METAIR
INVESTMENTS LIMITED

automotive | industrial | retail

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

(Reg No. 1948/031013/06)
JSE and A2X share code: MTA • ISIN code: ZAE000090692

SUMMARISED CONSOLIDATED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023 AND NOTICE OF ANNUAL GENERAL MEETING

TURNOVER	HEPS	EBITDA*	OPERATING PROFIT
Increased 14% to	Increased to	Increased 86% to	Increased 7% to
R15.9bn	**135cps**	**R1.1bn**	**R487m**

* Earnings before interest, taxation, depreciation and amortisation – calculated as group operating profit and equity-accounted earnings plus depreciation, amortisation and impairments on non-financial assets.

SUMMARISED CONSOLIDATED INCOME STATEMENT	31 December 2023 R'000	31 December 2022 R'000
Revenue	15 856 456	13 905 467
Cost of sales	(13 935 031)	(12 667 166)
Gross profit	1 921 425	1 238 301
Other operating income	258 601	537 323
Distribution, administrative and other operating expenses	(1 693 428)	(1 322 916)
Operating profit	486 598	452 708
Interest income	68 918	33 981
Interest expense	(809 710)	(410 747)
Net monetary gain arising from hyperinflation in Türkiye	555 938	398 066
Share of results and impairment of associates	(10 059)	(239 403)
Profit before taxation	291 685	234 605
Taxation	(163 051)	(238 517)
Profit/(loss) for the period	128 634	(3 912)
Attributable to:		
Equity holders of the company	95 535	(40 385)
Non-controlling interests	33 099	36 473
	128 634	(3 912)
Included in operating expenses above are:		
Impairment of Li-ion line	179 164	
Depreciation and amortisation	440 512	372 951
Rentals on short-term and low value assets	46 212	29 579
Impairment loss on financial assets	52 641	5 724
Disaggregation of revenue from contracts with customers		
Primary geographical markets		
South Africa	9 972 575	7 299 507
Türkiye and UK	3 909 026	4 913 635
Romania	1 974 855	1 692 325
	15 856 456	13 905 467
Major product and service lines		
Automotive batteries	7 437 986	8 020 828
Automotive components and car parts	7 709 774	4 953 420
Automotive customer tooling	100 116	319 669
Industrial and non-automotive products	608 580	611 550
	15 856 456	13 905 467
Timing of revenue recognition		
Products transferred at a point in time	9 489 659	8 846 805
Products and services transferred over time	6 366 797	5 058 662
	15 856 456	13 905 467
Earnings per share		
Basic earnings/(loss) per share (cents)	49	(21)
Headline earnings/(loss) per share (cents)	135	(17)
Diluted earnings per share		
Diluted earnings/(loss) per share (cents)	48	(21)
Diluted headline earnings/(loss) per share (cents)	133	(17)
Number of shares in issue ('000)	198 986	198 986
Number of shares in issue excluding treasury shares ('000)	193 770	193 770
Weighted average number of shares in issue ('000)	193 770	193 483
Adjustment for dilutive shares ('000)	4 061	3 678
Number of shares used for diluted earnings calculation ('000)	197 831	197 161
Calculation of headline earnings		
Net profit/(loss) attributable to ordinary shareholders	95 535	(40 385)
(Profit)/loss on disposal of property, plant and equipment – net	(15 273)	722
Impairment/(reversal of impairment) of property, plant and equipment	179 420	(3 057)
Impairment of associate and investment	2 793	10 440
Headline earnings/(loss)	262 475	(32 280)

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31 December 2023 R'000	31 December 2022 R'000
Profit/(loss) for the period	128 634	(3 912)
Other comprehensive income:		
– Actuarial losses recognised – net	(18 869)	(21 630)
– Foreign exchange translation movements including the effect of hyperinflation	297 064	1 520 538
Net other comprehensive income	278 195	1 498 908
Total comprehensive income for the period	406 829	1 494 996
Attributable to:		
Equity holders of the company	373 215	1 457 937
Non-controlling interests	33 614	37 059
	406 829	1 494 996

