METAIR INVESTMENTS LIMITED

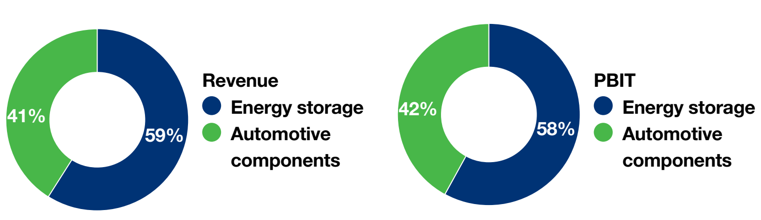
(Incorporated in the Republic of South Africa)
("Metair" or "the group" or "the company")

Condensed audited consolidated results for the year ended 31 December 2017 and dividend announcement

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

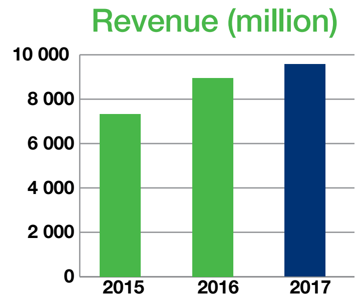
METAIR INVESTMENTS LIMITED
automotive | industrial | retail

Segmental contribution 2017*

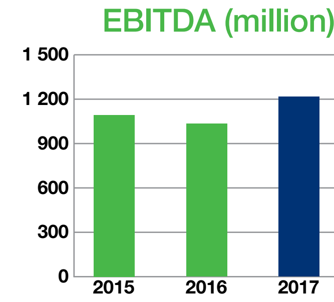


* Includes Hesto

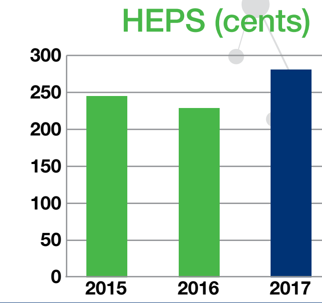
Revenue (million)



EBITDA (million)



HEPS (cents)



- Headline earnings per share increased 23% to 281 cents per share
- Acquisition of 25% of MOLL providing a presence in Germany and micro-entry into China through partner Chaowei
- Revenue increased 6% to R9.5bn
- B-BBEE Level 4 or better for most South African subsidiaries
- First lithium-ion battery powered concept vehicle produced in Romania

CONDENSED CONSOLIDATED INCOME STATEMENT

	31 December 2017 R'000	31 December 2016 R'000
Revenue	9 516 657	8 953 710
Cost of sales	(7 760 976)	(7 352 251)
Gross profit	1 755 681	1 601 459
Other operating income	88 678	110 777
Distribution, administrative and other operating expenses	(996 846)	(980 800)
Operating profit	847 513	731 436
Interest income	26 179	33 296
Interest expense	(200 867)	(187 905)
Share of results of associates	102 989	29 665
Profit before taxation	775 814	606 492
Taxation	(188 242)	(138 434)
Profit for the period	587 572	468 058
Attributable to:		
Equity holders of the company	556 182	447 930
Non-controlling interests	31 390	20 128
	587 572	468 058
Depreciation and amortisation included in the above expenses	265 779	272 925
Operating lease rentals included in the above expenses	37 331	44 660
Earnings per share		
Basic earnings per share (cents)	281	227
Headline earnings per share (cents)	281	229
Diluted earnings per share		
Diluted earnings per share (cents)	279	225
Diluted headline earnings per share (cents)	279	228
Number of shares in issue ('000)	198 986	198 986
Number of shares in issue excluding treasury shares ('000)	198 003	197 790
Weighted average number of shares in issue ('000)	197 987	197 784
Adjustment for dilutive shares ('000)	1 068	915
Number of shares used for diluted earnings calculation ('000)	199 055	198 699
Calculation of headline earnings (R'000)		
Net profit attributable to ordinary shareholders	556 182	447 930
Profit on disposal of property, plant & equipment – net	(595)	(1 416)
Impairment of property, plant and equipment		1 089
Impairment of associate		5 000
Headline earnings	555 587	452 603

