METAIR INVESTMENTS LIMITED

(INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA)

("Metair" or "the group")

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2011

METAIR

(Reg No. 1948/031013/06)
Share code: MTA
ISIN code: ZAE 000090692

HEPS increased 44% to 128cps   NET CASH ON HAND of R245 million   EBITDA of R322 million

GROUP INCOME STATEMENTS

	Six months ended 30 June 2011 R'000 Unaudited	Six months ended 30 June 2010 R'000 Unaudited	Year ended 31 December 2010 R'000 Audited
Revenue	**2 051 834**	1 836 578	3 753 236
Cost of sales	**(1 584 247)**	(1 455 108)	(2 958 998)
Gross profit	**467 587**	381 470	794 238
Other operating income	**39 645**	25 017	48 972
Profit on property, plant & equipment insurance recovery	**28 370**		
Impairment (charges)/reversals		(1 838)	19 687
Distribution, administrative and other expenses	**(227 845)**	(225 589)	(459 948)
Operating profit	**307 757**	179 060	402 949
Interest income	**5 436**	12 097	18 913
Interest expense	**(4 013)**	(10 880)	(14 075)
Share of results of associates	**8 735**	6 801	16 759
Profit before tax	**317 915**	187 078	424 546
Taxation	**(85 328)**	(53 783)	(121 009)
Profit for the period	**232 587**	133 295	303 537
Attributable to:			
Equity holders of the company	**207 985**	124 430	277 682
Non-controlling interests	**24 602**	8 865	25 855
	232 587	133 295	303 537
Depreciation and amortisation	**(42 270)**	(38 362)	(101 257)
Basic earnings per share (cents)	**147**	87	198
Headline earnings per share (cents)	**128**	89	189
Number of shares in issue ('000)	**152 532**	152 532	152 532
Number of shares in issue excluding treasury shares ('000)	**141 203**	140 097	141 058
Weighted average number of shares in issue ('000)	**141 159**	142 352	140 363
Calculation of headline earnings per share (R'000)			
Net profit attributable to ordinary shareholders	**207 985**	124 430	277 682
Impairment charges/(reversals)		1 838	(19 687)
Tax effect of impairment reversals			4 562
Impairment reversals attributable to non-controlling shareholders			2 945
(Profit)/loss on disposal of property, plant & equipment	**(4 509)**	152	101
Profit on property, plant & equipment insurance recovery	**(28 370)**		
Tax effect of insurance recovery	**5 663**		
Headline earnings	**180 769**	126 420	265 603
Diluted earnings per share			
Basic earnings per share (cents)	**144**		195
Headline earnings per share (cents)	**125**		187
Weighted average number of shares in issue ('000)	**141 159**		140 363
Adjustment for dilutive share options ('000)	**3 248**		1 990
	144 407		142 353

No diluted earnings per share is reflected for the six months ended 30 June 2010 as the strike price of the options was higher than the share price.

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2011 R'000 Unaudited	Six months ended 30 June 2010 R'000 Unaudited	Year ended 31 December 2010 R'000 Audited
Profit for the period	**232 587**	133 295	303 537
Other comprehensive income:			
Actuarial losses recognised directly in equity			
– Gross			(15 626)
– Deferred tax			3 990
Net other comprehensive income			(11 636)
Total comprehensive income for the period	**232 587**	133 295	291 901
Attributable to:			
Equity holders of the company	**207 985**	124 430	266 880
Non-controlling interests	**24 602**	8 865	25 021
	232 587	133 295	291 901

