		20 080
Net cash utilised in other investing activities	(123 168)	(151 625)
Net cash outflow from investing activities	(123 168)	(131 545)
Finance activities		
Net cash inflow/(outflow) from financing activities	59 107	(147 868)
Net increase/(decrease) in cash and cash equivalents	3 271	(190 492)
At beginning of the year	38 050	228 542
Cash and cash equivalents at end of year	41 321	38 050

NOTES TO THE CONSOLIDATED ABRIDGED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

The condensed abridged financial information has been prepared in accordance with the recognition and measurement criteria of all applicable statements and interpretations of International Financial Reporting Standards ("IFRS") and is presented in terms of the disclosure requirements set out in IAS 34 – Interim Financial Reporting. The accounting policies applied to the condensed abridged financial information are consistent with those as set out in the annual financial statements for the year ended 31 December 2006.

CONTINGENCIES

The bank and other guarantees given by the group to third parties amounted to R7,4 million as at 31 December 2007 (R9,6 million as at 31 December 2006).

	31 December 2007	31 December 2006
	R'000	R'000
Borrowings		
Current	11 965	13 052
Non-current	115 161	5 069
	127 126	18 121

The movement in the borrowings can be analysed as follows:

	31 December 2007	31 December 2006
	R'000	R'000
Year ended December 2007		
Opening amount	(18 121)	(18 121)
Repayments	13 053	13 053
Amounts raised	(122 058)	(122 058)
Closing amount	(127 126)	(127 126)

	31 December 2007	31 December 2006
	R'000	R'000
Fair value adjustments on financial instruments		
Forward foreign exchange contracts – fair value hedges	540	668
Total	540	668

ANNUAL GENERAL MEETING

The annual report will be mailed to shareholders by 31 March 2008 with the notice of annual general meeting. The annual general meeting will be held on 2 May 2008 at 14h00 at Metair Investments Limited, 10 Anerley Road, Parktown.

AUDITORS' REPORT

The abridged results of the group as set out above have been audited by the group's auditors, PricewaterhouseCoopers Inc. Their report is available for inspection at the company's registered office (address details as above).

COMMENTS

NATURE OF OPERATIONS

The Metair Group comprises of seven operating subsidiaries and two associate companies that manufacture and distribute products predominantly for the automotive industry. Products manufactured include heating and cooling systems, shock absorbers, springs, lead batteries, lighting and signalling devices, plastic mouldings and front end modules. Products are supplied to South African assemblers of new vehicles (OEM's), the replacement market and a proportion of output is exported.

RESULTS

Adjusted headline earnings per share for the full year to December 2007 was 121 cents compared to 133 cents achieved in the previous financial year. This represents a 9% decline in adjusted headline earnings. This decline can be attributed to the decline in the number of locally produced vehicles and the loss of 10 production days in September due to labour action.

Group turnover increased by 13% to R2 984 million compared to R2 642 million in 2006. Adjusted profit after tax attributable to ordinary shareholders decreased to R183,5 million from R200,7 million and operating profit declined to R281 million from R311 million in 2006. Cash generated from operations was R240 million compared to R242 million in 2006.

Working capital increased by R118 million when compared to December 2006. The combination of the trading days lost due to industrial action and high commodity prices increased the value of stock on hand. Debtors increased due to extended production during the December shutdown period as customers tried to claw back some of the lost production experienced during the September labour disruptions.

A dividend of 40 cents per share has been declared in respect of 2007. This is on par with the 40 cents dividend declared in 2006 and paid in 2007.

INDUSTRY REVIEW

2007 was the first year since 2002 where there was an annual decline in the total number of vehicles sold in South Africa. The total number of vehicles excluding medium and light commercial vehicles sold was 639 039 which is 6,2% less than the 681 235 sold in 2006. The concerning fact is the number of completely imported vehicles being sold in the South African market. The import percentage of cars sold increased to 61% in 2007 and light commercial vehicles to 23,4% placing the overall percentage at 49% or 312 855 vehicles. This is 142 268 vehicles more than what is exported and puts tremendous strain on the country's current account.

The group is more affected by the number of vehicles produced in South Africa both for the domestic and export market than what is sold domestically. The total number of vehicles produced in South Africa declined by 10,34% to 496 771 vehicles in 2007 compared to the 554 100 vehicles produced in 2006.

ABRIDGED CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE

	31 December 2007	31 December 2006
	R'000	R'000
Actuarial gains and losses recognised directly in equity	14 161	(529)
Gross	19 945	(745)
Deferred tax	(5 784)	216
Net income/(expense) recognised directly in equity	14 161	(216)
Profit for the year	195 010	226 543
Total recognised income for the year	209 171	226 014
Attributable to:		
Equity holders of the company	186 646	202 553
Minority interest	22 525	23 461
	209 171	226 014