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 December 2017 R'000	31 December 2016 R'000
Profit for the period	587 572	468 058
Other comprehensive income:		
– Actuarial gains/(losses) recognised	7 116	(1 108)
– Foreign exchange translation movements	(443 988)	(1 127 532)
– Taxation on other comprehensive (loss)/income	(1 546)	65
Net other comprehensive loss	(438 418)	(1 128 575)
Total comprehensive income/(loss) for the year	149 154	(660 517)
Attributable to:		
Equity holders of the company	117 646	(680 210)
Non-controlling interests	31 508	19 693
	149 154	(660 517)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	31 December 2017 R'000	31 December 2016 R'000
Balance at beginning of the year	4 179 573	4 974 544
Net profit for the period	587 572	468 058
Other comprehensive loss for the year	(438 418)	(1 128 575)
Total comprehensive income/(loss) for the year	149 154	(660 517)
Share option scheme	20 683	19 443
Vesting of share-based payment obligation:		
– Estimated taxation effects of utilisation of treasury shares	(115)	(1 114)
Dividend*	(153 758)	(152 783)
Balance at end of the year	4 195 537	4 179 573

** An ordinary dividend of 70 cents per share was declared in 2017 in respect of the year ended 31 December 2016. An ordinary dividend of 70 cents per share was declared in 2016 in respect of the year ended 31 December 2015.*

CONDENSED CONSOLIDATED BALANCE SHEET

	31 December 2017 R'000	31 December 2016 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	2 605 737	2 857 131
Intangible assets	834 572	1 001 461
Investment in associates	580 440	387 245
Deferred taxation	12 869	4 952
	4 033 618	4 250 789
Current assets		
Inventory	1 697 663	1 608 961
Trade and other receivables	1 669 985	1 394 933
Taxation	32 985	31 358
Derivative financial assets	314	1 092
Cash and cash equivalents	670 653	744 017
	4 071 600	3 780 361
Total assets	8 105 218	8 031 150
EQUITY AND LIABILITIES		
Capital and reserves		
Stated capital	1 497 931	1 497 931
Treasury shares	(10 152)	(10 481)
Share-based payment reserve	115 797	95 114
Foreign currency translation reserve	(1 104 558)	(660 569)
Equity accounted earnings reserve	322 388	271 336
Changes in ownership reserve	(21 197)	(21 197)
Retained earnings	3 275 935	2 904 386
Ordinary shareholders' equity	4 076 144	4 076 520
Non-controlling interests	119 393	103 053
Total equity	4 195 537	4 179 573
Non-current liabilities		
Borrowings	1 148 806	986 547
Post-employment benefits	78 724	88 911
Deferred taxation	298 326	336 395
Deferred grant income	175 440	147 950
Provisions for liabilities and charges	52 951	48 150
	1 754 247	1 607 953
Current liabilities		
Trade and other payables	1 235 708	1 065 304
Borrowings	652 689	911 018
Taxation	29 260	16 350
Provisions for liabilities and charges	135 567	108 445
Derivative financial liabilities	28 862	15 492
Bank overdrafts	73 348	127 015
	2 155 434	2 243 624
Total liabilities	3 909 681	3 851 577
Total equity and liabilities	8 105 218	8 031 150
Net asset value per share (cents) attributable to ordinary shareholders calculated on number of shares in issue excluding treasury shares	2 059	2 059
Capital expenditure	220 414	372 946
Capital commitments:		
– Contracted	53 524	46 124
– Authorised but not contracted	295 949	141 214

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	31 December 2017 R'000	31 December 2016 R'000
Operating activities		
Profit before taxation	775 814	606 492
Net finance costs	181 733	153 238
Depreciation and amortisation	265 779	272 925
Other non-cash items	4 633	29 202
Working capital changes	(322 855)	(28 390)
Cash generated from operations	905 104	1 033 467
Interest paid	(207 912)	(186 534)
Taxation paid	(185 307)	(133 752)
Dividends paid	(153 758)	(152 783)
Dividend income from associates	51 937	
Net cash inflow from operating activities	410 064	560 398
Investing activities		
Interest received	26 179	33 296
Acquisition of property, plant and equipment	(165 429)	(293 995)
Acquisition of associate	(144 302)	(121 986)
Net cash utilised in other investing activities	(15 271)	(44 294)
Net cash outflow from investing activities	(298 823)	(426 979)
Net cash outflow from financing activities	(88 504)	(53 589)
Net increase in cash and cash equivalents	22 737	79 830
Cash and cash equivalents at beginning of the year	617 002	566 707
Exchange losses on cash and cash equivalents	(42 434)	(29 535)
Cash and cash equivalents at end of the year	597 305	617 002

