METAIR

INVESTMENTS LIMITED

automotive | industrial | retail

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 2020 AND DIVIDEND ANNOUNCEMENT

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

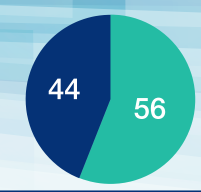
Consolidated group assessed at **B-BBEE Level 1** and South African subsidiaries at Level 4 or better

Free cash flow generated of **R687 million**

COVID-19 response strategy **successfully implemented** to secure a U-shaped recovery

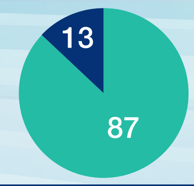
NEW CEO APPOINTED with effect from 1 February 2021 **Riaz Haffejee**

SEGMENTAL CONTRIBUTION 2020* REVENUE (%)



Energy storage
Automotive components

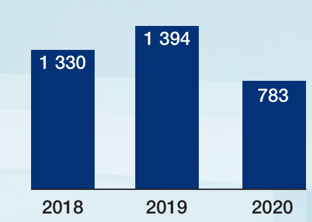
SEGMENTAL CONTRIBUTION 2020* PBIT (%)



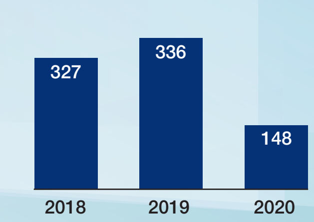
* Includes Hesto

REVENUE (MILLION)

EBITDA (MILLION)



HEPS (CENTS)



CONDENSED CONSOLIDATED INCOME STATEMENT	31 December 2020 R'000	31 December 2019 R'000
Revenue	**10 234 706**	11 237 995
Cost of sales	**(8 642 047)**	(9 234 430)
Gross profit	**1 592 659**	2 003 565
Other operating income	**117 943**	113 775
Distribution, administrative and other operating expenses	**(1 149 940)**	(1 099 187)
Operating profit	**560 662**	1 018 153
Interest income	**40 873**	32 777
Interest expense	**(204 731)**	(259 875)
Share of results of associates*	**8 132**	105 665
Impairments of associates*	**(108 168)**	(25 351)
Profit before taxation	**296 768**	871 369
Taxation	**(111 491)**	(213 576)
Profit for the year	**185 277**	657 793
Attributable to:		
Equity holders of the company	**174 184**	624 186
Non-controlling interests	**11 093**	33 607
	185 277	657 793
Included in operating expenses above are:		
Depreciation and amortisation	**322 340**	295 462
Rentals on short term and low value assets	**15 099**	13 342
Impairment loss/(gain) on trade receivables	**15 726**	(718)
Disaggregation of revenue from contracts with customers		
Primary geographical markets		
South Africa	**5 609 981**	6 450 490
Turkey and UK	**3 201 392**	3 498 391
Romania	**1 423 333**	1 289 114
	10 234 706	11 237 995
Major product and service lines		
Automotive batteries	**5 887 128**	6 247 555
Automotive components and parts	**3 478 789**	4 236 083
Automotive customer tooling	**313 340**	117 822
Industrial and non-automotive products	**555 449**	636 535
	10 234 706	11 237 995
Timing of revenue recognition		
Products transferred at a point in time	**6 677 958**	7 098 531
Products and services transferred over time	**3 556 748**	4 139 464
	10 234 706	11 237 995
Earnings per share		
Basic earnings per share (cents)	**91**	325
Headline earnings per share (cents)	**148**	336
Diluted earnings per share		
Diluted earnings per share (cents)	**91**	324
Diluted headline earnings per share (cents)	**148**	335
Number of shares in issue ('000)	**198 986**	198 986
Number of shares in issue excluding treasury shares ('000)	**192 482**	191 612
Weighted average number of shares in issue ('000)	**192 118**	191 904
Adjustment for dilutive shares ('000)	**247**	549
Number of shares used for diluted earnings calculation ('000)	**192 365**	192 453
Calculation of headline earnings (R'000)		
Net profit attributable to ordinary shareholders	**174 184**	624 186
Gain on transfer of aftermarket business - net		(3 497)
Loss/(profit) on disposal of property, plant and equipment – net	**1 520**	(1 567)
Impairment of associate	**108 168**	25 351
Headline earnings	**283 872**	644 473

