METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
("Metair" or "the group" or "the company")
(Reg No. 1948/031013/06)
Share code: MTA
ISIN code: ZAE 000090692

Condensed audited consolidated results for the year ended
31 December 2018 and dividend announcement

Segmental contribution 2018*

- Revenue
  - Energy storage 56%
  - Automotive components 44%

* Includes Hesto

- PBIT
  - Energy storage 58%
  - Automotive components 42%

Revenue (million)

R8 954	R9 517	R10 277
2016	2017	2018

EBITDA (million)

R1 034	R1 216	R1 330
2016	2017	2018

HEPS (cents)

229c	281c	327c
2016	2017	2018

Consolidated group assessed at B-BBEE Level 3 and most South African subsidiaries at or above the minimum requirement of B-BBEE Level 4

Continued strong performance delivered by the automotive components businesses

Continued strong operational results from Mutlu Aku in Turkey despite a challenging operating environment

Invested in a 35% stake in Prime Motors as an incubator research and development centre for lithium-ion battery development

CONDENSED CONSOLIDATED INCOME STATEMENT

	31 December 2018 R'000	31 December 2017 R'000

Revenue	10 276 966	9 516 657
Cost of sales	(8 377 612)	(7 760 976)
Gross profit	1 899 354	1 755 681
Other operating income	211 965	88 678
Distribution, administrative and other operating expenses	(1 102 649)	(996 846)
Operating profit	1 008 670	847 513
Interest income	24 208	26 179
Interest expense	(210 056)	(200 867)
Share of results of associates	76 507	102 989
Profit before taxation	899 329	775 814
Taxation	(200 049)	(188 242)
Profit for the period	699 280	587 572
Attributable to:		
Equity holders of the company	667 377	556 182
Non-controlling interests	31 903	31 390
	699 280	587 572
Depreciation and amortisation included in the above expenses	244 500	265 779
Operating lease rentals included in the above expenses	35 778	37 331
Earnings per share		
Basic earnings per share (cents)	338	281
Headline earnings per share (cents)	327	281
Diluted earnings per share		
Diluted earnings per share (cents)	336	279
Diluted headline earnings per share (cents)	325	279
Number of shares in issue ('000)	198 986	198 986
Number of shares in issue excluding treasury shares ('000)	192 283	198 003
Weighted average number of shares in issue ('000)	197 284	197 987
Adjustment for dilutive shares ('000)	1 246	1 068
Number of shares used for diluted earnings calculation ('000)	198 530	199 055
Calculation of headline earnings (R'000)		
Net profit attributable to ordinary shareholders	667 377	556 182
Gain on insurance recovery on fire - net	(23 066)	
Loss/(profit) on disposal of property, plant and equipment - net	534	(595)
Impairment of property, plant and equipment - net	800	
Headline earnings	645 645	555 587

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 December 2018 R'000	31 December 2017 R'000
Profit for the year	699 280	587 572
Other comprehensive income:		
- Actuarial (losses)/gains recognised - net	(4 316)	5 570
- Foreign exchange translation movements	(313 341)	(443 988)
Net other comprehensive loss	(317 657)	(438 418)
Total comprehensive income for the year	381 623	149 154
Attributable to:		
Equity holders of the company	349 066	117 646
Non-controlling interests	32 557	31 508
	381 623	149 154

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	31 December 2018	31 December 2017

	R'000	R'000
Balance at beginning of the year	4 195 537	4 179 573
Adjustment on initial application of IFRS 15 and IFRS 9	(3 963)	
Net profit for the year	699 280	587 572
Other comprehensive loss for the year	(317 657)	(438 418)
Total comprehensive income for the year	381 623	149 154
Share option scheme	9 859	20 683
Vesting of share-based payment obligation:		
- Estimated taxation effects of utilisation of treasury shares	(526)	(115)
Dividend *	(189 936)	(153 758)
Treasury shares acquired	(104 873)	
Balance at end of the year	4 287 721	4 195 537

* An ordinary dividend of 80 cents per share was declared in 2018 in respect of the year ended 31 December 2017.
  An ordinary dividend of 70 cents per share was declared in 2017 in respect of the year ended 31 December 2016.

