METAIR INVESTMENTS LIMITED

(INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA)

("Metair" or "the Group")

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2010 AND TRADING STATEMENT

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

• HEPS increased to 89 cps • Cash generated by operations of R224 million • Net cash on hand increased by R130 million to R210 million • Special dividend of 60 cps declared

Group income statements

	Six months ended		Year ended
	30 June 2010 R'000 Unaudited	30 June 2009 R'000 Unaudited	31 December 2009 R'000 Audited
Revenue	**1 836 578**	1 659 433	3 342 053
Cost of sales	**(1 455 108)**	(1 438 443)	(2 807 100)
Gross profit	**381 470**	220 990	534 953
Other operating income	**25 017**	35 640	109 711
Impairment of assets	**(1 838)**	(30 544)	(47 082)
Distribution, administrative and other expenses	**(225 589)**	(227 613)	(455 665)
Operating profit/(loss)	**179 060**	(1 527)	141 917
Interest income	**12 097**	3 665	13 243
Interest expense	**(10 880)**	(22 412)	(37 360)
Share of results of associates	**6 801**	(216)	419
Profit/(loss) before tax	**187 078**	(20 490)	118 219
Taxation	**(53 783)**	(7 324)	(55 023)
Profit/(loss) for the period	**133 295**	(27 814)	63 196
Attributable to:			
Equity holders of the company	**124 430**	(27 283)	52 210
Non-controlling interests	**8 865**	(531)	10 986
	133 295	(27 814)	63 196
Depreciation and amortisation	**(63 554)**	(46 152)	(108 468)
Basic earnings/(loss) per share (cents)	**87**	(19)	37
Headline earnings/(loss) per share (cents)	**89**	(3)	67
Dividend per share (cents)	**15**		
Number of shares in issue ('000)	**152 532**	152 532	152 532
Calculation of headline earnings/(loss) per share (R'000)			
Net profit/(loss) attributable to ordinary shareholders	**124 430**	(27 283)	52 210
Impairment charges	**1 838**	30 544	47 082
Tax relief		(5 620)	(5 620)
Impairment charge attributable to non-controlling interests		(3 627)	(3 628)
Loss on disposal of property, plant & equipment	**152**	2 212	5 342
Headline earning/(loss)	**126 420**	(3 774)	95 386
Weighted average number of shares in issue ('000)	**142 352**	141 707	142 352

Diluted earnings per share

No diluted earnings per share is reflected for the year ended 31 December 2009 as well as the six months ended 30 June 2010 and 2009.

Share options in terms of the Metair Share Trust are anti-dilutive.

Group statement of comprehensive income

	Six months ended		Year ended
	30 June 2010 R'000 Unaudited	30 June 2009 R'000 Unaudited	31 December 2009 R'000 Audited
Profit/(loss) for the period	**133 295**	(27 814)	63 196
Other comprehensive income:			
Actuarial gains recognised directly in equity			
Gross			21 118
Deferred tax			(5 910)
Net other comprehensive income			15 208
Total comprehensive income for the period	**133 295**	(27 814)	78 404
Attributable to:			
Equity holders of the company	**124 430**	(27 283)	66 932
Non-controlling interests	**8 865**	(531)	11 472
	133 295	(27 814)	78 404

Group statement of cash flows

	Six months ended		Year ended
	30 June 2010 R'000 Unaudited	30 June 2009 R'000 Unaudited	31 December 2009 R'000 Audited
Operating activities			
Profit/(loss) before tax	**187 078**	(20 490)	118 219
Non-cash items	**32 732**	112 024	149 394
Working capital changes	**4 437**	23 765	145 642
Cash generated from operations	**224 247**	115 299	413 255
Finance charges	**(10 880)**	(22 412)	(37 360)
Taxation paid	**(29 373)**	(41 508)	(70 663)
Dividends paid	**(21 015)**		(8 441)
Dividend income from associate		14 700	20 695
Net cash inflow from operating activities	**162 979**	66 079	317 486
Investing activities			
Investment income	**12 097**	3 665	13 243
Net cash used in other investing activities	**(46 308)**	(27 488)	(94 043)
Net cash outflow from investing activities	**(34 211)**	(23 823)	(80 800)
Net cash outflow from financing activities	**(85 248)**	(9 551)	(22 493)
Net increase in cash and cash equivalents	**43 520**	32 705	214 193
Cash and cash equivalents at beginning of period	**232 543**	18 350	18 350
Cash and cash equivalents at end of period	**276 063**	51 055	232 543

Notes to the consolidated interim condensed financial statements

Accounting policies

The 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. 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 2009.

