



# METAIR INVESTMENTS LIMITED

(INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA)

("Metair" or "the group")



(Reg No. 1948/03 1013/06)  
Share code: MTA  
Isin code: ZAE 000090692

## ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

### ABRIDGED GROUP INCOME STATEMENTS

	31 December 2008 R'000	31 December 2007 R'000
Revenue	4 180 398	2 984 293
Cost of sales	(3 496 203)	(2 391 410)
Gross profit	684 195	592 883
Other operating income	45 139	33 030
Impairment of assets	(122 590)	
Distribution, administrative and other expenses	(512 405)	(344 249)
Operating profit	94 339	281 664
Interest income	14 767	14 175
Interest expense	(51 385)	(17 038)
Share of results of associates	17 056	8 384
Profit before taxation	74 777	287 185
Taxation	(71 859)	(92 175)
Profit for the year	2 918	195 010
<b>Attributable to:</b>		
Equity holders of the Company	(13 080)	174 509
Minority interest	15 998	20 501
	2 918	195 010
Depreciation and amortisation	109 557	73 650
<b>Earnings per share (cents)</b>		
Basic earnings per share	(9)	123
(Profit)/loss on disposal of property, plant and equipment	(2)	1
Impairment charge	86	
Tax effect	(1)	
Headline earnings per share	74	124
<b>Diluted earnings per share (cents)</b>		
Basic earnings per share	(9)	120
Headline earnings per share	74	121
Dividend per share (cents)	40	40
Number of ordinary shares in issue ('000)	152 532	152 532
Weighted average number of ordinary shares in issue ('000)	141 707	142 085
Adjustment for dilution due to share options ('000)		1 597
Treasury shares held by The Metair Share Incentive Trust		10 000
Weighted average number of ordinary shares in issue used for dilution calculation ('000)	141 707	153 682

No diluted earnings per share is reflected for 2008 as share options and potential ordinary shares issued or convertible in terms of the various share incentive schemes are anti-dilutive.

### ABRIDGED GROUP CASH FLOW STATEMENTS

	2008	2007
<b>Operating activities</b>		
Profit before taxation	74 777	287 185
Non-cash items	251 762	71 106
Working capital changes	42 267	(118 096)
Cash generated from operations	368 806	240 195
Finance charges	(51 385)	(17 038)
Taxation paid	(96 970)	(93 702)
Dividends paid	(65 089)	(68 983)
Dividend income from associate		6 860
Net cash inflow from operating activities	155 362	67 332
<b>Investing activities</b>		
Net cash outflow from investing activities	(250 975)	(123 168)
<b>Finance activities</b>		
Net cash inflow from financing activities	72 642	59 107
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(22 971)</b>	<b>3 271</b>
At beginning of the year	41 321	38 050
Cash and cash equivalents at end of year	18 350	41 321

### ABRIDGED CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE

	2008	2007
Actuarial gains and losses recognised directly in equity	(21 822)	14 161
Gross	(30 308)	19 945
Deferred tax	8 486	(5 784)
Net (expense)/income recognised directly in equity	(21 822)	14 161
Profit for the year	2 918	195 010
Total recognised (expense)/income for the year	(18 904)	209 171
<b>Attributable to:</b>		
Equity holders of the company	(32 566)	186 646
Minority interest	13 662	22 525
	(18 904)	209 171

**Transfer Secretaries**  
Computershare Investor Services (Pty) Ltd  
70 Marshall Street  
Johannesburg  
2001

**Sponsor**  
Barnard Jacobs Mellet Corporate Finance (Pty) Limited

### 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 2007.

#### CONTINGENCIES

The bank and other guarantees given by the group to third parties amounted to R5,4 million as at 31 December 2008 (R7,4 million as at 31 December 2007).