** Earnings from associates have been expanded in the current year to separate the impact of impairments. Prior year comparative figures have been adjusted accordingly.*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31 December 2020 R'000	31 December 2019 R'000
Profit for the year	**185 277**	657 793
Other comprehensive income:		
– Actuarial losses recognised – net	**(7 496)**	(11 683)
– Foreign exchange translation movements	**(277 768)**	(373 198)
Net other comprehensive loss	**(285 264)**	(384 881)
Total comprehensive (loss)/income for the year	**(99 987)**	272 912
Attributable to:		
Equity holders of the company	**(111 278)**	239 872
Non-controlling interests	**11 291**	33 040
	(99 987)	272 912

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	31 December 2020 R'000	31 December 2019 R'000
Balance at beginning of the year	**4 310 786**	4 287 721
Net profit for the year	**185 277**	657 793
Other comprehensive loss for the year	**(285 264)**	(384 881)
Total comprehensive (loss)/income for the year	**(99 987)**	272 912
Share option scheme	**29 040**	23 391
Vesting of share-based payment obligation:		
– Estimated taxation effects of utilisation of treasury shares	**160**	(3 360)
Dividend*	**(25 161)**	(224 894)
Treasury shares acquired		(44 984)
Balance at end of the year	**4 214 838**	4 310 786

** The ordinary dividend of R1.20 per share declared by the company in respect of the year ended 31 December 2019, was cancelled.*
** An ordinary dividend of R1.00 per share was declared in 2019 in respect of the year ended 31 December 2018.*

CONDENSED CONSOLIDATED BALANCE SHEET	31 December 2020 R'000	31 December 2019 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**2 618 197**	2 707 381
Intangible assets	**503 801**	605 059
Investment in associates	**624 185**	733 440
Deferred taxation	**13 812**	15 134
	3 759 995	4 061 014
Current assets		
Inventory	**1 695 429**	1 735 629
Trade and other receivables	**1 819 377**	1 699 884
Contract assets	**382 278**	303 725
Taxation	**17 653**	26 460
Derivative financial assets	**242**	552
Cash and cash equivalents	**1 623 696**	1 140 071
	5 538 675	4 906 321
Total assets	**9 298 670**	8 967 335
EQUITY AND LIABILITIES		
Capital and reserves		
Stated capital	**1 497 931**	1 497 931
Treasury shares	**(128 126)**	(142 176)
Reserves	**(1 449 248)**	(1 193 266)
Retained earnings	**4 185 418**	4 025 564
Ordinary shareholders' equity	**4 105 975**	4 188 053
Non-controlling interests	**108 863**	122 733
Total equity	**4 214 838**	4 310 786
Non-current liabilities		
Borrowings	**519 311**	1 299 437
Post-employment benefits	**91 327**	85 317
Deferred taxation	**251 155**	284 727
Deferred grant income	**124 626**	134 476
Provisions for liabilities and charges	**41 677**	39 294
	1 028 096	1 843 251
Current liabilities		
Trade and other payables	**1 873 269**	1 360 535
Contract liabilities	**118 496**	161 133
Borrowings	**1 851 002**	896 974
Taxation	**53 364**	29 500
Provisions for liabilities and charges	**83 175**	87 790
Derivative financial liabilities	**17 857**	15 900
Bank overdrafts	**58 573**	261 466
	4 055 736	2 813 298
Total liabilities	**5 083 832**	4 656 549
Total equity and liabilities	**9 298 670**	8 967 335
Net asset value per share (cents)	**2 133**	2 186
Capital expenditure	**246 522**	495 399
Capital commitments:		
– Contracted	**341 388**	51 236
– Authorised but not contracted	**425 550**	344 949

