



METAIR INVESTMENTS LIMITED

**Year-end results for the 12-months
ended 31 December 2008**



COVER IMAGE:

A 3-D rendering of a prototype vehicle serves two purposes for this report. Firstly, our stakeholders get a bird's-eye view of the range of components that Metair companies produce. Secondly, the image underscores the transparency that accompanies this year's reporting. Bad news does not translate well in difficult times, but an honest appraisal of challenges and lessons learnt lays a firm foundation for the better times that will surely follow.



AGENDA

- Overview of Metair
- Financial Review
- Industry Review
- Operational Review
- Strategy





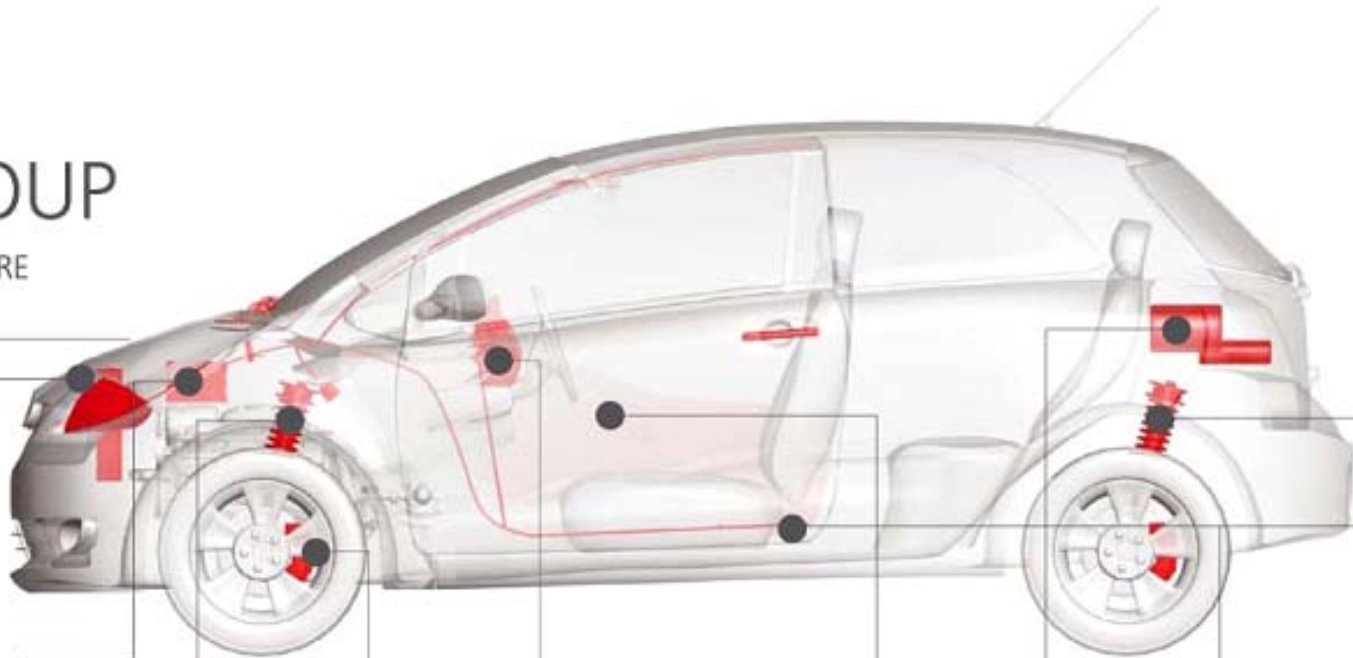
OVERVIEW OF METAIR

- Registered in 1948 – 60th Anniversary 2008
- Listed on the main board of the JSE
- Market capitalisation of approximately R760 million
- Portfolio of companies manufacturing and distributing products primarily to:
 - OEM's
 - Replacement market
 - Export market
- Variety of products



GROUP

STRUCTURE





OVERVIEW OF METAIR 2008 Financial Results – Salient Features

- Group turnover increased by 40% to R4 180 million (2007: R2 984 million)
- Attributable loss to ordinary shareholders after tax decreased to R13 million (2007: R175 million profit)
- Impairment charge of R123 million
- HEPS decreased by 40% to 74 cents (2007: 124 cents)
- No dividend (2007: 40 cents)
- Sales of components to OEM's up 38% to R2 138 million
51% of group turnover
- Automotive division gained market share in replacement market