GROUP BALANCE SHEETS

	30 June 2011 R'000 Unaudited	30 June 2010 R'000 Unaudited	31 December 2010 R'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	**730 453**	662 815	699 190
Intangible assets	**25 325**	30 553	26 367
Investment in associates	**41 818**	26 948	34 236
Defined benefit asset	**7 402**	21 240	6 504
Deferred taxation		22 839	
	804 998	764 395	766 297
Current assets			
Inventory	**608 245**	522 635	606 547
Trade and other receivables	**551 607**	454 510	397 326
Derivative financial assets	**111**	3 638	23
Taxation			12 431
Cash and cash equivalents	**320 569**	313 706	305 572
	1 480 532	1 294 489	1 321 899
Total assets	**2 285 530**	2 058 884	2 088 196
EQUITY AND LIABILITIES			
Ordinary shareholders' equity	**1 375 056**	1 192 740	1 256 009
Non-controlling interests	**134 543**	105 699	113 910
Total equity	**1 509 599**	1 298 439	1 369 919
Non-current liabilities			
Borrowings	**40 785**	45 675	31 912
Post-employment medical benefits	**21 579**	19 496	21 329
Deferred taxation	**52 590**	71 698	52 959
	114 954	136 869	106 200
Current liabilities			
Trade and other payables	**551 002**	476 684	502 639
Borrowings	**20 527**	20 079	22 424
Taxation	**10 449**	14 715	3 476
Provisions for liabilities and charges	**63 235**	72 629	53 183
Derivative financial liabilities	**1 790**	1 826	14 607
Bank overdrafts	**13 974**	37 643	15 748
	660 977	623 576	612 077
Total liabilities	**775 931**	760 445	718 277
Total equity and liabilities	**2 285 530**	2 058 884	2 088 196
Net asset value per share (cents) attributable to ordinary shareholders calculated on number of shares in issue excluding treasury shares	**974**	851	890
Capital expenditure	**75 589**	47 253	124 513
Capital commitments			
– contracted	**51 839**	57 770	58 513
– authorised but not contracted	**78 127**	33 787	108 812

GROUP STATEMENT OF CASH FLOWS

	Six months ended 30 June 2011 R'000 Unaudited	Six months ended 30 June 2010 R'000 Unaudited	Year ended 31 December 2010 R'000 Audited
Operating activities			
Profit before tax	**317 915**	187 078	424 546
Non-cash items	**28 893**	32 732	56 990
Working capital changes	**(97 600)**	4 437	3 085
Cash generated from operations	**249 208**	224 247	484 621
Finance charges	**(4 013)**	(10 880)	(14 075)
Taxation paid	**(66 292)**	(29 373)	(112 123)
Dividends paid	**(95 824)**	(21 015)	(113 769)
Dividend income from associate			3 920
Net cash inflow from operating activities	**83 079**	162 979	248 574
Investing activities			
Investment income	**5 436**	12 097	18 913
Net cash used in other investing activities	**(65 676)**	(46 308)	(121 232)
Net cash outflow from investing activities	**(60 240)**	(34 211)	(102 319)
Net cash outflow from financing activities	**(6 068)**	(85 248)	(88 974)
Net increase in cash and cash equivalents	**16 771**	43 520	57 281
Cash and cash equivalents at beginning of period	**289 824**	232 543	232 543
Cash and cash equivalents at end of period	**306 595**	276 063	289 824

SEGMENTAL REVIEW

	Revenue: Six months ended 30 June 2011 R'000 Unaudited	Revenue: Six months ended 30 June 2010 R'000 Unaudited	Revenue: Year ended 31 December 2010 R'000 Audited	Profit/(loss) before interest and tax: Six months ended 30 June 2011 R'000 Unaudited	Profit/(loss) before interest and tax: Six months ended 30 June 2010 R'000 Unaudited	Profit/(loss) before interest and tax: Year ended 31 December 2010 R'000 Audited
Local						
OE*	**1 285 011**	1 112 569	2 273 233	**149 998**	58 219	150 418
Aftermarket	**433 776**	436 756	895 384	**91 486**	82 422	159 903
Non-auto	**206 134**	177 027	353 710	**34 993**	17 893	35 972
	1 924 921	1 726 352	3 522 327	**276 477**	158 534	346 293
Direct exports						
OE*	**45 789**	41 875	84 560	**(3 631)**	3 736	873
Aftermarket	**65 622**	51 962	111 223	**9 727**	1 164	8 770
Non-auto	**15 502**	16 389	35 126	**431**	(3 140)	(8 012)
	126 913	110 226	230 909	**6 527**	1 760	1 631
Property rental	**30 436**	28 887	58 650	**29 991**	28 887	57 774
Reconciling items **	**(30 436)**	(28 887)	(58 650)	**3 497**	(3 320)	14 010
Total	**2 051 834**	1 836 578	3 753 236	**316 492**	185 861	419 708
Net interest income				**1 423**	1 217	4 838
Profit before tax				**317 915**	187 078	424 546

*OE – Original Equipment

**The reconciling items relate to Metair head office companies as well as property rental.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

Accounting policies

This consolidated condensed interim 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 IAS34 – Interim Financial Reporting and AC 500 standards as issued by the Accounting Practices Board, or its successor. The accounting policies applied to the condensed interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2010.