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	31 December 2020 R'000	31 December 2019 R'000
Operating activities		
Operating profit	**560 662**	1 018 153
Depreciation and amortisation	**322 340**	295 462
Equity earnings, before impairment	**8 132**	105 665
Net movement in provisions and similar items	**(16 377)**	(31 794)
Other items	**55 204**	(56 717)
Working capital changes	**127 457**	(100 841)
Cash generated from operations	**1 057 418**	1 229 928
Interest paid	**(200 086)**	(259 893)
Taxation paid	**(91 513)**	(220 468)
Dividends paid	**(25 161)**	(224 894)
Dividend income from associates	**14 920**	31 168
Net cash inflow from operating activities	**755 578**	555 841
Investing activities		
Interest received	**40 873**	32 777
Acquisition of property, plant and equipment	**(225 031)**	(455 837)
Increase in associate	**(9 559)**	(2 553)
Net cash utilised in other investing activities	**(18 873)**	(9 102)
Net cash outflow from investing activities	**(212 590)**	(434 715)
Financing activities		
Share buy back (treasury shares acquired)		(44 984)
Borrowings raised – net	**259 519**	297 532
Net cash utilised in other financing activities	**(48 756)**	(50 817)
Net cash inflow from financing activities	**210 763**	201 731
Net increase in cash and cash equivalents	**753 751**	322 857
Cash and cash equivalents at beginning of the year	**878 605**	579 610
Exchange losses on cash and cash equivalents	**(67 233)**	(23 862)
Cash and cash equivalents at end of the year	**1 565 123**	878 605

CONDENSED CONSOLIDATED SEGMENT REVIEW	Revenue		Profit before interest and taxation	
	31 December 2020 R'000	31 December 2019 R'000	31 December 2020 R'000	31 December 2019 R'000
Energy storage				
Automotive				
Local	**4 370 104**	4 381 959	**460 032**	463 557
Direct export	**1 517 024**	1 865 595	**161 034**	171 476
	5 887 128	6 247 554	**621 066**	635 033
Industrial				
Local	**511 658**	589 790	**(31 716)**	31 185
Direct export	**18 268**	18 539	**(937)**	(18)
	529 926	608 329	**(32 653)**	31 167
Total energy storage	**6 417 054**	6 855 883	**588 413**	666 200
Automotive components				
Local				
Original equipment	**4 410 129**	5 031 676	**45 556**	433 296
Aftermarket	**466 509**	538 424	**47 747**	93 363
Non-auto	**25 523**	28 207	**(2 125)**	1 741
	4 902 161	5 598 307	**91 178**	528 400
Direct exports				
Original equipment		5 678		1 692
Aftermarket	**42 247**	43 644	**(2 867)**	7 597
	42 247	49 322	**(2 867)**	9 289
Total automotive components	**4 944 408**	5 647 629	**88 311**	537 689
Total segment results	**11 361 462**	12 503 512	**676 724**	1 203 889
Reconciling items:				
– Share of results of associates			**8 132**	105 665
– Impairment of associate			**(108 168)**	(25 351)
– Managed associates*	**(1 126 756)**	(1 265 517)	**27 736**	(109 962)
Amortisation of intangible assets arising from business acquisitions			**(22 216)**	(22 963)
Other reconciling items**			**(121 582)**	(52 811)
Total	**10 234 706**	11 237 995	**460 626**	1 098 467
Net interest expense			**(163 858)**	(227 098)
Profit before taxation			**296 768**	871 369

** 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 2020 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, No. 71 of 2008 (Companies Act), 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.

Bank borrowings

During the period the group repaid borrowings of R114 million (2019: R124 million) and raised borrowings of R374 million (2019: R426 million).

Post-balance sheet events

There has been no material change since period-end.

Changes to the board of directors and committees of Metair

Mr Pretorius will resign from the Metair board and all committees at the annual general meeting (AGM) in May 2021. Mr Flemming, will replace Mr Pretorius as chairman of the board following the conclusion of the 2021 AGM. Ms Mathews was appointed as an independent non-executive director (NED) and member of the audit and risk committee of Metair on 1 January 2021. Ms Mathews will replace Mr Flemming as chairman of the audit and risk committee with effect from the conclusion of the 2021 AGM. Ms Sithebe was appointed as an independent NED and a member of the audit and risk committee with effect from 1 January 2021. Ms Sithebe and Mr Flemming were appointed to the social and ethics committee with effect from 29 January 2021. Mr Giliam was appointed as independent NED and member of the investment committee with effect from 1 May 2021. Ms Motau resigned as an independent NED to the board and as a member of the company´s audit and risk committee as well as the investment committee on 31 December 2020. Mr Loock retired as chief executive officer (CEO) of Metair and as chairman or member and NED of all local and international subsidiaries and associated companies, apart from Hesto, with effect from 31 December 2020. In order to facilitate the handover to the new CEO, Mr Loock has agreed to a two-year consultancy contract with Metair which includes conditions of restraint. Mr Haffejee was appointed as the CEO of Metair with effect from 1 February 2021. The JSE granted a dispensation to Mr Douwenga, the company´s chief financial officer (CFO) to assume a secondary role as the interim CEO of Metair during the period of 1 January 2021 to 31 January 2021.

