

METAIR INVESTMENTS LIMITED

(INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA)

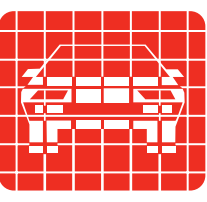
("Metair" or "the group")

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2011

HEPS increased 44% to 128cps

NET CASH ON HAND of R245 million

EBITDA of R322 million



METAIR

(Reg No. 1948/031013/06)

Share code: MTA

ISIN code: ZAE 000090692

GROUP INCOME STATEMENTS

	Six months ended		Year ended
	30 June 2011	30 June 2010	31 December 2010
	R'000	R'000	R'000
	Unaudited	Unaudited	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		Year ended
	30 June 2011	30 June 2010	31 December 2010
	R'000	R'000	R'000
	Unaudited	Unaudited	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 STATEMENT OF CHANGES IN EQUITY

	Share capital & premium	Treasury shares	Share-based payment reserve	Non-distributable reserve	Retained earnings	Attributable to equity holders of the company		Non-controlling interests	Total equity
						R'000	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.

GROUP BALANCE SHEETS

	30 June 2011	30 June 2010	31 December 2010
	R'000	R'000	R'000
	Unaudited	Unaudited	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		Year ended
	30 June 2011	30 June 2010	31 December 2010
	R'000	R'000	R'000
	Unaudited	Unaudited	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

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%.

SEGMENTAL REVIEW

	Revenue			Profit/(loss) before interest and tax		
	30 June 2011	30 June 2010	31 December 2010	30 June 2011	30 June 2010	31 December 2010
	R'000	R'000	R'000	R'000	R'000	R'000
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	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)
	12					