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 R6,6 million as at 30 June 2010 (R6,2 million as at 30 June 2009).

Borrowings

	Six months ended		Year ended
	30 June 2010 R'000	30 June 2009 R'000	31 December 2009 R'000
Current	**20 079**	19 421	97 298
Overdrafts net of cash	**(276 063)**	(51 055)	(232 543)
Non-current	**45 675**	169 096	54 217
Total	**(210 309)**	137 462	(81 028)
The movement in the borrowings can be analysed as follows:			
Opening amount	**(81 028)**	180 901	180 901
Repayments	**(129 543)**	(43 604)	(263 606)
Amounts raised	**262**	165	1 677
Closing amount	**(210 309)**	137 462	(81 028)

Declaration of Special Dividend

Notice is hereby given that a special dividend of 60 cents per ordinary share has been declared in respect of the six months ended 30 June 2010. The last date to trade cum dividend will be Friday, 10 September 2010. Trading will commence ex dividend from Monday, 13 September 2010 and the record date will be Friday, 17 September 2010. The date of payment will be Monday, 20 September 2010.

Share certificates may not be dematerialised or rematerialised between Monday, 13 September 2010, and Friday, 17 September 2010, both days inclusive.

REGISTRARS
Computershare Investor Services (Pty) Limited
70 Marshall Street
JOHANNESBURG
2001

SPONSOR
Barnard Jacobs Mellet Corporate Finance (Pty) Limited

Signed on behalf of the Board

O M E Pooe — Chairman
C T Loock — Managing Director
JOHANNESBURG, 12 August 2010

Group balance sheets

	30 June 2010 R'000 Unaudited	30 June 2009 R'000 Unaudited	31 December 2009 R'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	**662 815**	692 177	657 892
Intangible assets	**30 553**	29 313	29 514
Investment in associates	**26 948**	25 507	20 147
Defined benefit asset	**21 240**		19 962
Deferred taxation	**22 839**	62 305	34 970
	764 395	809 302	762 485
Current assets			
Inventories	**522 635**	582 253	518 091
Trade and other receivables	**454 510**	381 859	428 076
Derivative financial assets	**3 638**	7 382	160
Taxation		15 274	9 700
Cash and cash equivalents	**313 706**	153 137	282 205
	1 294 489	1 139 905	1 238 232
Total assets	**2 058 884**	1 949 207	2 000 717
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	**42 876**	42 876	42 876
Treasury shares	**(123 776)**	(124 532)	(124 289)
Share-based payment reserve	**4 952**	3 389	3 389
Non-distributable reserves	**23 110**	21 669	16 309
Retained earnings	**1 245 578**	1 049 469	1 148 964
Ordinary shareholders' equity	**1 192 740**	992 871	1 087 249
Non-controlling interests	**105 699**	93 059	96 772
Total equity	**1 298 439**	1 085 930	1 184 021
Non-current liabilities			
Interest bearing borrowings	**45 675**	69 096	54 217
Cumulative redeemable preference shares in respect of The Metair Share Incentive Trust		100 000	
Post-employment medical benefits	**19 496**	18 274	19 246
Defined benefit liability		3 594	
Deferred taxation	**71 698**	92 850	83 778
	136 869	283 814	157 241
Current liabilities			
Trade and other payables	**476 684**	358 962	441 784
Borrowings	**20 079**	19 421	97 298
Taxation	**14 715**		
Provisions for liabilities and charges	**72 629**	85 584	60 876
Derivative financial liabilities	**1 826**	13 414	9 835
Bank overdrafts	**37 643**	102 082	49 662
	623 576	579 463	659 455
Total liabilities	**760 445**	863 277	816 696
Total equity and liabilities	**2 058 884**	1 949 207	2 000 717
Net asset value per share (cents) attributable to ordinary shareholders	**851**	710	776
Capital expenditure	**47 253**	44 285	116 156
Capital commitments			
– contracted	**57 770**	44 746	28 398
– authorised but not contracted	**33 787**	34 412	24 986

Conference call

Shareholders are advised that a conference call in respect of these results will be held on Friday 13 August 2010 at 10h00.