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 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 Dividends No 70

Notice is hereby given that a gross cash dividend of 75 cents per share has been declared by the board in respect of the year ended 31 December 2020.
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, 13 April 2021
Shares to commence trading ex-dividend	Wednesday, 14 April 2021
Record date	Friday, 16 April 2021
Payment of dividend	Monday, 19 April 2021

The following additional information is disclosed with regard to the dividend:
- the local dividend tax rate is 20%;
- the gross local dividend amount is 75 cents per share for shareholders exempt from dividends tax;
- the net local dividend amount is 60 cents per share for shareholders liable to pay a dividend tax;
- Metair's issued share capital is 198 985 886 (which includes 6 504 167 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, 14 April 2021 and Friday, 16 April 2021, both days inclusive.

Annual general meeting

The annual report will be mailed to shareholders along with the notice of AGM on 25 March 2021. The AGM will be held remotely through an electronic interactive platform hosted by The Meeting Specialist (Pty) Ltd on Wednesday, 5 May 2021 at 14h00, subject to any cancellation, postponement or adjournment, in terms of section 63(2)(a) of the Companies Act.

Integrated report

The group's sustainability reporting included in the annual report for 2020 and the results presentation will be available on the company's website (www.metair.co.za).
The annual results presentation will be broadcast live on Thursday, 18 March 2021 at 14h00 (SAST). Investors and analysts are advised to utilise the following link to gain access to the webinar: https://attendee.gotowebinar.com/register/5572270367191896844.

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

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Signed on behalf of the Board in Johannesburg on 17 March 2021.

SG Pretorius – Chairman

R Haffejee – Chief Executive Officer

The condensed audited consolidated results was produced under the supervision of Mr S Douwenga (CFO) BCom (Hons), CA(SA).

ABRIDGED COMMENTARY

The results commentary for 2020 has proven to be the most difficult to write in the history of Metair. Worldwide, 2020 was dominated by the COVID-19 pandemic that challenged and affected not only every person on the planet, but also governments, businesses, institutions, health systems and economies. The sad and tragic loss of life and livelihood are the most obvious impacts of the virus. The health, safety and welfare of our people was at the forefront of our minds.

A positive outcome of the response to the pandemic is that it brought stakeholders closer together. For Metair, there has never been a time that we needed to be so close to all the stakeholders in our business. Managing these relationships required leadership and resolve.

Metair results for 2020 were inevitably affected by COVID-19 and the shutdown that followed the arrival of the pandemic. This caused significant disruptions to our operations and to our customers, and our financial focus shifted to cash preservation and balance sheet protection to support the liquidity and sustainability of the company.

COVID-19 accelerated some of the trends that were already evident in the automotive industry in South Africa and globally. Our priority remains on ensuring that Metair is well-placed to respond, participate and gain from these developments and their attendant opportunities. Technology continues to advance at a rapid rate and trade dynamics remain uncertain. However, COVID-19 has strengthened the trend to ensure that component supply is close to original equipment manufacturers (OEMs) and the structural changes to global allocation of production location support the U-shaped recovery we see for the business. At the start of the pandemic, and given the uncertainty regarding the duration of disruption, we took a very conservative approach in our scenario planning. However, the rapid recovery in demand in the second half for both the Automotive Components and Energy Storage Verticals surprised on the upside.

In the circumstances, limiting capital allocation to essential spend became a priority. While our lithium-ion production facility was completed at the end of 2019, we were unable to commission it as planned due to the various restrictions imposed as a result of COVID-19. The strategic importance of the facility remains as an incubator to build our intellectual property (IP) in the development of bespoke chemistries, technologies and manufacturing facilities, as well as positioning Metair as a potential development partner for OEMs in pursuit of their own technological advancement.

The investments required to support the significant future industry growth in South Africa and increase market share continued during the year, but not to the extent expected. While timing on some of the new vehicle launches planned for the next three years by the major OEMs in South Africa have shifted out slightly due to COVID-19, they remain in place. The change in timing also resulted in a shift in capex spend from 2020 to 2021.