OVERVIEW OF METAIR Impairment Calculation

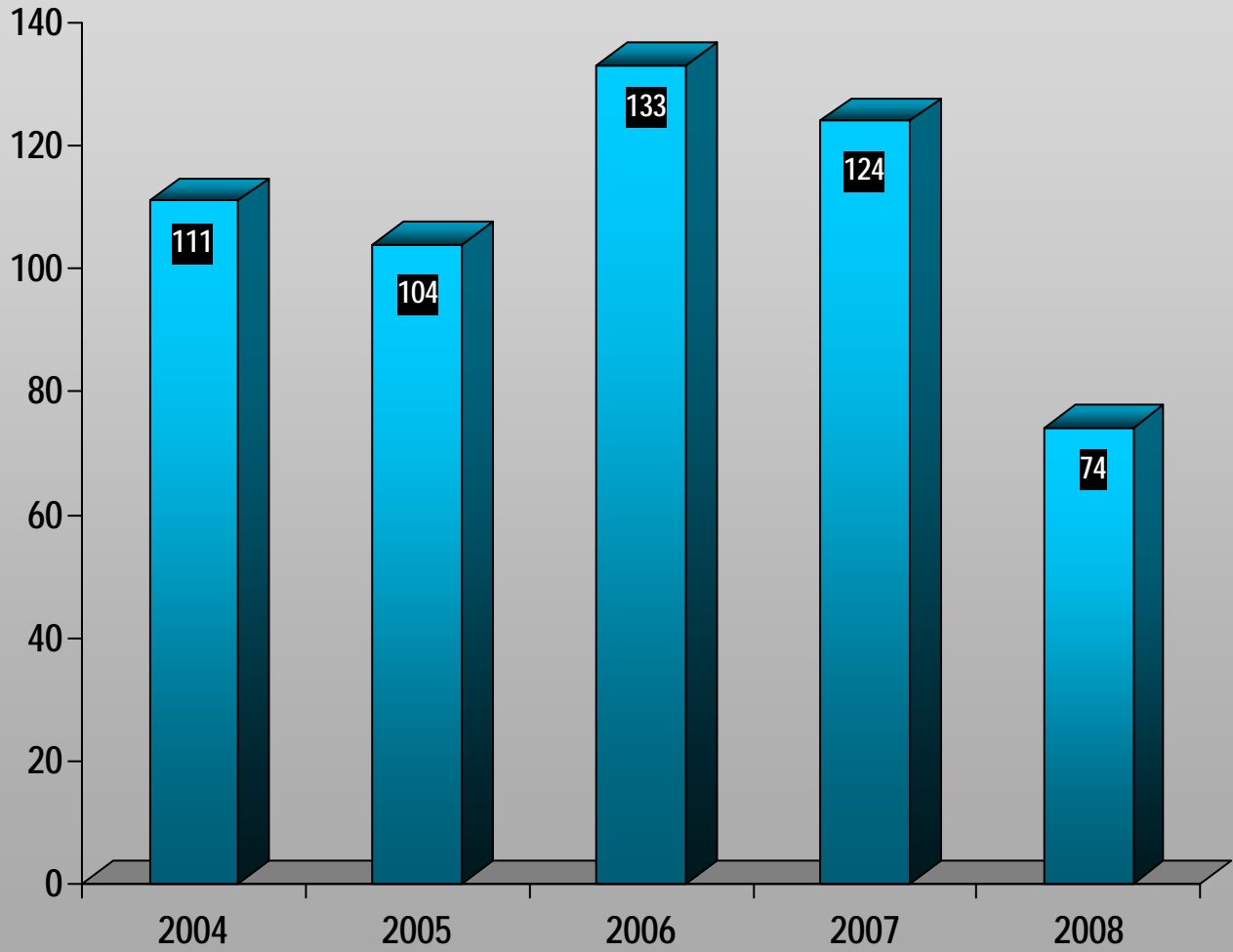
- Value in use or fair value less costs to sell (IAS36)
- Value in use
 - Discounted cash flow
 - Growth rates between 3% - 5%
 - Discount rates between 16% - 20% company specific