Details of the conference call has been sent via SENS and posted on our website.

Group statements 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
Half-year ended 30 June 2010								
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**
Half-year ended 30 June 2009								
Balance at 1 January 2009	42 876	(124 532)	3 389	36 585	1 061 756	1 020 074	93 590	1 113 664
Net loss for the period					(27 283)	(27 283)	(531)	(27 814)
Total comprehensive income for the period					(27 283)	(27 283)	(531)	(27 814)
Employee share option scheme:								
– Value of services provided			80			80		80
Transfer of associate profit and dividend			(80)	(14 916)	14 996			
Balance at 30 June 2009	42 876	(124 532)	3 389	21 669	1 049 469	992 871	93 059	1 085 930
Year ended 31 December 2009								
Balance at 1 January 2009	42 876	(124 532)	3 389	36 585	1 061 756	1 020 074	93 590	1 113 664
Net profit for the year					52 210	52 210	10 986	63 196
Actuarial gains					14 722	14 722	486	15 208
Total comprehensive income for the period					66 932	66 932	11 472	78 404
Net movement in treasury shares		243				243		243
Transfer of associate profit and dividend				(20 276)	20 276			
Dividend							(8 290)	(8 290)
Balance at 31 December 2009	42 876	(124 289)	3 389	16 309	1 148 964	1 087 249	96 772	1 184 021

Segmental review

for the six months ended 30 June 2010

	Local			Direct exports					
	Original equipment	Aftermarket	Non-auto	Original equipment	Aftermarket	Non-auto	Property rental	Reconciling items	Total
Revenue	**1 112 569**	**436 756**	**177 027**	**41 875**	**51 962**	**16 389**	**28 887**	**(28 887)**	**1 836 578**
Profit/(loss) before interest and tax	**58 219**	**82 422**	**17 893**	**3 736**	**1 164**	**(3 140)**	**28 887**	**(3 320)**	**185 861**
Finance costs									**1 217**
Profit before tax									**187 078**
Included in the above:									
– Depreciation and amortisation									**(63 554)**
– Impairment charges									**(1 838)**
for the six months ended 30 June 2009									
Revenue	1 019 167	368 220	166 872	30 150	55 884	19 140	27 214	(27 214)	1 659 433
(Loss)/profit before interest and tax	(57 521)	26 116	13 786	(1 128)	3 474	1 754	27 214	(15 438)	(1 743)
Finance costs									(18 747)
Loss before tax									(20 490)
Included in the above:									
– Depreciation and amortisation									(46 152)
– Impairment charges									(30 544)
for the year ended 31 December 2009									
Revenue	2 029 137	748 355	323 168	73 494	111 833	56 066	54 447	(54 447)	3 342 053
(Loss)/profit before interest and tax	(92 848)	95 099	53 697	8 471	4 807	(836)	54 447	19 499	142 336
Finance costs									(24 117)
Profit before tax									118 219
Included in the above:									
– Depreciation and amortisation									(108 468)
– Impairment charges									(47 082)

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

COMMENTS

Results

The board of directors is pleased to announce the results for the first half of 2010 to shareholders.

Headline earnings per share for the period were 89 cents per share compared to the loss of 3 cents per share achieved in the prior comparative period. Basic earnings for the period were 87 cents per share (2009: 19 cents per share loss).

Total turnover increased by 11% to R1 837 million as the Group secured new business from an Original Equipment Manufacturer ("OEM"), VWSA, which launched a new entry-level vehicle for the local market. The improved margins resulted from, inter alia, the positive effects of the restructuring that took place in 2009, increased volumes and the exiting of unprofitable businesses.

Local Original Equipment ("OE") turnover increased by 9,2% to R1 113 million and generated a profit before interest and tax of R58 million (2009: R58 million loss).