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	31 December 2023 R'000	31 December 2022 R'000
Balance at beginning of the period	5 197 495	3 874 354
Net profit/(loss) for the period	128 634	(3 912)
Other comprehensive income for the period	278 195	1 498 908
Total comprehensive income for the period	406 829	1 494 996
Employee share option scheme	(32 014)	22 971
Vesting of share-based payment obligation		
– Estimated taxation effects of utilisation of treasury shares		(1 667)
Dividend *	(36 479)	(192 096)
Foreign currency translation, including the effect of hyperinflation	(2 955)	(1 063)
Balance at end of the period	5 532 876	5 197 495

* *No ordinary dividend was declared for the year ended 31 December 2022 and 31 December 2023.*
* *An ordinary dividend of R0.90 per share was declared in 2022 in respect of the year ended 31 December 2021.*

SUMMARISED CONSOLIDATED BALANCE SHEET	31 December 2023 R'000	31 December 2022 R'000
ASSETS		
Non-current assets	5 867 472	5 340 857
Property, plant and equipment	4 078 258	3 770 774
Intangible assets	1 166 971	1 039 850
Loan to associate	215 815	192 574
Investment in associates	289 982	301 060
Deferred taxation	116 446	36 599
Current assets	7 241 801	7 491 543
Inventory	3 289 551	2 688 876
Trade and other receivables	2 550 042	2 874 995
Contract assets	408 602	620 069
Taxation	22 488	7 437
Derivative financial assets	2 198	1 558
Cash and cash equivalents	968 920	1 298 608
Total assets	13 109 273	12 832 400
EQUITY AND LIABILITIES		
Capital and reserves		
Stated capital	1 497 931	1 497 931
Treasury shares	(106 974)	(106 974)
Reserves	(1 048 603)	(1 296 052)
Retained earnings	5 063 202	4 972 604
Ordinary shareholders' equity	5 405 556	5 067 509
Non-controlling interests	127 320	129 986
Total equity	5 532 876	5 197 495
Non-current liabilities	1 699 840	912 323
Borrowings	1 057 842	350 180
Post-employment benefits	63 622	93 305
Deferred taxation	393 880	333 054
Deferred grant income	131 749	88 991
Provisions for liabilities and charges	52 747	46 793
Current liabilities	5 876 557	6 722 582
Trade and other payables	2 870 256	2 995 674
Contract liabilities	47 004	11 775
Borrowings	2 384 725	3 234 734
Taxation	37 313	43 754
Provisions for liabilities and charges	126 134	110 297
Derivative financial liabilities	8 820	8 050
Bank overdrafts	402 305	318 298
Total liabilities	7 576 397	7 634 905
Total equity and liabilities	13 109 273	12 832 400
Net asset value per share (cents)	2 790	2 615
Capital expenditure	601 175	621 510
Capital commitments:		
– Contracted	77 494	143 823
– Authorised but not contracted	700 058	527 095

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS	31 December 2023 R'000	31 December 2022 R'000
Operating activities		
Operating profit	486 598	452 708
Depreciation and amortisation	440 512	372 951
Share of results and impairment of associates	(10 059)	(239 403)
Net movement in provisions and similar items	62 814	19 858
Other items	149 152	206 308
Working capital changes	27 952	(661 227)
Cash generated from operations	1 156 969	151 195
Interest paid	(779 300)	(391 297)
Taxation paid	(235 229)	(269 100)
Dividends paid	(36 479)	(192 096)
Dividend income received from associates	6 047	61 551
Net cash inflow/(outflow) from operating activities	112 008	(639 747)
Investing activities		
Interest received	45 377	33 981
Acquisition of property, plant and equipment	(576 101)	(424 715)
Loan to related party		(197 674)
Net cash utilised in other investing activities	6 050	(11 767)
Net cash outflow from investing activities	(524 674)	(600 175)
Financing activities		
Borrowings raised – net	257 019	1 356 701
Net cash utilised in other financing activities	(101 601)	(36 702)
Net cash inflow from financing activities	155 418	1 319 999
Net (decrease)/increase in cash and cash equivalents	(257 248)	80 077
Cash and cash equivalents at beginning of the period	980 310	961 895
Exchange loss and hyperinflation impact on cash and cash equivalents	(156 447)	(61 662)
Cash and cash equivalents at end of the period	566 615	980 310