This interim report has not been reviewed or audited by the auditors.

Contingencies

The bank and other guarantees given by the Group to third parties amounted to R4,4 million as at 30 June 2011 (R6,6 million as at 30 June 2010).

Borrowings

	Six months ended 30 June 2011 R'000	Six months ended 30 June 2010 R'000	Year ended 31 December 2010 R'000
Current	**(20 527)**	(20 079)	(22 424)
Overdrafts net of cash	**306 595**	276 063	289 824
Non-current	**(40 785)**	(45 675)	(31 912)
Total	**245 283**	210 309	235 488

The movement in the borrowings can be analysed as follows:

	Six months ended 30 June 2011 R'000	Six months ended 30 June 2010 R'000	Year ended 31 December 2010 R'000
Opening amount	**235 488**	81 028	81 028
Repayments	**13 774**	129 543	155 119
Amounts raised	**(3 979)**	(262)	(659)
Closing amount	**245 283**	210 309	235 488

Fair value adjustments on financial instruments

	Six months ended 30 June 2011 R'000 Assets	30 June 2011 R'000 Liabilities	Six months ended 30 June 2010 R'000 Assets	30 June 2010 R'000 Liabilities	Year ended 31 December 2010 R'000 Assets	31 December 2010 R'000 Liabilities
Forward exchange contracts – fair value hedges	**111**	**1 790**	3 638	1 826	23	14 607

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital & premium R'000	Treasury shares R'000	Share-based payment reserve R'000	Non-distributable reserve R'000	Retained earnings R'000	Attributable to equity holders of the company R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 January 2010	42 876	(124 289)	3 389	16 309	1 148 964	1 087 249	96 772	1 184 021
Net profit for the period					124 430	124 430	8 865	133 295
Total comprehensive income for the period					124 430	124 430	8 865	133 295
Employee share option scheme:								
– Value of services provided			1 563			1 563	62	1 625
Net movement in treasury shares		513				513		513
Transfer of associate profit and dividend				6 801	(6 801)			
Dividend **					(21 015)	(21 015)		(21 015)
Balance at 30 June 2010	42 876	(123 776)	4 952	23 110	1 245 578	1 192 740	105 699	1 298 439
Net profit for the period					153 252	153 252	16 990	170 242
Actuarial losses					(10 802)	(10 802)	(834)	(11 636)
Total comprehensive income for the period					142 450	142 450	16 156	158 606
Employee share option scheme:								
– Value of services provided			1 535			1 535	75	1 610
– Loss on settlement			(3 674)			(3 674)		(3 674)
Net movement in treasury shares		7 692				7 692		7 692
Transfer of associate profit and dividend				6 038	(6 038)			
Dividend ***					(84 734)	(84 734)	(8 020)	(92 754)
Balance at 31 December 2010	42 876	(116 084)	2 813	29 148	1 297 256	1 256 009	113 910	1 369 919
Net profit for the period					**207 985**	**207 985**	**24 602**	**232 587**
Total comprehensive income for the period					**207 985**	**207 985**	**24 602**	**232 587**
Employee share option scheme:								
– Value of services provided			**2 270**			**2 270**	**105**	**2 375**
– Loss on settlement			**(366)**			**(366)**		**(366)**
Net movement in treasury shares		**908**				**908**		**908**
Transfer of associate profit and dividend				**7 582**	**(7 582)**			
Dividend *					**(91 750)**	**(91 750)**	**(4 074)**	**(95 824)**
Balance at 30 June 2011	**42 876**	**(115 176)**	**4 717**	**36 730**	**1 405 909**	**1 375 056**	**134 543**	**1 509 599**

* An ordinary dividend of 65 cents per share was declared in respect of the year ended 31 December 2010.