CONDENSED CONSOLIDATED SEGMENT REVIEW

	Revenue		Profit before interest and taxation	
	31 December 2017 R'000	31 December 2016 R'000	31 December 2017 R'000	31 December 2016 R'000
Energy storage				
Automotive				
Local	3 864 239	3 598 149	336 517	334 096
Direct export	1 670 904	1 516 901	158 350	145 906
	5 535 143	5 115 050	494 867	480 002
Industrial				
Local	652 211	685 764	92 207	77 733
Direct export	33 160	50 108	4 502	489
	685 371	735 872	96 709	78 222
Total energy storage	6 220 514	5 850 922	591 576	558 224
Automotive components				
Local				
Original equipment	3 832 194	3 580 962	357 277	189 922
Aftermarket	458 895	470 565	70 312	48 832
Non-auto	25 895	38 090	295	1 251
	4 316 984	4 089 617	427 884	240 005
Direct exports				
Original equipment	5 163	17 879	2 021	736
Aftermarket	37 784	35 303	6 966	6 198
	42 947	53 182	8 987	6 934
Total automotive components	4 359 931	4 142 799	436 871	246 939
Total segment results	10 580 445	9 993 721	1 028 447	805 163
Reconciling items:				
- Share of results of associates			102 989	29 665
- Managed associates*	(1 063 788)	(1 040 011)	(99 015)	11 699
Amortisation of intangible assets arising from business acquisitions			(30 628)	(40 308)
Other reconciling items**			(51 291)	(45 118)
Total	9 516 657	8 953 710	950 502	761 101
Net interest expense			(174 688)	(154 609)
Profit before taxation			775 814	606 492

** Although the results of Hesto Harnesses Proprietary Limited ('Hesto') does not qualify for consolidation, the full results of Hesto have been included in the segmental review. Metair has a 74.9% equity interest and is responsible for the operational management of this associate.*

*** The reconciling items relate to Metair head office companies.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Accounting policies

The condensed consolidated results for the year ended 31 December 2017 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements (Listings Requirements) for abridged reports and the requirements of the Companies Act, 71 of 2008, applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), IAS 34 Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of the consolidated financial statements, from which the condensed consolidated results were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

Contingencies

There has been no material change in the group's contingent liabilities since period-end.

Borrowings

During the year the group repaid borrowings of R616.5 million (2016: R122.8 million) and raised borrowings of R540.6 million (2016: R80 million).

Change of directors

Mr JG Best has been appointed as lead independent director on 30 November 2017 and will act in this capacity for a period of 12 months from the date of appointment. Mr B Mawasha has been appointed as an independent non-executive director of the board and member of the company's audit and risk committee with effect from 1 March 2018. Mr L Soanes resigned as member of the audit and risk committee with effect from 1 March 2018.

Auditors' report

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon.

The audited annual financial statements and auditors' report thereon are available for inspection at the company's registered office. The directors take full responsibility for the preparation of the condensed consolidated results and that the financial information has been correctly extracted from the underlying annual financial statements. Any reference to future financial performance has not been reviewed or reported on by the auditors.

Declaration of Ordinary Dividend No 67

Notice is hereby given that a gross cash dividend of 80 cents per share has been declared by the board in respect of the year ended 31 December 2017.

The dividend has been declared out of income reserves.

The salient dates for the payment of the dividend are detailed below:

Last day of trade	Tuesday, 17 April 2018
Shares to commence trading ex-dividend	Wednesday, 18 April 2018
Record date	Friday, 20 April 2018
Payment of dividend	Monday, 23 April 2018

The following additional information is disclosed with regard to the dividend:

- the local dividend tax rate is 20%;
- the gross local dividend amount is 80 cents per share for shareholders exempt from dividends tax;
- the net local dividend amount is 64 cents per share for shareholders liable to pay a dividend tax;
- Metair's issued share capital is 198 985 886 (which includes 982 822 treasury shares); and
- Metair's income tax reference number is 9300198711.