SUMMARISED CONSOLIDATED SEGMENT REVIEW	Revenue		Profit before interest and taxation	
	31 December 2023 R'000	31 December 2022 R'000	31 December 2023 R'000	31 December 2022 R'000
Energy storage				
Automotive	7 437 986	8 020 828	311 378	231 153
Local	5 278 697	5 221 134	240 701	133 368
Direct export	2 159 289	2 799 694	70 677	97 785
Industrial	601 982	598 252	(43 667)	(36 456)
Local	593 624	592 277	(43 498)	(37 151)
Direct export	8 358	5 975	(169)	695
Total energy storage	8 039 968	8 619 080	267 711	194 697
Automotive components				
Local	13 470 203	7 006 218	(45 397)	34 744
Original equipment	12 537 745	6 401 488	(109 365)	(43 242)
Aftermarket	925 860	591 432	63 947	79 245
Non-auto	6 598	13 298	21	(1 259)
Direct exports	47 620	50 843	4 844	9 827
Original equipment	1 066	2 141	401	1 279
Aftermarket	46 554	48 702	4 443	8 548
Total automotive components	13 517 823	7 057 061	(40 553)	44 571
Total segment results	21 557 791	15 676 141	227 158	239 268
Managed associates*	(5 701 335)	(1 770 674)	607 580	348 623
Li-ion line impairment			(179 164)	
Amortisation and depreciation arising from business combinations			(41 043)	(36 904)
Other reconciling items**			(127 933)	(98 279)
Total group revenue and operating profit	15 856 456	13 905 467	486 598	452 708
Share of results and impairment of associates			(10 059)	(239 403)
Profit before interest and taxation			476 539	213 305
Net finance costs			(740 792)	(376 766)
Net monetary gain arising from hyperinflation in Türkiye			555 938	398 066
Profit before taxation			291 685	234 605

* *The results of Hesto Harnesses Pty (Ltd) ('Hesto') have been included in the segment review at 100%. Metair has a 74.9% equity interest but is responsible for the operational management.*
** *Other reconciling items relate to Metair head office and corporate costs.*

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation
The summarised consolidated results for the year ended 31 December 2023 have been prepared in accordance with the JSE Limited Listings Requirements ("Listings Requirements") and the requirements of the Companies Act, 71 of 2008 ("Companies Act"), applicable to summary financial statements. The Listings Requirements require summary financial statements 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 results do not include all the notes of the type normally included in an annual financial report prepared in accordance with International Financial Reporting Standards. Accordingly, this report is to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with IFRS and comply with the Listings Requirements and the requirements of the Companies Act applicable to annual financial statements.

Accounting policies
The accounting policies applied in the preparation of the consolidated annual financial statements, from which the summary financial statements 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 other material change in the group's contingent liabilities since year-end. Refer to note 20 in the consolidated annual financial statements.

Borrowings
During the period the group repaid borrowings of R1 245 million (2022: R936 million) and raised borrowings of R1 502 million (2022: R2 293 million).

Post-balance sheet events
The key focus of the group is to correct the capital structure including the debt profile (including Hesto). In this regard, the group has commenced a debt advisory restructure program. In addition, funders have agreed in principal to extend the maturity of RCF 2 of R525 million for a further year until April 2025.

There has been no material change since period-end.