** An ordinary dividend of 15 cents per share was declared in respect of the year ended 31 December 2009.

*** A special dividend of 60 cents per ordinary share was declared in respect of the six months ended 30 June 2010.

COMMENTARY

Metair has produced an excellent set of results for the six months ended 30 June 2011. Headline earnings per share increased to 128 cents per share (cps) (2010:89 cps) and earnings before interest, tax, depreciation and amortisation of R322 million (2010: R217 million) were earned. These figures exclude the profit on the insurance claim relating to property, plant and equipment.

It was especially pleasing that during the period the group continued to balance its earnings from the aftermarket and non-automotive sectors with that from the Original Equipment (OE) sector.

DETAILED GROUP RESULTS

- Turnover grew by 11,7% to R2 052 million.
- Other operating income includes an insurance recovery of R14 million.
- Distribution and administration expenses were well controlled and, when compared to the comparative period, increased by 1%.
- Operating profit for the period was R308 million (2010: R179 million).
- Headline earnings amounted to R181 million compared to the R126 million in the comparative period.
- The balance sheet remains strong and working capital management continues to be a key focus area. Trade and other receivables includes an insurance claim of R53 million.
- Net asset value per share increased from 890 cents in December 2010 to 974 cents and net cash and cash equivalents on hand amounted to R245 million.

REVIEW OF OPERATIONS

Fire at First National Battery

On 5 May 2011 shareholders were advised that a fire destroyed the battery formation (charging) facility at First National Battery's Benoni plant. A portion of the insurance claim relating to stock has been settled. An estimate of insurance proceeds relating to the replacement of property, plant and equipment has been made resulting in a profit of R28 million which was recognised during the period. First National Battery also has insurance cover for the loss of business, and included in these accounts is a recovery of R14 million as a preliminary best estimate for this loss in the first six months. Metair expects all the insurance claims relating to the fire to be finalised during the first quarter of 2012.

First National Battery plans to be at full production once more by November 2011.

Aftermarket, non-automotive and export sectors

Despite the fire at First National Battery the non-OE segment had a very pleasing result. Profitability returned to non-automotive sectors as demand in the local mining, utilities, telecoms and retail market delivered volume growth of 16% and improved pricing was obtained in the export market. The normalised margin in the local aftermarket sectors once the once off effect of the insurance claim is excluded was 18,5%.

Growth in the aftermarket sector resulting from the increased number of vehicles on the road in South Africa, the Group's expanded product offering and sustained activity in the mining, utility, telecommunication and warehousing industries is expected.

Original Equipment

OE production for the six months totalled 240 721 vehicles compared to 211 053 vehicles for the comparable period. Volume growth despite the earthquake and subsequent tsunami in Japan was achieved as customers launched new product offerings, supported the export market and there was increased local market demand. Although disruptions from the earthquake and tsunami had the potential to have a significant negative impact we were fortunate that disruptions in the local market were kept to a minimum.

The National Association of Automobile Manufacturers of South Africa's current view on total domestic production for the full year is approximately 540 000 (2010: 449 000) vehicles for passenger and light commercial vehicles. However, Metair has a more conservative volume view that is more in line with what was achieved in the first half of this year.

Capital expenditure and commitments

The Group has invested R76 million in this period in property, plant and equipment with contracted commitments of R52 million for the remainder of the year.

In addition to the above, the Group has also approved a total of R78 million for expansionary and maintenance capital expenditure.

Prospects

The second half of the year will be challenging as OE volumes are expected to be lower than the first half and cost push inflation may impact on margins. Notwithstanding the above, the Group is well positioned to produce a satisfactory result in the second half of the year.

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SPONSOR
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Signed on behalf of the Board

O M E Pooe – Chairman

C T Loock – Managing Director
JOHANNESBURG, 16 August 2011

The interim report was produced by Mr BM Jacobs (Finance Director) B Comm, B Acc, CA (SA).

EXECUTIVE DIRECTORS: CT Loock (Managing); BM Jacobs (Finance) **NON-EXECUTIVE DIRECTORS:** OME Pooe (Chairman); A Joffe; B Molotlegi
INDEPENDENT NON-EXECUTIVE DIRECTORS: RS Broadley; L Soanes*; A Galiel; JG Best **COMPANY SECRETARY:** SM Vermaak *British