While our primary goal is to create financial value for our shareholders, the important and legitimate interests of all stakeholders are taken into account in the way we do business. This goal is balanced with the longer-term and sustainable interests of the group, which includes a responsible approach to social and environmental issues that aligns with our commitment to stewardship.

Results

Group revenue decreased 9% to R10.23 billion in 2020 (2019: R11.24 billion), reflecting the impact of the various lockdown measures in South Africa and other countries combined with significantly reduced vehicle demand in the first half of the year.

This contributed to volumes falling 42% in the first half of the year in the Automotive Components Vertical. The planned model launches, facelifts and general market recovery had a positive effect in the second half of the year, leading to improved second half volumes and production stability. Aftermarket, OEM and export demand returned strongly for the Energy Storage Vertical in all regions, and the overall volume decline was limited to 11% below 2019 levels.

The Automotive Components Vertical contributed R4.9 billion in revenue (12% down from 2019), with OEM production volumes for 2020 decreasing 32% to 416 970. The limited revenue decline was mainly as a result of a weaker South African Rand, offsetting the operational volume decline. Manufacturing inefficiencies and limited volumes led to a decrease in margins from 9.5% to 1.8%.

The Energy Storage Vertical contributed R6.4 billion in revenue (6% down from 2019), and reported an earnings before interest and tax (EBIT) of R588 million, down R78 million from 2019. Local operating profit at both Mutlu Akü and Rombat exceeded the 2019 performance, while First National Battery (FNB) was down from 2019. Mutlu Akü's export volumes were severely affected by border closures and logistics constraints, while aftermarket and OEM demand remained strong. Rombat benefitted from Romanian government support during the national state of emergency, which assisted to continue paying employees' salaries. FNB's results were severely negatively impacted by the performance of the industrial segment, while the automotive business recovered well post lockdown. Low industrial demand continues to pressure the sustainability of the industrial segment of the business.

Group operating profit decreased by 45% to R0.6 billion (2019: R1.02 billion) at an operating margin of 5.5% (2019: 9.1%).

Group earnings before interest, tax, depreciation and amortisation (EBITDA) (including equity earnings and impairments) decreased 43% to R0.8 billion (2019: R1.39 billion) and the EBITDA margin decreased to 7.7% (2019: 12.4%).

The focus on cash preservation and liquidity contributed to group net debt decreasing to R0.8 billion (2019: R1.32 billion) and net finance expenses decreased to R164 million (2019: R227 million) due to the reduction in interest rates and lower net debt levels.

Headline earnings per share decreased by 56% to 148 cps (2019: 336 cps) and the weighted average number of shares remained at 192 million shares. Group return on invested capital (ROIC) decreased to 6.4% (2019: 13.0%).

Segmental review

Energy Storage Vertical

Turnover decreased 6% to R6.4 billion (2019: R6.9 billion), with sales of automotive battery units declining 11.4% to 7.5 million units.

Operating margins in the Energy Storage Vertical decreased from 9.7% to 9.2% due to the disruptions to productions and increased pressure on industrial battery volumes and margins. The vertical delivered operating profit of R588 million (2019: R666 million).

Mutlu Akü performed exceptionally well in the context of the extremely difficult trading conditions, with the EBIT in local currency approximately 7% higher than in 2019. The devaluation of the Turkish Lira against the Rand during 2020 saw a minimal decrease in Rand EBIT to R409 million from R413 million.

FNB's margins decreased to 4.0% (2019: 7.9%) and operating profit decreased to R86 million, reflecting the impact of COVID-19 and continued weak industrial battery demand despite a good automotive trading performance.

Rombat's operating profit increased by 36% to R105 million and overall volumes declined by only 2%, as sustained demand for OEM, OES and export markets was experienced in the second half of the year.

Sales of industrial batteries decreased to R530 million (2019: R608 million), mainly due to FNB's reduced volumes.

Automotive Components Vertical

Revenue in the Automotive Components Vertical reduced by R703 million to R4.94 billion (2019: R5.65 billion) despite the good recovery in the second half of the year. Operating profit decreased to R88 million (2019: R538 million) and the operating margin decreased by 7.7bps to 1.8%.