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Wednesday, 18 April 2018 and Friday, 20 April 2018, both days inclusive.

Annual general meeting

The annual report will be mailed to shareholders along with the notice of annual general meeting. The annual general meeting will be held on 2 May 2018 at 14h00 at AstroTech Conference Centre, Cnr of Anerley Road & Third Avenue, Parktown, Johannesburg.

INTEGRATED REPORT

The group's sustainability reporting included in the annual report for 2017 and the results presentation will be available on the company's website (www.metair.co.za).

The 2017 results presentation will be available on the company's website (www.metair.co.za) and an investor and analyst audio webcast of the presentation will be broadcast on Thursday, 15 March 2018 at 14h00. The audio webcast can be accessed through http://www.corpcam.com/Metair15032018. Alternatively a telephone conference call facility will be available at 14h00 on Thursday, 15 March 2018 in SA on 011 535 3600/010 201 6800 or internationally on +27 11 535 3600/+27 10 201 6800.

REGISTRARS
Computershare Investor Services (Pty) Limited
Rosebank Towers, 15 Biermann Avenue,
Rosebank, 2196

SPONSOR
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INVESTOR RELATIONS
Instinctif Partners

Signed on behalf of the board in Johannesburg on 14 March 2018.

SG Pretorius – *Chairman*

CT Loock – *Managing Director*

The condensed consolidated results were produced under the supervision of Mr S Douwenga (Finance Director) B Comm (Hons), CA (SA).

EXECUTIVE DIRECTORS: CT Loock (Managing); S Douwenga (Finance)
INDEPENDENT NON-EXECUTIVE DIRECTORS: SG Pretorius (Chairman); RS Broadley; L Soanes*; JG Best; TN Mgoduso; PPJ Derby; G Motau; B Mawasha
COMPANY SECRETARY: SM Vermaak *British

ABRIDGED RESULTS COMMENTARY

Metair performed very well in 2017 as we continue to operate in a very dynamic and challenging environment especially as technology shifts in propulsion solutions develop in the mobility space.

Adjustments and preparations to accommodate these shifts brought about the need to deepen the understanding of Metair's business design platform and expand our business narrative.

In the absence of major technology or market shifts, it was acceptable for the Metair business narrative to be centred around our products. This is no longer the case and we need to shift our business narrative to focus on the needs that our products fulfil and market messaging that is aligned and well understood by stakeholders.

In our energy storage vertical, we provide energy and finally sell watt-hours. Good progress was made in becoming a diversified multi-site Giga factory. The energy storage vertical sold 9.7 Giga watt-hours of our 11.5 Giga watt-hours capacity. Our total Giga watt-hours sales were on par with Tesla's Giga factory automotive output.

Metair cannot be a single site Giga factory as our customer base is in multiple locations and the watt-hours we sell are required by vehicle manufacturers and vehicle owners in different countries and diverse geographical locations. Our strategy is to become a multiple site Giga factory.

In our automotive components vertical, we sell a number of product solutions ranging from lighting, ride comfort, heat exchange, vehicle electrical distribution and plastic part solutions. These solutions are only provided in the South African market with solution specific manufacturing sites all over South Africa. Our operations sold 1.2 million lighting units, 25.2 million plastic mouldings, 2.7 million wiring harnesses, 0.7 million brake system parts, 6.1 million HVAC system parts and 1.5 million suspension systems. Enough to supply the equivalent of 200 000 Teslas.

Our challenge in an ever-changing technology environment is to keep up with product development to fulfil the energy (watt-hour) and components (parts) requirement of our international customer base.

The automotive vertical bounced back after a difficult 2016, returning to good profitability levels after the disruptions of the new vehicle launch. Hesto in particular moved from a loss last year back to a profit contribution.