Auditors' report
These summarised financial statements are only a summary of the consolidated annual financial statements for the year ended 31 December 2023 and have been extracted from audited information, but are not themselves audited. The annual financial statements were audited by Ernst and Young Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and auditors' report thereon can be obtained from the company on written request from Metair's company secretary, Ms Sanet Vermaak (sanet@metair.co.za), or are available on the company's website at: https://www.metair.co.za/wp-content/uploads/2024/03/Metair-IAR_2023.pdf. The directors take full responsibility for the preparation of the summarised consolidated results and that the financial information has been correctly extracted from the underlying audited annual financial statements. Any reference to future financial performance has not been reviewed or reported on by the auditors.

Declaration of Ordinary Dividends
No dividend has been declared for the year.

Annual general meeting (AGM)
The annual report, incorporating the consolidated annual financial statements and notice of annual general meeting ("AGM") will be mailed to shareholders along with the notice of AGM on Thursday, 4 April 2024. The AGM will be held at Metair's registered office, Suite 7, Ground Floor, Building 2, Oxford & Glenhove, 114 Oxford Road, Houghton Estate, Johannesburg, 2198, Republic of South Africa and remotely through an electronic interactive platform hosted by The Meeting Specialist (Pty) Ltd (TMS) on Tuesday, 7 May 2024 at 14h00, subject to any cancellation, postponement or adjournment in terms of section 63(2) of the Companies Act.

The record date for purposes of determining which shareholders are entitled to receive the notice of AGM is Thursday, 28 March 2024. The record date for purposes of determining which shareholders must be registered as such in the company's securities register in order to attend and vote at the AGM is Friday, 26 April 2024. The last day to trade in order to be entitled to vote at the AGM will therefore be Tuesday, 23 April 2024.

Integrated report
The group's sustainability reporting included in the annual report for 2023 will be available on the company's website (www.metair.co.za).

The annual results presentation will be available on the company's website (www.metair.co.za)
Live webcast: A live webcast of the presentation will be available at 10:00 (SAST) on Wednesday, 27 March 2024 at https://www.corpcam.com/Metair27032024

Registrars	Sponsor	Investor relations
Computershare Investor Services (Pty) Limited	One Capital	Instinctif Partners
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196		

Signed on behalf of the board in Johannesburg on 25 March 2024.

TN Mgoduso – Chairperson

PS O'Flaherty – Chief Executive Officer

The consolidated annual financial statements as well as these summarised financial statements were produced under the supervision of Mr A Jogia (CFO) CA(SA), B Com Accounting, PGDA.

EXECUTIVE DIRECTORS: PS O'Flaherty (CEO); A Jogia (CFO)

INDEPENDENT NON-EXECUTIVE DIRECTORS: TN Mgoduso (Chairperson); B Mawasha (Lead Independent); PH Giliam; N Medupe; NL Mkhondo; MH Muell (German); AK Sithebe; S Sithole (Zimbabwean) (Alternate director to NL Mkhondo)

COMPANY SECRETARY: SM Vermaak

SUMMARISED CONSOLIDATED RESULTS COMMENTARY

Introduction
Conditions remained challenging, with a difficult and volatile trading environment, as well as high interest and inflation rates impacting financial results in the geographies where the group operates. The corrective steps taken to address and stabilise performances in both business verticals resulted in a strong improvement in the second half of the year.

Ongoing supply chain disruptions, exacerbated by the deterioration in rail and port infrastructure in South Africa, created delays and increased costs through emergency airfreight. To mitigate this, the group maintained higher levels of safety stock to support Original Equipment Manufacturers (OEMs) that often varied production volumes. Added to this, geo-political tensions and adverse economic policies in Türkiye and Europe impacted the group's international battery businesses.

Management's efforts were largely focused on the two key businesses that most significantly impact liquidity, operations, and results. These include the recovery of the group's managed associate, Hesto Harnesses ("Hesto"), following the significant losses incurred in the first half of the 2023 financial year as well as stabilising Mutlu Akü in Türkiye.