Foreign investments

Earnings of our foreign operations are translated into Rand at the average rate for the period. Mutlu Akü reported a 7% increase in operating profit in Turkish Lira, which translates into a 1% decline in Rand due to currency devaluation. The average Romanian Lei exchange rate for 2020 appreciated 12% against the Rand, which improved earnings translated from Rombat. Mutlu Akü and Rombat together contributed 45% of group revenue and 92% of EBIT for 2020.

Financial position

Group net asset value per share decreased to 2 133 cents per share (2019: 2 186 cents per share) and net working capital decreased by R313 million due to lower activity levels combined with our focus on continuous improvement. Cash generated from operations decreased to R1.1 billion (2019: R1.2 billion), representing a cash conversion ratio to EBITDA above 119%.

Cash and cash equivalents increased to R1.6 billion from R878 million in 2019, while net debt (borrowings less cash and cash equivalents) reduced to R805 million at year-end (2019: R1.3 billion).

The group's net debt/equity ratio improved to 20% (2019: 31.5%), and net debt to EBITDA was 1.0 times (2019: 0.95 times).

Capital allocation

Total capital expenditure (including intangible assets) for 2020 was R247 million (2019: R495 million). For 2021, including Hesto, R284 million has been allocated to maintenance, R1 030 million to expansion capex and R36 million in health and safety, improving the group's competitive position and efficiency. Capital expenditure for 2021 will increase for the Automotive Components Vertical to invest in facilities, tooling and machinery required to support planned new model launches and facelifts.

Insurance claims

Several recent court decisions set a precedent for business interruption insurance claims related to COVID-19 in South Africa. Metair continues to engage with its insurers to clarify the potential claim value.

Akkumulatorenfabrik MOLL impairment

Due to the impact of COVID-19 on the short-term liquidity of MOLL, combined with the uncertainty of the market effect caused by the pandemic, MOLL applied for liquidation during the year. This resulted in an impairment of R108 million.

Dividend

In line with our dividend policy of setting the dividend at two to four times cover, the Board declared a dividend of 75 cents per share for the 2020 financial year.

Outlook and prospects

Metair's immediate priority is to ensure a smooth leadership transition at all levels and support flawless launches of new models and facelifts. In the year ahead, we will continue to drive effective project management and improve operating efficiencies to maintain our current base while investing in the future. The strategic review will be completed and a decision will be made on the direction to follow with regards to lithium-ion technology.

As we prepare for our future and execute on new projects with an investment of R1.3 billion, the Energy Storage Vertical will be focused on expanding our automotive battery product range. We will also evaluate the technology shift effect on our industrial battery manufacturing business while shifting to a more responsive imported new technology trade environment in our industrial business segment.

The automotive components business will enter a year of preparation and implementation as new projects are finalised and commissioned. In particular, in some of our subsidiaries we enter a pre-production and prototype manufacturing phase which will result in a slight shift in the business model in these companies. This means an increased focus on agility and responsiveness to global markets that will require more engineering and design skill while deepening our reach into our technical partners' skill and IP base.

The outlook for the year is therefore dependant on the final product complexity, model and market mix requirement that will become clearer towards the middle of the year as we build our engineering capabilities and capacity. This investment in our future could bring about a short-term migration towards the lower end of Metair's market guidance in automotive components for the year with substantial longer-term benefits.

Appreciation

We would like to thank all our employees, the Metair head office team, subsidiary executives and leadership teams for their significant contribution and impressive implementation during the year. On behalf of the entire company, we would like to express our gratitude to the medical facility practitioners and clinic staff whose dedication secured our health and safety.

In closing, we would like to acknowledge Metair's previous leaders and all our customers and partners. Our customers and partners have been extremely loyal over many years and were instrumental in our continuous development and improvement. Their trust is the foundation for the exciting opportunities that lie ahead. Thank you for your business, trust and support.

EXECUTIVE DIRECTORS: R Haffejee (CEO); S Douwenga (CFO) **INDEPENDENT NON-EXECUTIVE DIRECTORS:** SG Pretorius (Chairman); CMD Flemming; B Mathews; B Mawasha; TN Mgoduso; N Mkhondo; MH Muell (German); A Sithebe; S Sithole (Zimbabwean) **COMPANY SECRETARY:** SM Vermaak