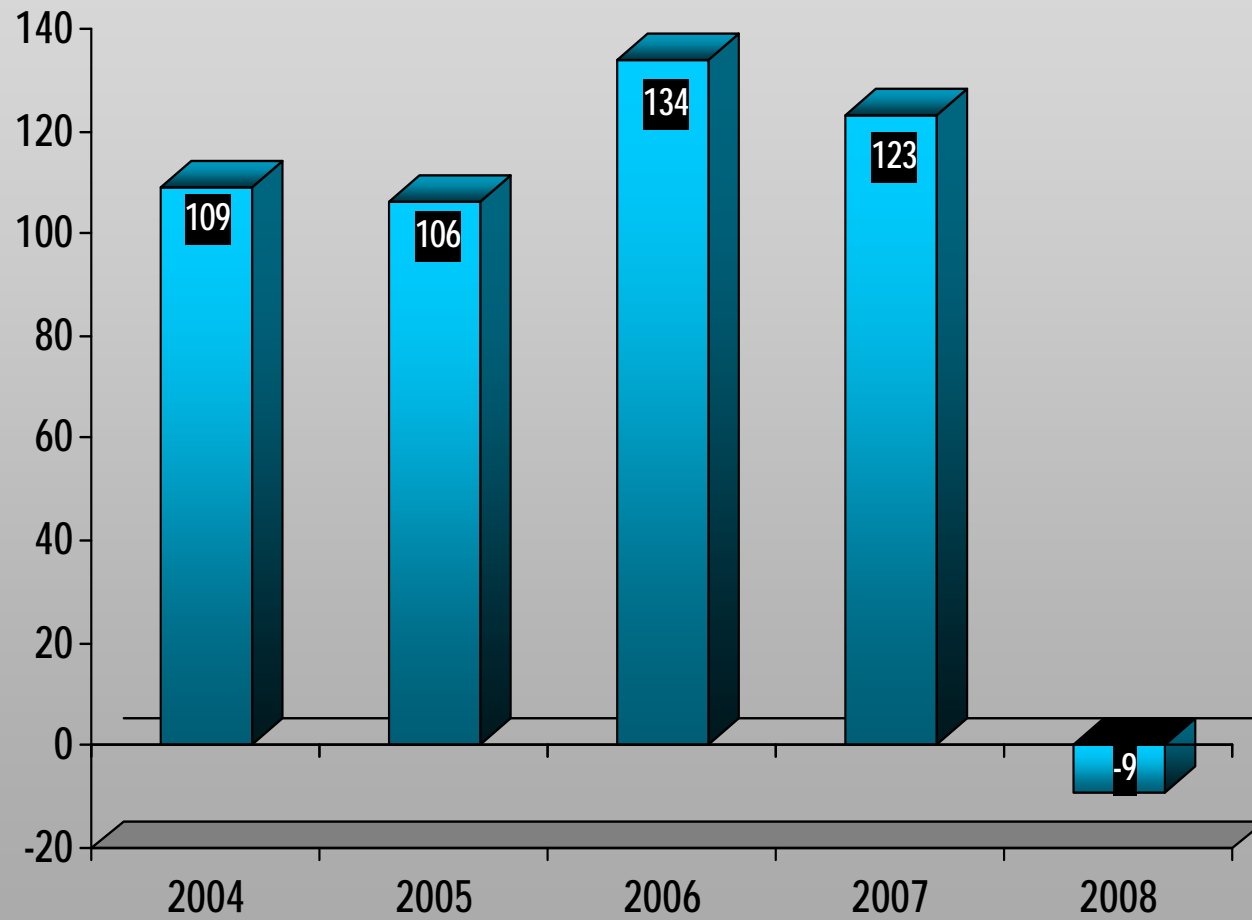
OVERVIEW OF METAIR Impairment Charge

- | | |
|--|-------------|
| ● Smiths Plastics (Pty) Limited | R61 million |
| ● PPE | |
| ● Hella South Africa (Pty) Limited | R39 million |
| ● PPE | |
| ● Automould (Pty) Limited | R7 million |
| ● Goodwill | |
| ● Alfred Teves Brake Systems (Pty) Limited | R16 million |
| ● Goodwill | |