Group results
Group revenue increased 14% to R15.9 billion (2022: R13.9 billion), supported by improved OEM production volumes in South Africa and increased price growth, mainly due to higher material cost content and complexity. The Automotive Components business (excluding Hesto which is accounted for as an associate) contributed R7.82 billion to group revenue, a 48% increase from 2022. Hesto's revenue increased by 222% from R1.8 billion to R5.7 billion. Revenue from the Energy Storage business declined 7% to R8.0 billion (2022: R8.6 billion), mainly due to lower aftermarket and export volumes from Mutlu Akü.

Group EBIT (earnings before interest and taxation, calculated as profit before interest, taxation and share of associate earnings) increased 7% to R487 million (2022: R453 million). EBIT margin was 3.1% (2022: 3.3%), which was impacted by operational inefficiencies during ramp up of a major customer project across a number of subsidiaries, the non-cash impact of hyperinflation accounting adopted for Mutlu Akü and impairment of the Li-Ion line in Romania (Rombat) of R179 million. On a pre-hyperinflation basis and excluding impairments, EBIT increased by 46% to R1 150 million (2022: R789 million) at a 7.3% margin (2022: 5.8%).

Net finance expenses increased 97% to R741 million (2022: R377 million) due to increased borrowing rates, specifically in Türkiye, where market interest rates ranged between 45% – 55%, combined with higher net debt levels to support customer expansion and high working capital investments. Net monetary gains arising from hyperinflation accounting restatements were R556 million (2022: R398 million).

Share of equity losses from associates amounted to R10 million (2022: R239 million loss). Hesto's share of post-tax equity losses of R393 million are not included within equity accounted earnings. In terms of equity accounting rules under IFRS (IAS28), if there are no contractual shareholder obligations to fund Hesto's operating losses, the portion of losses exceeding the carrying value of the underlying investment is not recognised and deferred until sufficient future profits are generated to reverse the accumulated losses. Hesto's loss is included within the segmental results and in the calculation of debt covenants.

Group EBITDA (earnings before interest, taxation, depreciation and amortisation – calculated as group operating profit and equity-accounted earnings plus depreciation, amortisation and impairments on non-financial assets) increased to R1.1 billion (2022: R592 million).

Headline earnings per share (HEPS, adjusted for impairments as well as capital profits on disposals), increased by 152 cents to 135 cents per share (2022: 17 cents per share loss).

Automotive Components Vertical
South African OEM production volumes of passenger vehicles and light commercial vehicles (LCVs) grew 20% to 649 231 units in 2023, assisted by new model launches and the recovery after last year's floods. The vertical (including Hesto) experienced strong revenue growth, contributing R13.5 billion (2022: R7.1 billion), an increase of 92%.

Core subsidiary businesses (excluding managed associate Hesto) such as Lumotech, Supreme Spring and Smiths Manufacturing performed well. Their performances contributed to EBIT of R567 million (2022: R393 million) at a margin of 7.3% (2022: 7.4%), impacted by OEM customer volume and mix variability and supply disruptions.

Hesto
Ramp up to production proved extremely challenging for the new major customer model, with significant design, engineering and facelift changes. This complexity necessitated higher than expected up-front costs, labour, and line capacity, as well as inventory. Unfortunately, excessive once-off airfreight and labour costs of R465 million contributed to a R711 million loss before interest and taxes at Hesto in the first half of the year. Close collaboration with the customer and the technology partner led to a commercial price adjustment, providing significant support over the remaining model life of nine years. Hesto generated R104 million EBIT in the second half of 2023, but due to the significant losses in the first half, incurred a full-year EBIT loss of R608 million (2022: R349 million loss).

Energy Storage Vertical
Geo-political tensions, high inflationary and other economic pressures dampened automotive battery sales and total volumes declined 17% from 8.7 million to 7.3 million units. Total OEM battery sales volumes accounted for 36% of total energy volumes (2022: 28%), a slightly higher mix than target. The Group's emphasis is on correcting the sales mix going forward by improving export volumes in other markets and replenishing aftermarket channels following the production challenges in Q4.