	31 December 2008 R'000	31 December 2007 R'000
<b>Borrowings</b>		
Current	20 817	11 965
Overdrafts net of cash	(18 350)	(41 321)
Non-current	178 434	115 161
	180 901	85 805

The movement in the borrowings can be analysed as follows:  
Year ended December 2008

Opening amount	85 805
Repayments	(22 296)
Amounts raised	117 392
Closing amount	180 901

#### Fair value adjustments on financial instruments

Forward foreign exchange contracts – fair value hedges	274	540
<b>Total</b>	<b>274</b>	<b>540</b>

#### Annual General Meeting

The annual report will be mailed to shareholders by 31 March 2009 along with the notice of annual general meeting. The annual general meeting will be held on 5 May 2009 at 14h00 at Metair Investments Limited, 10 Anerley Road, Parktown, Johannesburg.

#### Dividend

No dividend has been declared.

#### 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).

### ABRIDGED GROUP BALANCE SHEETS

	31 December 2008 R'000	31 December 2007 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>842 608</b>	<b>827 404</b>
Property, plant and equipment	714 001	702 417
Intangible assets	40 254	49 093
Investment in associates	40 423	22 352
Defined benefit asset		21 016
Deferred taxation	47 930	32 526
<b>Current assets</b>	<b>1 290 793</b>	<b>1 079 221</b>
Inventory	769 013	608 243
Trade and other receivables	398 181	355 586
Derivative financial assets	274	540
Cash and cash equivalents	123 325	114 852
<b>Total assets</b>	<b>2 133 401</b>	<b>1 906 625</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	<b>1 020 074</b>	<b>1 100 837</b>
Share capital and premium	42 876	42 876
Share-based payment reserve	3 389	3 074
Treasury shares	(124 532)	(131 813)
Non-distributable reserves	36 585	25 139
Retained earnings	1 061 756	1 161 561
Ordinary shareholders equity	1 020 074	1 100 837
Minority interest	93 590	89 295
<b>Total equity</b>	<b>1 113 664</b>	<b>1 190 132</b>
<b>Non-current liabilities</b>	<b>298 545</b>	<b>242 048</b>
Interest bearing borrowings	78 434	15 161
Cumulative redeemable preference shares in respect of The Metair Share Incentive Trust	100 000	100 000
Post-employment medical benefits	17 810	16 758
Defined benefit liability	11 085	
Deferred taxation	91 216	110 129
<b>Current liabilities</b>	<b>721 192</b>	<b>474 445</b>
Trade and other payables	538 279	357 063
Borrowings	20 817	11 965
Taxation	5 552	4 832
Provisions for liabilities and charges	51 418	27 054
Dividends payable	151	
Bank overdrafts	104 975	73 531
<b>Total liabilities</b>	<b>1 019 737</b>	<b>716 493</b>
<b>Total equity and liabilities</b>	<b>2 133 401</b>	<b>1 906 625</b>
Net asset value per share (cents)	720	775
Capital expenditure	176 860	129 691
Capital commitments		
– contracted	62 283	31 512
– authorised but not yet contracted	49 683	43 735

### NATURE OF OPERATIONS

Metair has been listed since 1948. Metair comprises six 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 acid batteries, lighting and signalling devices, plastic mouldings, wiring harnesses, front-end modules and brake pads. Products are supplied to South African assemblers of new vehicles, the replacement market and a proportion of output is exported.

### RESULTS

No one will dispute that 2008 was a momentous year – for the industry in general and for Metair in particular. Metair celebrated its 60th anniversary as a listed company under rather challenging conditions. The period under review proved to be very fluid with performance in the first half mostly influenced by conditions in the South African market, local customers' strategies and Rand volatility. Performance in the second half of the year was affected by conditions and events in the global market, especially from October 2008 when the full impact of the financial crisis resulted in a sharp downturn in world economic activity. The Rand continued to be volatile during the second half and devalued by approximately 32% against the Yen in the last quarter.

Worldwide decline in vehicle demand has also triggered the need for impairment testing in all subsidiary companies and for all of the group's investments. This requires that we comment on headline earnings as well as earnings.

Headline earnings per share for the full year was 74 cents per share compared to 124 cents per share achieved in the previous financial year. This represents a 40% decline in headline earnings.

Earnings per share after impairments for the full year was a loss of 9 cents per share compared to a profit of 123 cents per share in the previous period, reflecting a 107% decline.

The total impairment write-off amounts to R123 million. Excluding the effect of impairment charges, the main loss-making operating subsidiaries are Smiths Plastics (Pty) Ltd, Hella SA (Pty) Ltd, Alfred Teves Brake Systems (Pty) Ltd and Unitrade 745 (Pty) Ltd.