CONDENSED CONSOLIDATED BALANCE SHEET

	31 December 2018 R'000	31 December 2017 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	2 538 145	2 605 737
Intangible assets	707 481	834 572
Investment in associates	674 296	580 440
Deferred taxation	8 825	12 869
	3 928 747	4 033 618
Current assets		
Inventory	1 849 091	1 697 663
Trade and other receivables	1 667 541	1 669 985
Contract assets	288 770	
Taxation	8 955	32 985
Derivative financial assets	6 944	314
Cash and cash equivalents	671 952	670 653
	4 493 253	4 071 600
Total assets	8 422 000	8 105 218
EQUITY AND LIABILITIES		
Capital and reserves		
Stated capital	1 497 931	1 497 931
Treasury shares	(112 510)	(10 152)
Reserves	(918 246)	(687 570)
Retained earnings	3 699 197	3 275 935
Ordinary shareholders' equity	4 166 372	4 076 144
Non-controlling interests	121 349	119 393
Total equity	4 287 721	4 195 537
Non-current liabilities		
Borrowings	983 762	1 148 806
Post-employment benefits	76 943	78 724
Deferred taxation	281 456	298 326
Deferred grant income	187 507	175 440
Provisions for liabilities and charges	57 785	52 951
	1 587 453	1 754 247
Current liabilities		
Trade and other payables	1 444 018	1 235 708
Contract liabilities	846	
Borrowings	858 032	652 689

Taxation	42 214	29 260
Provisions for liabilities and charges	106 203	135 567
Derivative financial liabilities	3 171	28 862
Bank overdrafts	92 342	73 348
	2 546 826	2 155 434
Total liabilities	4 134 279	3 909 681
Total equity and liabilities	8 422 000	8 105 218
Net asset value per share (cents)	2 167	2 059
Capital expenditure	305 435	220 414
Capital commitments - Contracted	53 458	53 524
- Authorised but not contracted	427 462	295 949

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS##

	31 December 2018 R'000	31 December 2017 R'000
Operating activities		
Operating profit	1 008 670	847 513
Depreciation and amortisation	244 500	265 779
Equity earnings	76 507	102 989
Insurance claim receivable	(29 582)	
Net movement in provisions and similar items	(56 956)	49 261
Other items	(24 976)	(37 583)
Working capital changes	(330 415)	(322 855)
Cash generated from operations	887 748	905 104
Interest paid	(210 140)	(207 912)
Taxation paid	(148 295)	(185 307)
Dividends paid	(189 936)	(153 758)
Dividend income from associates	6 550	51 937
Net cash inflow from operating activities	345 927	410 064
Investing activities		
Interest received	24 208	26 179
Acquisition of property, plant and equipment	(269 498)	(165 429)
Acquisition of associate	(16 061)	(144 302)
Net cash utilised in other investing activities	(31 765)	(15 271)
Net cash outflow from investing activities	(293 116)	(298 823)
Financing activities		
Share buy back (treasury shares acquired)	(104 873)	
Borrowings raised/(repaid) - net	93 051	(75 933)
Net cash utilised in other financing activities	(13 588)	(12 571)
Net cash outflow from financing activities	(25 410)	(88 504)
Net increase in cash and cash equivalents	27 401	22 737
Cash and cash equivalents at beginning of the year	597 305	617 002
Exchange losses on cash and cash equivalents	(45 096)	(42 434)
Cash and cash equivalents at end of the year	579 610	597 305

The condensed cash flow has been expanded and adjusted in the current year for better presentation. Prior year comparative has also been adjusted for consistency. Total cash flows from operating, investing and financing activities have not changed.

CONSOLIDATED SEGMENT REVIEW

	Revenue		Profit before interest and taxation	
	31 December 2018 R'000	31 December 2017 R'000	31 December 2018 R'000	31 December 2017 R'000
Automotive				

Local	3 848 580	3 864 239	377 703	336 517
Direct export	1 842 575	1 670 904	232 461	158 350
	5 691 155	5 535 143	610 164	494 867
Industrial				
Local	660 958	652 211	77 455	92 207
Direct export	31 744	33 160	4 090	4 502
	692 702	685 371	81 545	96 709
Total energy storage	6 383 857	6 220 514	691 709	591 576
Automotive components				
Local				
Original equipment	4 516 489	3 832 194	420 440	357 277
Aftermarket	482 016	458 895	76 535	70 312
Non-auto	29 826	25 895	191	295
	5 028 331	4 316 984	497 166	427 884
Direct exports				
Original equipment	2 681	5 163	1 245	2 021
Aftermarket	41 607	37 784	10 331	6 966
	44 288	42 947	11 576	8 987
Total automotive components	5 072 619	4 359 931	508 742	436 871
Total segment results	11 456 476	10 580 445	1 200 451	1 028 447
Reconciling items:				
- Share of results of associates			76 507	102 989
- Managed associate*	(1 179 510)	(1 063 788)	(107 488)	(99 015)
Amortisation of intangible assets arising from business acquisitions			(24 661)	(30 628)
Other reconciling items**			(59 632)	(51 291)
Total	10 276 966	9 516 657	1 085 177	950 502
Net interest expense			(185 848)	(174 688)
Profit before taxation			899 329	775 814

* 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 2018 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, other than the implementation of IFRS 15 and IFRS 9.