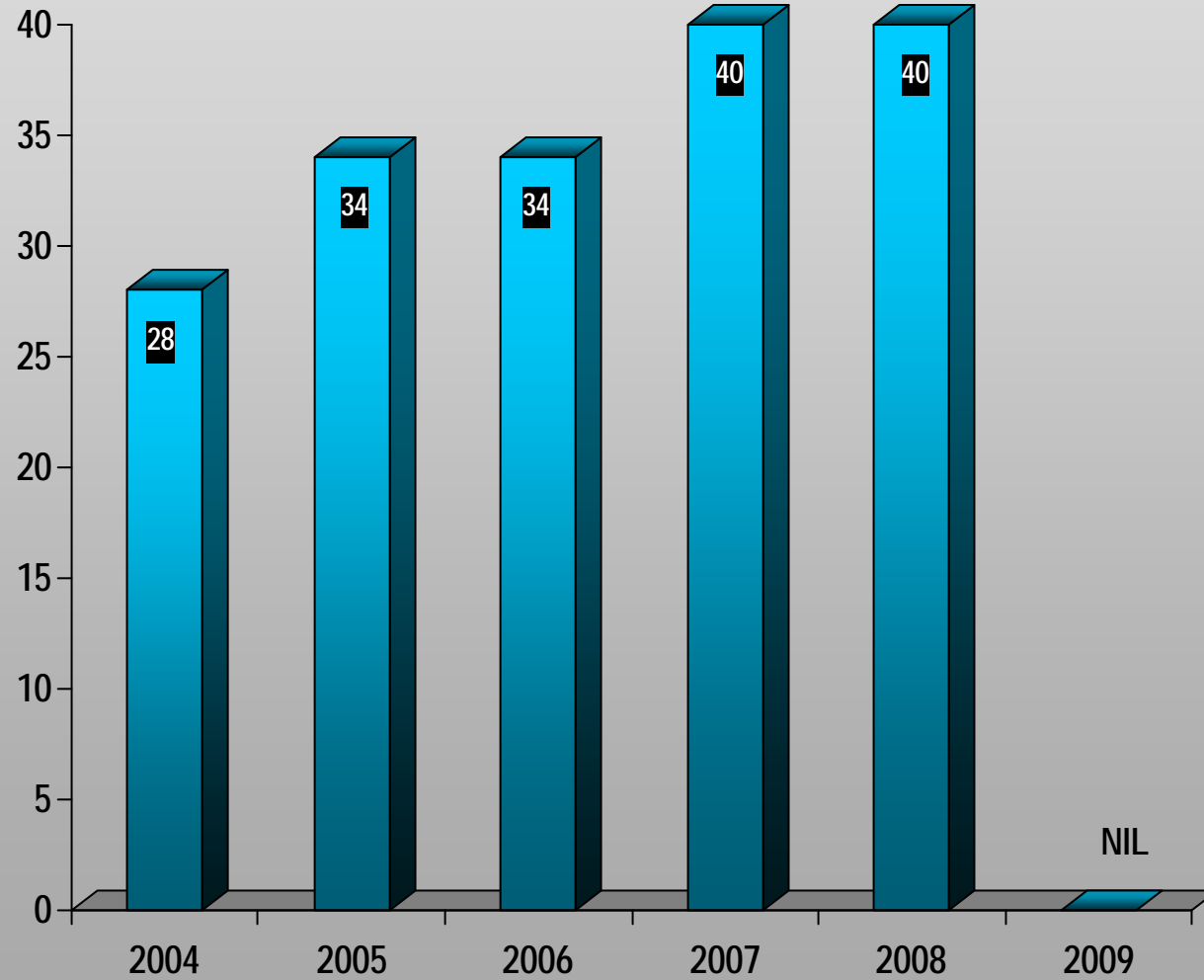
OVERVIEW OF METAIR HEPS



OVERVIEW OF METAIR EPS



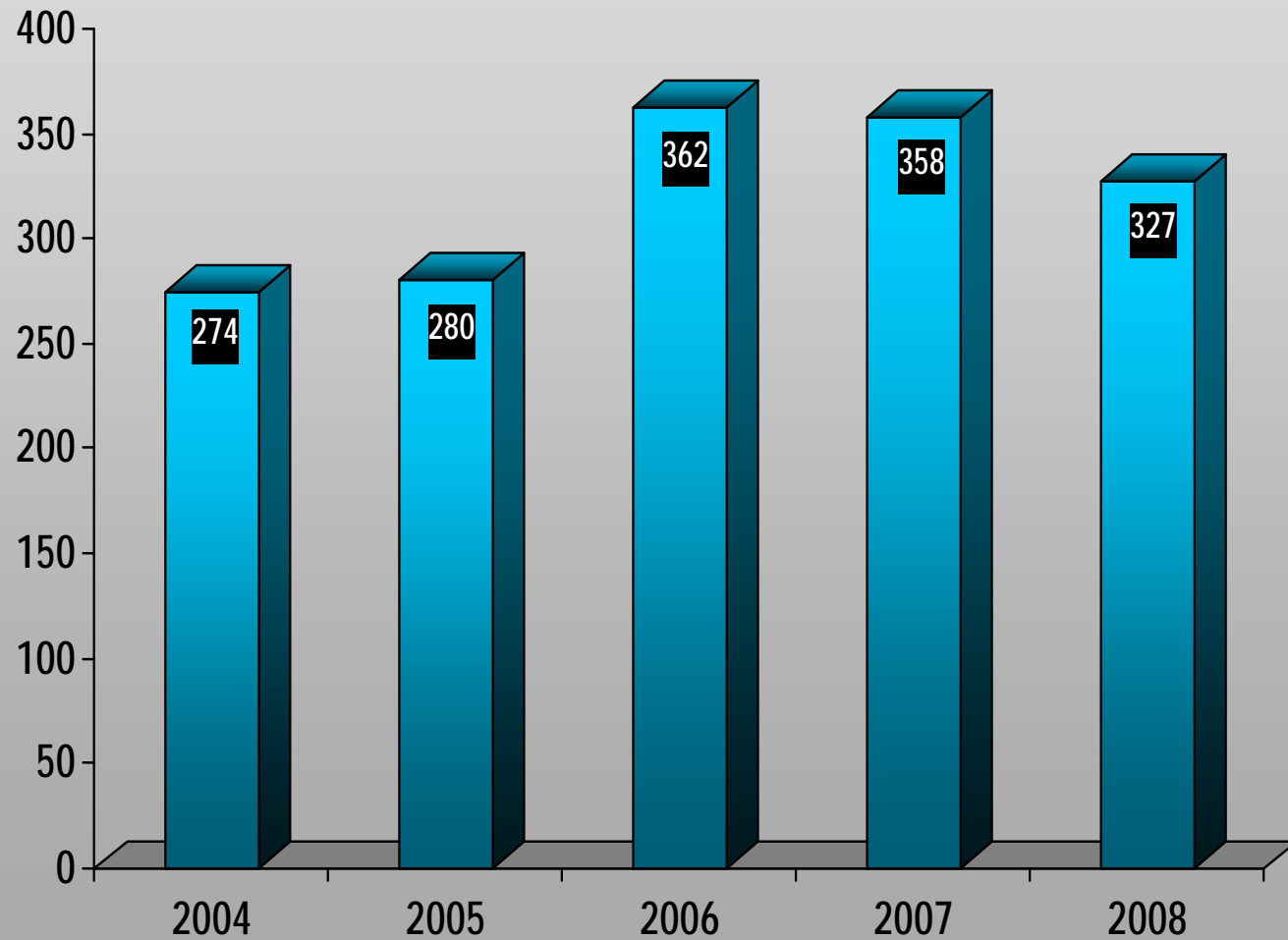
OVERVIEW OF METAIR DPS



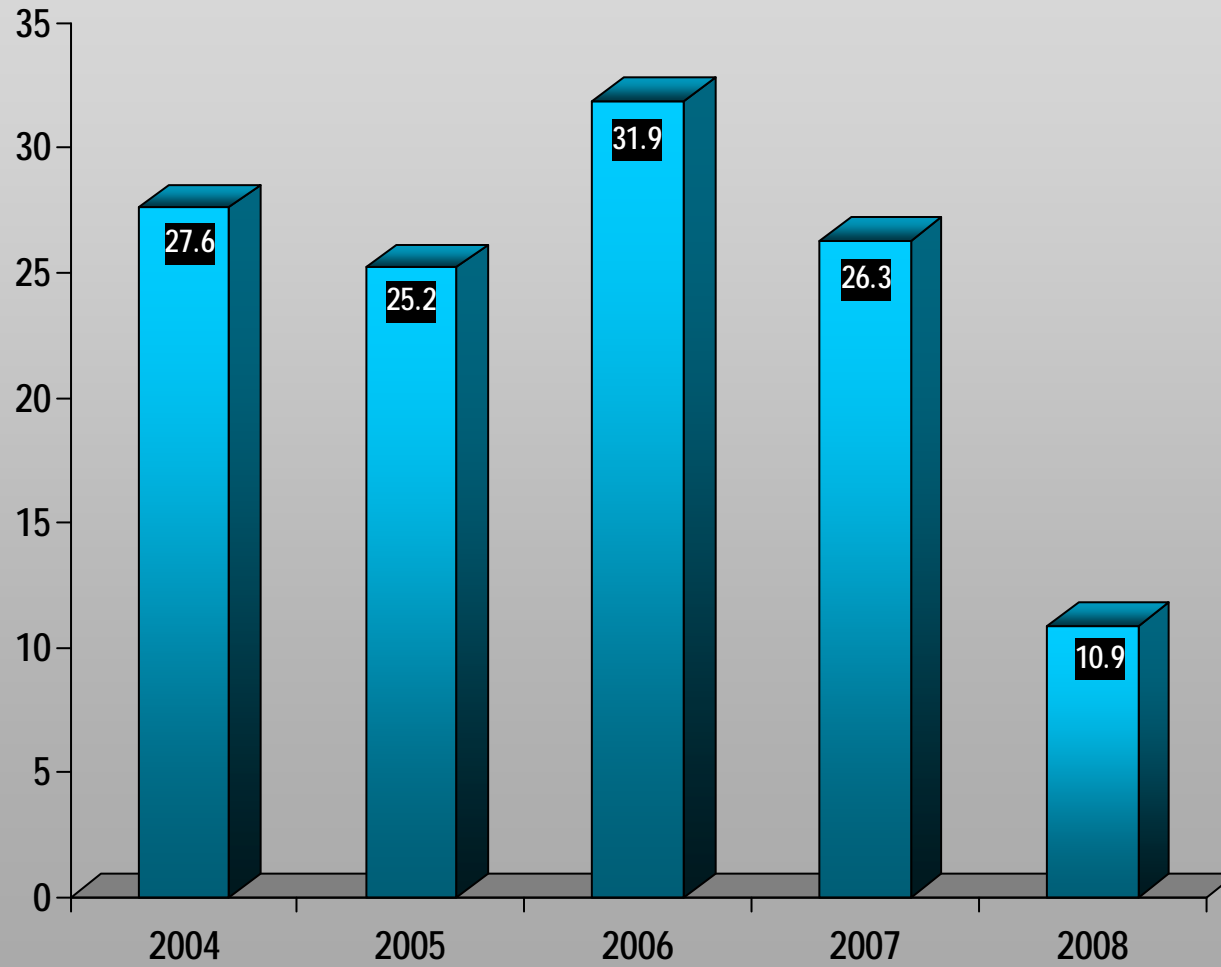


OVERVIEW OF METAIR

Cash generated by operations before Working Capital



OVERVIEW OF METAIR ROE



FINANCIAL REVIEW





FINANCIAL REVIEW

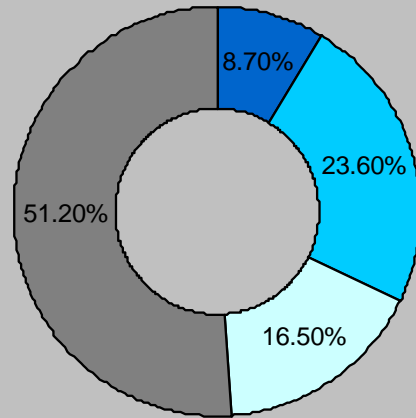
Abridged Group Income Statement

R'm	2008	2007	%
Revenue	4180	2984	40%
Gross Profit	684	593	15%
Operating Profit	94	282	-67%
Profit Before taxation	75	287	-74%
Profit After Taxation	3	195	-98%
<i>Attributable To :</i>			
Equity Holders	-13	175	-107%
Minority Interests	16	20	-20%
Impairment Charges	123	0	
Depreciation and Amortisation	110	74	49%
Headline Earnings Per Share	74	124	-40%
Basic Earnings Per Share	-9	123	-107%

FINANCIAL REVIEW

Turnover Analysis

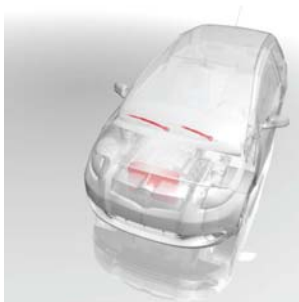
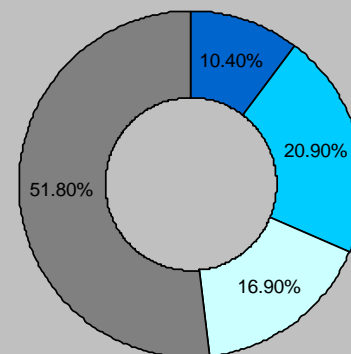
2008