While turnover increased by 40%, operating margins came under severe pressure mainly in the Original Equipment Manufacturer (OEM) side of the business. Hesto Harnesses (Pty) Ltd experienced a very difficult year as it operated under severe cash flow constraints due to substantial foreign exchange currency under-recovery, increase in interest charges and pricing pressure from OEMs. Turnover for the period grew by 40% to R4 180 million compared to R2 984 million in 2007. Included in the turnover is the full year's effect of trade for Automould that was purchased in October 2007, and nine months of trading from Aristons and SPE that was purchased in March 2008 and combined into Kimitar. Second-half trade also includes three months of trading from ATE that was purchased in October 2008. Elimination of trade from the recent acquisitions limited the turnover growth to 34%.

A loss after tax attributable to ordinary shareholders of R13 million compared to a profit of R175 million in 2007 was recorded. Operating profit declined to R94 million from R282 million.

Profit before tax declined to R75 million compared to R287 million. The primary reason for this decline was impairment charges of R123 million and an increase in net interest charges of R34 million. The main drivers behind the increased interest charged were increased investment in plant and equipment as well as strategic acquisitions.

Cash generated from operations was R369 million compared to R240 million in 2007. Cash outflow from investing activities required to support planned volume ramp-ups by customers resulted in an increase of cash outflow of R251 million (2007: R123 million).

Current assets (inventory and debtors excluding cash) increased by R203 million due to increased stockholding arising from lower production, a weakening exchange rate, as well as an increase in commodity prices. The balance sheet remains strong with a debt to total capital ratio of 15% (2007: 7%).

### DIRECTORATE

Callie van der Merwe retired as Financial Director for the group on 30 November 2008 and Brian Jacobs was appointed as his replacement on 1 December 2008. Jonathan Best was appointed on 24 February 2009 as independent non-executive director and is a member of the Audit Committee.

### PROSPECTS

Metair is of the opinion that the projected decline in the production of vehicles in South Africa – to a very conservative internal projection of 375 000 vehicles for 2009 – signals a review of required production levels. This decline of 28% from the production levels achieved in 2008 requires all subsidiaries to redefine their businesses and restructure to these lower levels.

Metair group subsidiary companies with high capital investments, a large dependence on individual customers and have turnover less than R750 million will be challenged to be profitable under these circumstances and will require major restructuring.

Volume drop for the year is skewed towards the first half of the year. The group will therefore struggle to reduce its current internal overstocking position in the first half. Capital expenditure for the year will be focused on First National Battery and Supreme Springs and will mostly be incurred in the first half of the year. Capital expenditure relates mainly to investment to support the aftermarket business and raw material beneficiation. Barring any further volume cutbacks from customers below the projected Metair volumes, real working capital and inventory reduction will only start taking effect in the third or fourth quarter.

Under these circumstances, relationships with customers will be tested and will require major attention for the group to remain competitive. The devaluation of the Rand offers some protection under these circumstances but the situation still requires a realistic approach from customers.

Metair recognises the severity of a declining demand for vehicles but remains positive that, with its focus on cash generation and preservation, it will be able to survive these difficult times. It remains realistic, though, to the extent that it could well be necessary to re-evaluate all business models and practices and that some businesses may even require responsible exit strategies.

Metair believes it to be prudent not to declare a dividend under current trading conditions and will review the dividend declaration on an ongoing basis at both interim and year-end periods.

Signed on behalf of the board

*M. Poole*

**OME Poole – Chairman**  
Johannesburg, 19 March 2009

*CT Lock*

**CT Lock – Managing Director**

**EXECUTIVE DIRECTORS:** CT Lock (Managing); BM Jacobs (Finance) **NON-EXECUTIVE DIRECTORS:** OME Poole (Chairman); AD Plummer\*; A Joffe; GMC Ryan; B Molotlegi

**INDEPENDENT NON-EXECUTIVE DIRECTORS:** JG Best; RS Broadley; A Galiel; L Soanes\* **COMPANY SECRETARY:** SM Vermaak

\*British