IFRS 15 and IFRS 9
The group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated. The impact of adoption is fully discussed in the annual financial statements. The impact of changes in the new accounting rules were not material for the group's results.

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 R126.3 million (2017: R616.5 million) and raised borrowings of R219.3 million (2017: R540.6 million).

Change of directors
Mr S Pretorius, chairman of the board, was appointed to the social and ethics committee with effect from 14 June 2018 and on 27 September 2018, Mr J Best, Mr S Pretorius and Ms T Mgoduso were appointed to the newly constituted nominations committee. On 31 December 2018, Messrs R Broadley and L Soanes, independent non-executive directors, retired from the board and its respective committees, Mr S Douwenga, an executive director, resigned from the social and ethics committee, Mr B Mawasha and Ms P Derby were appointed to the remuneration committee. Mr J Best will be retiring from the board, in accordance with the provisions of the company's memorandum of incorporation and will not offer himself for re-election and will accordingly retire as a director and the respective committees at the annual general meeting (AGM) on 2 May 2019. Messrs S Sithole, P Moeketsi and M Flemming were appointed as independent non-executive directors with effect from 1 March 2019. Furthermore, with effect from 2 May 2019, Mr S Sithole will serve on the remuneration and nominations committees, Mr P Moeketsi will serve on the investment committee, Mr M Flemming will serve as chairman of the audit and risk committee, subject to shareholder approval at the AGM and Mr B Mawasha will serve as chairman of the investment committee, member of the nominations committee and will resign from the remuneration committee.

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 Dividends No 68
Notice is hereby given that a gross cash dividend of 100 cents per share has been declared by the board in respect of the year ended 31 December 2018.
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	Monday, 15 April 2019
Shares to commence trading ex-dividend	Tuesday, 16 April 2019
Record date	Thursday, 18 April 2019
Payment of dividend	Tuesday, 23 April 2019

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

- the local dividend tax rate is 20%;
- the gross local dividend amount is 100 cents per share for shareholders exempt from dividends tax;
- the net local dividend amount is 80 cents per share for shareholders liable to pay a dividend tax;
- Metair's issued share capital is 198 985 886 (which includes 6 702 399 treasury shares); and
- Metair's income tax reference number is 9300198711.

Shareholders will not be permitted to dematerialise or rematerialise their shares between Tuesday, 16 April 2019 and Thursday, 18 April 2019, 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 2019 at 14h00 at the JSE Limited, One Exchange Square, Gwen Lane, Sandown, Johannesburg.

INTEGRATED REPORT
The group's sustainability reporting included in the annual report for 2018 and the results presentation will be available on the company's website (www.metair.co.za).

The 2018 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, 14 March 2019 at 14h00. The audio webcast can be accessed through http://www.corpcam.com/Metair14032019. Alternatively a telephone conference call facility will be available at 14h00 on Thursday, 14 March 2019 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

INVESTOR RELATIONS
Instinctif Partners

Signed on behalf of the board in Johannesburg on 13 March 2019.

SG Pretorius - Chairman

CT Loock - Managing Director

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

EXECUTIVE DIRECTORS: CT Loock (Managing); S Douwenga (Finance) INDEPENDENT NON-EXECUTIVE DIRECTORS: SG Pretorius (Chairman); JG Best; TN Mgoduso; PPJ Derby; G Motau; B Mawasha; CMB Flemming; S Sithole; TP Moeketsi COMPANY SECRETARY: SM Vermaak

ABRIDGED RESULTS COMMENTARY

2018 will be remembered in corporate South Africa as a particularly turbulent, challenging and transformative year. Within this context, Metair faced its own challenges, but was nevertheless able to achieve a good trading result with a 16% growth in headline earnings per share to 327 cents. The year saw a strong contribution from our overseas acquisitions in the energy storage vertical, particularly Mutlu Aku in Turkey, which managed to outperform the Turkish Lira currency weakness for a fifth year in a row, and Rombat in Romania, which operated at full capacity in the second half. Metair's automotive component business in South Africa supported the result with good volume throughput.