Energy Vertical reported an EBIT increase of 37% to R268 million (2022: R195 million). On a pre-hyperinflation basis and before impairment of the Li-Ion line in Rombat, revenue declined 3.6% to R8 billion (2022: R8.3 billion), R730 million EBIT was generated (2022: R746 million) and EBIT margin held steady at 9.1% (2022: 9.0%).

Sales of automotive batteries at Rombat in Romania were maintained at 2.3 million units, although tensions in Ukraine affected consumer sentiment and demand in Europe. Rombat generated EBIT of R33 million (2022: R36 million), impacted by regional instability and high energy cost.

Sales of automotive battery volumes for First Battery increased 8% from 1.5 million units to 1.7 million units in a competitive and price sensitive market. First Battery improved local market share and generated EBIT of R183 million (2022: R177 million) at a margin of 8.5% (2022: 8.8%). First Battery expanded its traded product portfolio to increase the range of standby, renewable energy applications and industrial backup solutions while transitioning into the industrial trading model. Benefits are expected to fully materialise from 2024. Total industrial segment revenue amounted to R602 million (2022: R598 million).

Mutlu Akü terminated export sales to Russia in line with European Union sanction regulations imposed on Russia. This, combined with cancellations from a key customer in the United States, decreased export volumes by 69% to 0.5 million units (2022: 1.7 million units). A difficult labour environment in Türkiye, unfortunately also resulted in a shortage of contract workers during the last quarter of 2023. The situation was resolved, but production was constrained for 2.5 months. New labour union wage rate negotiations were successfully concluded in February 2024 without disruptions. Given the Group's firm commitment to prioritise OEM customers, Mutlu Akü local aftermarket sales suffered a decrease of 34% to 1.0 million units (2022: 1.6 million units). Total Mutlu Akü automotive sales volume amounted to 3.4 million batteries (2022: 4.9 million).

Mutlu Akü's local currency (pre-hyperinflation) EBIT increased 18.7% to Turkish Lira TL 645 million (2022: TL 544 million) at an EBIT margin of 13.6% (2022: 11.9%). When translated into South African Rand (ZAR) earnings, Mutlu Akü contributed R515 million (2022: R530 million) EBIT as the TL devalued on average 20% against the ZAR. Türkiye interest rates increased to 42.5% and annual inflation peaked at 64.8%. Net interest costs therefore increased by 115% to R485 million (2022: R226 million).

Financial position
Net working capital increased by R128 million to R3.33 billion (2022: R3.18 billion). To ensure the security of supply to customers, the Group increased safety stock levels, especially for imported components with long lead times. Group inventory increased 23% to R3.3 billion (2022: R2.7 billion), offset by lower trade receivables. Higher raw material and commodity prices (especially lead in Türkiye) raised levels of working capital.

The changes in working capital contributed to an improvement in cash generated from operations from R151 million in 2022 to R1.2 billion, resulting in cash conversion of 104% (2022: 18%). Free cash generated amounted to R306 million (2022: R664 million utilised). Cash and cash equivalents declined to R567 million from R980 million in the prior year, arising mainly at Mutlu Akü as lower export sales impacted cash cycles and higher interest payments. Group net debt (borrowings less cash and cash equivalents, excluding Hesto) increased to R2.8 billion at year-end (2022: R2.6 billion) primarily due to the intensive capital expansion and working capital needs, especially in Türkiye.

Group net asset value per share increased to 2 790 cents (2022: 2 615 cents).

Going concern, liquidity and debt covenants
The group's net debt to equity ratio amounted to 52% (2022: 51%). Net debt to EBITDA was 2.6 times (2022: 4.4 times). This was higher than the target of 2.5 times due to higher working capital, funding taken up for new projects and the impact of hyperinflation on Mutlu Akü's results.