Turnover in the local aftermarket segment increased by 18,6% to R437 million with profit before interest and tax of R82 million. This is up from the R368 million turnover and operating profit of R26 million in the prior comparative period.

The local non-automotive business grew by 6% to R177 million and profit before interest and tax increased to R18 million from R14 million.

Exports across all the segments grew by only 4,8% to R110 million as the Rand remained strong during the period.

The Group also expanded its segmental reporting to include its extensive investment in property. Comparative information has been reclassified accordingly. Property income is based on market-related rates applicable to the area. Income attributable to this segment of the market amounted to R29 million during the period.

Other operating income of R25 million includes, inter alia, government grants, cash discounts received, bad debts recovered and fair value gains.

The impairment of R1,8 million resulted from a write down of plant and equipment at Alfred Teves Brake Systems (Proprietary) Limited related to contracts for OEMs.

The Group's cost saving and efficiency improvement activities resulted in distribution, administration and other costs decreasing by 1%.

Cash generated by operations was R224 million. During the period debt of R86 million was settled and the net cash on hand at the end of the period was R210 million up from R81 million at year end.

Review of operations

The Group has continued to focus on cash management, cost control and manufacturing excellence. All businesses within the Group contributed positively to profits and generated free cash flow. OE production totalled 213 905 vehicles compared to 165 050 in the first half of last year. During the 2009 financial year the Group's subsidiaries were restructured to be at least cashflow-neutral on a sustainable basis at the lower production volumes. The Group was therefore well positioned to benefit from the improved economic conditions experienced in the first half of the year.

The number of self-propelled vehicles on the road in South Africa (vehicle parc) is estimated to be 8,1 million vehicles compared to 7,2 million vehicles four years ago. The growth in the size of the vehicle parc supports Metair's strategy of continuing to focus on increasing its aftermarket penetration.

The OE business remains an important part of Metair's business. The future success of this sector will depend on Metair securing business from the OEMs when new models are launched at reasonable margins while remaining competitive relative to low-cost countries such as India and China. Metair will continue to engage and work with all of its stakeholders, especially its customers, in improving its overall level of competitiveness.

Metair will leverage its expertise to grow the aftermarket and non-auto businesses. Value-accretive acquisition opportunities will also be evaluated.

Industry

The OE market experienced an improvement in activity during the period with the launch of two new models and a recovery in local vehicle demand. The next vehicle launch is planned for the second half of 2011 with a new high-volume light commercial vehicle with a high percentage of exports.

The current view is that the market should sustain itself at the first-half levels for the second half of 2010.

Special dividend

A special dividend of 60 cents per ordinary share has been declared in respect of the six months ended 30 June 2010 and will be paid out of retained income.

The rationale for declaring a special dividend is that the Group has adjusted to the demand levels, which are substantially lower than experienced during the period before the October 2008 financial crisis. The focus on working capital reduction and cash management made it possible to declare a special dividend.

Prospects

Performance in the second half of the year is dependent on OE production volumes and demand sustaining itself at current levels in a stable Rand exchange rate environment that's comparable with exchange rates in the first half. Metair's current view on total vehicle production for the year is approximately 422 000 vehicles for passenger and light commercial vehicles.

In a stable volume, labour and exchange rate environment, backed by continued strong demand in the aftermarket segment, performance in the second half should be comparable to that of the first half.

The Group is currently engaged in tough annual wage negotiations. Any labour action during the period will be disruptive for Metair and the industry.

Trading statement

In terms of Service Issue number 13 of the Listings Requirements of the JSE Limited, issued during February 2010, companies are required to publish a trading statement as soon as they become aware that the financial results for the period to be reported upon next will differ by at least 20% from the financial results for the previous corresponding period even if it does not have the reasonable certainty in terms of providing a range. A further announcement will then be required once it has certainty on the range.

Accordingly, Metair shareholders are advised that the Group has reasonable certainty that the Group's earnings for the year ending 31 December 2010 will be positively impacted by at least 20%. Accordingly, the Group will issue a further announcement once it has achieved certainty regarding the range of expected profitability.

This trading statement has not been reviewed or reported on by Metair's auditors.

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