Results

Group revenue increased 6.3% to R9.5 billion as the automotive component vertical regained stability. The energy storage businesses in Turkey and Romania grew revenue by 31% in local currencies, but this reduced to 21.1% in our consolidated accounts when translated into Rand. Operating profit grew 15.9% and the group margin expanded to 8.9% (2016: 8.2%) supported by the margin recovery in the automotive component businesses. Group earnings before interest, tax, depreciation and amortisation (EBITDA) increased 17.6% to R1.2 billion and headline earnings rose 22.8% to R555.6 million, which translated into growth in headline earnings per share growth of 22.6% to 281 cents per share.

Metair's net debt/equity ratio of 29.5% is appropriately conservative and group borrowings from third parties decreased marginally to R1.8 billion. We addressed the first tranche of debt due on the Mutlu Akü acquisition in October 2017 by redeeming two thirds from available cash and unutilised debt facilities, and extending the date on the remainder. We also secured a number of commitments from several leading South African banks for longer-term funding and liquidity at very competitive rates. Metair is comfortably in compliance with all of its lenders' covenants and at 31 December 2017, the group had access to unutilised facilities of approximately R587 million (Rand equivalent), US$95 million and a revolving credit facility of R83 million.

Automotive components vertical (including Hesto)

Turnover recovered strongly, increasing by 5.2% to R4.4 billion, contributing 41% to group revenue and 42% to operating profit as production ramped up and stability returned to the businesses following last year's model launch. Profit before interest and tax (PBIT) margins increased to 10% from 6% in 2016 due to the benefits of improved consistency in production volumes, manufacturing efficiency, and the stronger Rand against the Euro, US Dollar and Japanese Yen throughout the full year.

Energy storage vertical

Revenue from the energy storage vertical increased 6.3% to R6.2 billion (59% of group revenue) and operating profit grew 6% (58% of group operating profit). Battery sales in Turkey and Romania peak in the winter months of the last quarter of the year and strong performances at Rombat and Mutlu Akü over these months partially offset the impact of depreciating currencies and higher lead input costs. In the South African market, competition remained high and performance improved as Phase II of the correction at First National Battery (FNB) progressed. These factors resulted in a consistent PBIT margin of 9.5%.

Operational insight

Automotive components vertical

The exit of General Motors was a blow to the country's automotive industry. We are pleased that Isuzu – our primary brand in the General Motors stable chose to remain in the country. It is important to note our appreciation for the responsible way that General Motors chose to exit the local industry – their assistance was crucial in mitigating most of the retrenchments that would otherwise have been necessary.

Metair provided input into the review of the Automotive Production and Development Programme (APDP) and believes that the programme as currently proposed will continue to support the South African automotive industry effectively.

Energy storage vertical

Our strategic focus has shifted to bulking up the energy storage vertical and as our geographical presence expands and we continue to demonstrate our considerable intellectual capital in the vertical, we are receiving requests for technology transfer from companies in our target growth areas.

Prospects

Our positive outlook on Metair's performance in the year ahead is dependent upon, inter alia, the successful execution of our strategy, original equipment (OE) volumes, geopolitical conditions, a peaceful labour environment, efficiency improvements, internal inflation recoveries and the exchange rate. Subject to such factors, we expect 2018 to be a growth year for the group.

Energy storage vertical

In the year ahead we will focus on the transfer of technology in emerging markets and our goal is to participate in the development of an electric vehicle (EV) energy source for at least one original equipment manufacturer (OEM). We are busy establishing a new research and development centre in Germany in partnership with Chaowei and MOLL while looking forward to finalising the structure of our lithium-ion research and production division.

Automotive components vertical

Metair's outlook for South African vehicle production in the medium term has improved and we believe volumes of 650 000 to 700 000 for the industry as a whole (around 10% to 20% above the 563 857 units produced in 2017) could be achievable. We also anticipate some growth from product expansions through the addition of new OE business and expanded product ranges with existing clients. Customer model changes planned for the next two to three years – which do not include our major customer – will offer further opportunities for new business.

We believe that if factors including production volumes, growth opportunities, efficiencies associated with the new technology and continued stabilisation of manufacturing processes materialise, the profitability guidance for the vertical needs to be updated. The adjusted sustainable medium-term PBIT margins will be between 7% and 9%.

Appreciation

We would like to thank our shareholders, the board, management, employees, customers and all other stakeholders for their continued support during the year.