Turnover Segmentation

■ Non auto - Local ■ Export □ Aftermarket - Local ■ Original Equipment - Local

2007





FINANCIAL REVIEW

Abridged Group Balance Sheet

R'm	2008	2007	%
Assets			
NonCurrent Asets	843	827	2%
Current Assets	1290	1080	19%
Inventory	769	608	26%
Trade and Other Receivables	398	356	12%
Derivative Financial Assets	0	1	-
Cash and Cash Equilavents	123	115	7%
Total Assets	2133	1907	12%



FINANCIAL REVIEW

Abridged Group Balance Sheet

R'm	2008	2007	%
Equity And Liabilities			
Ordinary Shareholders Equity	1020	1101	-7%
Minority Interest	94	89	6%
Total Equity	1114	1190	-6%
Non Current Liabilities	298	242	23%
Current Liabilities	721	475	52%
Trade and Other payables	538	357	51%
Borrowings	21	12	75%
Taxation	6	5	20%
Provision For Liabilities	51	27	89%
Bank Overdrafts	105	74	42%
Total Equity and Liabilities	2133	1907	12%



FINANCIAL REVIEW

Abridged Group Cash Flow Statement

R'm	2008	2007	%
Cash Flow			
Cash Generated From Operations	369	240	54%
Finance Charges	-52	-17	206%
Taxation Paid	-97	-94	3%
Dividends paid	-65	-69	-6%
Dividend Income from Associate	0	7	-
Cash Inflow From Operating Activities	155	67	131%
Cash Outflow From Investing Activities	-251	-123	104%
Cash Inflow From Financing Activities	73	59	24%
(Decrease)/ Increase In Cash	-23	3	-867%
Cash at Beginning Of Year	41	38	8%
Cash at End Of Year	18	41	-56%

FINANCIAL REVIEW

Financial Management

- Each subsidiary is run on an autonomous basis with broad guide lines set by group
- Annual financial directors conferences are held where global parameters are agreed for budgeting purposes as well as financial parameters developed and group standards set
- Key focus areas for the 2009 year:
 - Short term liquidity (Cash is King)
 - Structural reset to new forecasted volumes
 - Possible responsible exit strategy for certain companies





FINANCIAL REVIEW

Financial Management continued ...