Net debt, calculated on a covenant testing methodology which includes Hesto, amounted to R4.6 billion at balance sheet date, at 3 times EBITDA. Despite the high debt level, the group remained within agreed banking covenants levels.

The group's revolving credit facility (RCF) 2 funding of R525 million, due in April 2024, has been successfully extended for an additional year. Management is closely monitoring debt levels and liquidity, with a priority to reduce debt in a responsible manner. In addition, the group is implementing a range of strategies to reduce and restructure debt levels, including effective cash management and cost control, delaying non-critical capital expenditures and engaging customers for flexible support on capital investments for new models. Unutilised credit facilities amounted to R767 million (2022: R752 million) in South Africa and R1.6 billion (2022: R1.2 billion) equivalent conditional facilities internationally.

The Metair board of directors re-assessed the long-term viability of Hesto. Together with the support of funders, the technical partner and customers, as well as cost reduction and efficiency improvements, the business is sustainable over the remaining model life of key projects. Management is committed to return the company to sustainable profitability and positive cash generation.

Management and the board determined that there is no material uncertainty or significant doubt upon the group's ability to continue as a going concern and sufficient access to facilities are available for ongoing operational requirements.

Financial guarantees
During the year, the company provided financial guarantees amounting to $57 million for funding and trade credit support advanced to Hesto by the other shareholder, Yazaki Corporation. The funding structure at Hesto will form part of a debt restructure and refinancing programme.

Capital expenditure (including Hesto)
The group invested R690 million (2022: R1.16 billion) capital expenditure to support future growth and efficiency improvements. R289 million was spent on maintenance, R380 million on expansion and R21 million on health and safety. For 2024, management will continue to prioritise investing for future growth and sustainability and plan to commit R910 million. Main areas of expenditure include R409 million for critical maintenance, R281 million for new customer vehicle models, R55 million on Rombat's solar energy project and R96 million on health and safety requirements, including earthquake protection upgrades at Mutlu Akü.

European Commission's Statement of Objections (SO)
As advised previously, Metair and its subsidiary in Romania, Rombat, are currently conducting an in-depth analysis of the SO to prepare an initial response to the European Competition Commission (Commission), which will be submitted during April 2024. This will be followed by an oral hearing at the Commission later in the year. It is not clear when the Commission's final decision will be issued.

The setting of a fine involves a complex calculation, with several factors to be considered, including various mitigation factors and a potential inability to pay. The legal maximum limit that can be imposed is an administrative penalty of up to 10% of annual turnover for the year preceding the Commission's decision. Due to the uncertainty in quantifying and determining the timing of any potential fine, the matter is being treated as a contingent liability at balance sheet date.

Outlook and prospects
Metair's focus remains on achieving efficient manufacturing of new models and facelifts, particularly concentrating on profitability at Hesto. The Energy Storage Vertical continues to focus on improving volumes and mix, securing new hard currency export markets, and benefiting from its industrial solutions portfolio in South Africa.

The group will focus on effectively managing debt and working capital levels. However, it will still experience elevated finance costs due to recent investments in new customer vehicle models and higher cost of borrowings in Türkiye where the economic environment is challenging.

The Group's lenders remain supportive of its short term cash management initiatives and have committed to engage with the management team on a debt restructure and refinance programme that will ensure a sustainable capital structure in the medium term. An update on the progress of this process will be provided during the first half of the financial year ended 31 December 2024 ("FY24").

The outlook for the year ahead is dependent on OEM customer production volumes in the Automotive Components Vertical and improved aftermarket and exports sales mix in the Energy Storage Vertical.

The new management team's priorities at the start of FY24 will remain on stabilising the leadership team after significant changes in the previous year, addressing high debt levels, achieving project profitability at Hesto, unlocking value from Mutlu Akü and resolving the competition concerns in Romania. By releasing the friction these obstacles create, the Group can start to regain its momentum and return to growth. The leadership team will spend the next few months to address the priority areas and evaluate the current situation, with the finalisation of a detailed turnaround strategy aimed for the second half of FY24.