ABRIDGED GROUP BALANCE SHEETS

	31 December 2007	31 December 2006
	R'000	R'000
ASSETS		
Non-current assets	827 404	696 931
Property, plant and equipment	702 417	614 087
Intangible assets	49 093	14 647
Investment in associates	22 352	19 548
Defined benefit asset	21 016	1 640
Deferred taxation	32 526	10 759
Other non-current assets		36 250
Current assets	1 079 221	836 316
Inventory	608 243	423 007
Accounts receivable	355 586	344 724
Cash and cash equivalents	114 852	67 810
Derivative financial assets	540	775
Total assets	1 906 625	1 533 247
EQUITY AND LIABILITIES		
Capital and reserves	1 100 837	998 307
Share capital and premium	42 876	40 555
Share-based payment reserve	3 074	2 551
Treasury shares	(131 813)	(101 508)
Non-distributable reserves	25 139	16 755
Retained earnings	1 161 561	1 039 954
Ordinary shareholders equity	1 100 837	998 307
Minority interest	89 295	79 055
Total equity	1 190 132	1 077 362
Non-current liabilities	242 048	89 077
Interest bearing borrowings	15 161	5 069
Cumulative redeemable preference shares in respect of Metair Share Incentive Trust	100 000	
Post-employment medical benefits	16 758	15 228
Deferred taxation	110 129	68 780
Current liabilities	474 445	366 808
Trade and other payables	357 063	299 228
Borrowings	11 965	13 052
Taxation	4 832	9 092
Provisions for liabilities and charges	27 054	15 569
Derivative financial liability		107
Bank overdrafts	73 531	29 760
Total liabilities	716 493	455 885
Total equity and liabilities	1 906 625	1 533 247
Net asset value per share (cents)	780	710
Capital expenditure	129 691	166 275
Capital commitments		
– contracted	31 512	54 918
– authorised but not contracted	43 735	30 565

The Motor Industry Development Program (MIDP) is currently under review. The Industry has been invited to make submissions and Government have set up a formal structure to consult with industry in this regard. Metair will make a submission and will also play a role in the preparation of the Industry submission under the auspices of the National Association of Automotive Component and Allied Manufacturers. It is anticipated that an announcement regarding the revised program will be made in the latter part of 2008. Government has given the Industry the undertaking that the current program will continue until 2012 and that the detailed aspects of the new program will be announced and promulgated between 2009 and 2012. Metair remains optimistic that the revised program will have a positive impact for local component manufacturers as the focus of the future program is expected to shift to local content and increased high volume vehicles exports.

REVIEW OF OPERATIONS

The detrimental industrial action that resulted in a loss of 10 production days during the month of September had a detrimental effect on the company's results for the second half of the year. These labour disruptions came at the worst possible time for Metair as it coincided with Toyota South Africa's launch of the new Corolla and the first phase of production volume ramp up. Smiths Plastics, which supplies plastic and styling painted plastic products to Toyota, was in particular negatively affected.

Capital expenditure of R130 million (2006: R166 million) was incurred during the period under review. This expenditure will facilitate the increase in export volumes especially for the Toyota Corolla European export in 2008.

Quality, cost and supply requirements will continue to become more stringent through 2008 and 2009 as more sophisticated export markets are entered into.

ELECTRICITY

Fortunately, Metair has to date not been directly affected by the shortages of electricity experienced in South Africa. The group purchases its electricity from local councils and the councils have not been interrupting power supply to industrial sites. The group could be affected if the electricity shortage was to escalate and a need arises to apply wider power supply interruptions. The interruptions of the power supply by Eskom directly to mining customers and the 10% demand saving requirement is of concern to the group as it may have an impact on the supply of copper and other strategic materials in the future.

Metair is committed to reducing electricity demand and has used innovative automotive technology to design and industrialise an energy efficient street light. The power shortage in South Africa also presents opportunities for First National Batteries to expand its product offering in support of the renewable energy focus.

BLACK ECONOMIC EMPOWERMENT

During 2007 Metair made meaningful progress towards compliance with the Broad Based Black Economic Empowerment requirements in South Africa by way of the introduction of Royal Bafokeng Holdings as a strategic shareholder.

At the end of the period, the total Black shareholding in Metair was 39,27%. Other aspects of the scorecards continue to be addressed.

PROSPECTS

Industry

The overall vehicle production outlook for 2008 and 2009 remains positive especially on the back of increased export volumes planned by Toyota South Africa for 2008 and 2009. The introduction of a locally produced Renault vehicle is also planned for 2009 offering production opportunities to some of the group's subsidiaries.

The announcement from Ford South Africa regarding the production of a high volume light commercial vehicle from 2011 could offer additional opportunities for the group. This announcement also seems to highlight Ford South Africa's confidence in Government's future commitment to continue the MIDP Program after 2012.

Component manufacturers continued to be subjected to cost competitiveness from developing countries such as Thailand and Brazil as high volume export vehicles are launched in South Africa.

Group

The Metair group is fortunate that all of its subsidiaries will participate in the increase in OEM production volumes in 2008 and 2009 especially those planned by Toyota South Africa. The number of vehicles to be produced by all of the manufacturers in 2008 is expected to increase by 18,64% from 496 771 vehicles in 2007 to 589 300 vehicles. The planned increase of 92 529 vehicles is mostly for the export market which is projected to increase to 284 300 vehicles from the 170 587 exported in 2006. Although new business was obtained under much tighter competitive and price target conditions resulting in the reduction in overall gross margin, the anticipated increase in volumes across the Metair group is expected to result in an improved financial performance in 2008.

The group remains sensitive to its customers' ability to produce vehicles at forecast volumes and their successful entry into the new export markets.

The exchange rate, particularly the Rand/Dollar rate, remains a determining factor in terms of the overall competitiveness and profitability of the group.

APPRECIATION

The group would like to express our sincere appreciation for the years of service and contribution from Elisabeth Bradley and Gerrit Strydom.

Employees and management are thanked for their continued efforts during 2007.

Signed on behalf of the board

O M E Pooe – Chairman
Johannesburg, 13 March 2008

C T Loock – Managing Director

TRANSFER SECRETARIES

Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street
Johannesburg
2001

SPONSOR
Ernst & Young
Wanderers Office Park
52 Corlett Drive
Illovo 2116