- Negotiations with OEM's include pricing adjustments for:
 - Commodity price movements
 - Negotiated movement in operational expenses
 - Negotiated effect of volume movement
- 100% of capital imports are covered forward at the time of signing the capital request
- Change in major customer foreign exchange policy



FINANCIAL REVIEW

Financial Management continued ...

Foreign Exchange Policy

- Change in major customer policy
- May affect forex neutrality

Requires a change in Metair's view on foreign exchange risk.

INDUSTRY REVIEW





METAIR VEHICLE PRODUCTION

Volume per OEM

Passenger Vehicles February 2009

Passenger Vehicles	Sold	Forecast				
	2008	2009	2010	2011	2012	2013
BMW	55 235	45 426	45 426	47 243	43 237	47 243
MBSA	52 806	46 200	46 200	48 048	43 974	48 048
FMCSA	22 326	18 164	18 164	12 468	-	-
GM SA	16 260	3 411	3 411	3 548	3 690	3 837
NISSAN	8 201	6 112	6 112	6 356	6 611	6 875
VW SA	93 537	62 750	62 750	65 260	67 871	70 585
TOYOTA	89 729	49 382	54 030	56 191	52 196	53 483
TOTAL						
	338 094	231 445	236 093	239 114	217 577	230 072

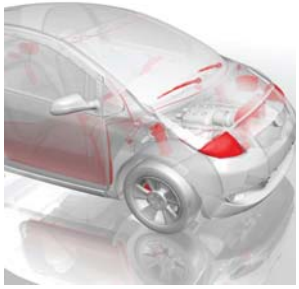


METAIR VEHICLE PRODUCTION

Volume per OEM

Light Commercial Vehicles February 2009

Light Commercial Vehicles	Sold	Forecast				
	2008	2009	2010	2011	2012	2013
MBSA	5 385	2 160	2 246	2 336	2 430	2527
FMCSA	35 783	22 858	23 772	23 522	88 299	93 911
GM SA	40 749	32 023	33 304	32 816	34 128	35 494
NISSAN	24 893	23 644	24 590	25 574	26 597	27 661
VW SA	316	-	-	-	-	-
TOYOTA	98 814	62 635	71 490	74 350	77 324	70 767
TOTAL	205 940	143 320	155 403	158 597	228 778	230 359



METAIR VEHICLE PRODUCTION

Volume Forecast

Toyota Installed Capacity vs Sales & Forecast

	Sold	Forecast			
	2008	2009	2010	2011	2012
Corolla	81 129	43 448	48 096	50 020	45 778
IMV (Hilux)	107 414	68 569	77 424	80 521	83 742
Total	188 543	112 017	125 520	130 541	129 520
Capacity	220 000	220 000	220 000	220 000	220 000
% Shortfall	15%	49%	43%	40%	41%
%Change					
Passenger Vehicles		-46%	10%	4%	-8%
LCV		-36%	13%	4%	4%
Total		-40%	12%	4%	-1%

Note: * 2012 Introduction of new Corolla
+ 2013 Introduction of new IMV (Hilux)



SOUTH AFRICAN VEHICLE SALES FIGURES (PER NAAMSA) HISTORY ...

Category	2005	2006	2007	2008
Passenger Vehicles				
Local	210 976	215 311	169 558	125 454
Import	208 892	266 247	265 095	203 808
Total	419 868	481 558	434 653	329 262
Light Commercial Vehicles				
Local	146 933	159 469	156 626	118 641
Import	23 199	40 208	47 760	50 825
Total	170 132	199 677	204 386	169 466
Total Market				
	590 000	681 235	639 039	498 728



SOUTH AFRICAN VEHICLE SALES FIGURES (PER NAAMSA) PROJECTION 2009 - 2011

Category	2009	2010	2011
Passenger Vehicles			
Local	100 000	125 000	146 000
Import	170 000	200 000	225 000
Total	270 000	325 000	371 000
Light Commercial Vehicles			
Local	100 000	115 000	125 000
Import	45 000	55 000	68 000
Total	145 000	170 000	193 000
Total Market			
	415 000	495 000	564 000



**The MIDP Review introducing the
Automotive Production
Development Programme (APDP)**



INTRODUCTION TO: AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME

Announced – September 2008

- Stimulate expansion of automotive vehicle production to 1.2 million vehicles per annum by 2020
- Provide appropriate levels of support for these ambitious targets
- Achieve better balance between domestic and export sales to supply growing domestic demand
- Provide a stable transition between programmes
- Ensure consistency with WTO rules
- Expand value-added, investment, employment and net government revenue: directly and via multiplier effect
- Make a large positive contribution to the balance of payments



INTRODUCTION TO: AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME

Key Features

- Three-pronged tariff-based export architecture
- Allowances
 - Local Assembly Allowance (LAA)
 - Production Incentive Allowance (PIA)
 - Automotive Investment Allowance (AIA)
- The APDP shifts the emphasis from an export-based support structure to a local value-added support structure and should be beneficial in the long run for the local component manufacturing industry.



AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME: WORK AREAS

● Monitoring and Review

- Stronger monitoring mechanisms
- More frequent reviews: every two to three years

● Catalytic converters and other material-intensive components

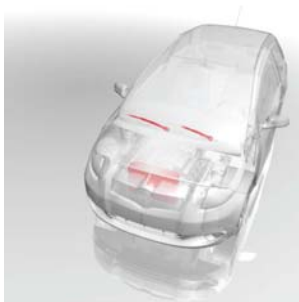
- Subject to later announcement after more detailed industry consultation and finalisation of Platinum Group Metals cap

● Medium and heavy commercial vehicles

- Further investigation of possible participation or other forms of support

● Other elements of the Customised Sector Programme

- Firm level competitiveness improvement programmes, skills, logistics, technology and broad based empowerment
- Respond to climate change imperatives including tighter emission standards in line with government's mitigation strategy



AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME: IMPLEMENTATION PLAN

AMENDMENT	DATE
1. Regulatory amendments	June 2009
2. Automotive Investment Allowance (AIA)	June 2009
3. Production Incentive (PI)	January 2013
4. Local Assembly Allowance (LAA)	January 2013
5. Tariff stability	January 2013

OPERATIONAL REVIEW



OPERATIONAL REVIEW



Subsidiary Element		FNB	Supreme	ATE	Smiths Manufacturing	Smiths Plastics	Hella	Hesto
Company Size		Large +	Small ✓	Small	Large	Medium*	Small	Medium
Ownership	Metair	100%	100%	100%	75%	100%	100%	74,9%
	Other				25% Denso			25,1% Yazaki
Local Content		66%	90%+	15%	< 50%	80%+	70%	<50%
Market diversification		Yes	Limited	No	Limited	Limited	No	No
Product diversification		Yes	Yes	Yes	Limited	No	No	No
Customer diversification		Yes	Yes	Yes	Limited	No	Limited	Limited
After Market		Yes	Yes	Yes	Yes	No	Limited	No
Currency exposure		Limited	Low	High	High	Low	High	High
Major currency		USD	Euro	Euro	Yen	Euro	Yen	Yen
Capital Intensity		High	Medium	Medium	Medium	High	High	Low
Capex Budget 2009		R80 million	R14 million	R7 million	R8 million	-	R8 million	R7 million



OPERATIONAL REVIEW

Smiths Plastics (Pty) Limited

● Outlook / Challenges

- Declining demand
- Reduction in overheads in line with reduced volumes
- Short term liquidity

SMITHS
PLASTICS (PTY) LTD



OPERATIONAL REVIEW

Hella South Africa (Pty) Limited

● Outlook / Challenges

- Declining demand
- Production efficiencies
- Additional business opportunities



STRATEGIC REVIEW





METAIR VEHICLE PRODUCTION Volume Forecast

	Actual	Forecast				
	2008	2009	2010	2011	2012	2013
Passenger Vehicles	321 124	231 445	236 093	239 114	217 577	230 072
LCV	205 955	143 320	155 403	158 597	228 778	230 359
TOTAL	527 079	374 765	391 496	397 711	446 355	460 431
Year on Year		-28%	4.5%	1.6%	12.2%	3.2%
Assumed GDP Growth		1% - 2%	2.5% - 3%	3.5% - 4%	3.5% - 4%	3.5% - 4.5%

METAIR SHORT-TERM STRATEGY

- Short term liquidity (Re-emphasise Cash is King)
- Structural reset to new forecasted volumes
- Possible responsible exit strategy for certain companies



METAIR SHORT-TERM STRATEGY

Reset

- Relationship with customers
- Company cost structure
- Cash flow





METAIR SHORT-TERM STRATEGY

Reset relationships with customers

- Fair and equitable
- Acceptable gross margins
- No absorption of economics increase
- No loss leaders
- No subsidisation

METAIR SHORT-TERM STRATEGY

Fair and equitable relationship with Customers

● Biggest Challenge

- Unreasonable expectation
- Issue of cost competitiveness



METAIR SHORT-TERM STRATEGY

Cost Competitiveness

- CIM (Cost In Manufacture) Measurement
- Cost base reset
 - All costs must be 100% variable over time.
 - 3 – 5 year period is time.





Thank you