Group revenue increased 8% to R10.28 billion, operating profit grew 19% and group margin expanded to 9.8% (2017: 8.9%) supported by a 16% improvement in operating profit from the Automotive Components Vertical and a 17% improvement in the Energy Storage Vertical. Group earnings before interest, tax, depreciation and amortisation (EBITDA) increased 9.4% to R1.33 billion and headline earnings rose 16% to R646 million. Metair's net debt/equity ratio of 30% is appropriately conservative and group borrowings decreased to R1.8 billion.

ENERGY STORAGE VERTICAL

While much of corporate South Africa reported poor performances from their overseas operations, Metair was fortunate that the in-country performance of Mutlu Aku continued to be resilient with a 27% increase in turnover and 55% increase in profitability. During the trading period, the Turkish Lira was very volatile with a low of 2.07 and a high of 3.13 to the Rand. The currency returned to some stability at the end of the year, but still ended the year 17% weaker than at the end of 2017.

The 55% growth in Turkey managed to offset this currency weakness and Mutlu Aku consequently sustained its performance despite the challenging global political and trade conditions.

The continued pressure on performance did however take its toll on human capital and Metair secured a highly capable new CEO for our Turkish operations when the incumbent CEO took early retirement. We are very pleased with the support we got from our independent board members in Turkey as well as the good performance and focus of our new CEO.

Rombat performed well, with an in-country increase in profit of 29% translating into a profit contribution in Rand that increased 31% to R87 million. The turnaround at First National Battery is according to plan and the business delivered improvements in manufacturing and marketing efficiencies, while investing in promoting the First National Battery brand and retail network, combined with customer focused improvement plans to increase localisation. First National Battery delivered a good financial performance in the first half of the year, but the second half was negatively impacted by labour instability brought about by the bi-annual wage negotiations.

The energy vertical reported a combined growth in revenue of 3% to R6 384 million, increased PBIT by 17% to R692 million and sold nine Gigawatt-hours of our 12.4 Gigawatt-hours capacity. Exports improved significantly, in line with our long-term strategy, through two automotive supply contracts with strategic aftermarket customers.

AUTOMOTIVE COMPONENTS VERTICAL (INCLUDING HESTO)

Turnover from the automotive components businesses increased 16.3% to R5.07 billion as volumes improved, supported by positive sentiment and increased exports, especially in the light commercial vehicle market, combined with some customer passenger vehicle export programmes. Volumes were also supported by the continued expansion and deepening of localisation, and efficiencies improved at all of our businesses, leading to an increased PBIT contribution from R437 million to R509 million.

GROUP

The group showed good progress in our environmental, social and governance (ESG) focus areas, although I am disappointed that safety performance declined, with the lost-time injury frequency rate increasing to 1.11.

Metair regards transformation as a moral, strategic and business imperative, which is becoming even more significant as local content requirements increase in the South African automotive environment. Our commitment in this area is evident in the fact that most of the operations are at a B-BBEE Level 4 or better. While identifying and retaining candidates with the required skills and experience to meaningfully advance transformation in management continues to be a challenge, manufacturing remains one of the rare areas in which a motivated and talented candidate can rise from the shop floor to top management with few impediments.

Metair's strategy over the last 10 years has always been customer, market and technology centred, but the pace and scale of execution is determined by the status of the six capitals of the <IR> Framework, as well as shareholder support and preference. Our operations in Romania, Turkey and Germany align with our customers' geographic requirements and supply their current technology need for lead acid Start/Stop batteries.

The third and final stage of Metair's strategy was to target 10% of global battery production, or 50 million equivalent automotive lead acid battery manufacturing capacity, and was based on entrenching relevance in our current technology lead acid based energy vertical business.

Metair was fortunate during 2018 to consider a major foreign acquisition that would have materially seen the conclusion of the strategy. Unfortunately the opportunity presented itself in difficult market conditions and Metair failed to gain broad-based shareholder support for the transaction.

Metair's strategy of gaining relevance in our current lead acid technology base has to date been through acquisitions and technology transfers in largely developing markets that will continue to use this technology the longest. The focus on these markets has however added significant currency volatility to our earnings base, especially in Turkey and South Africa. Even our South African automotive components business struggled to maintain forex neutrality in 2018. The strong growth in our Turkish operations over the last four years has largely been used to offset currency weakness rather than achieving strong Rand earnings growth.

In the absence of shareholder appetite and support for large overseas acquisitions, Metair's strategy is best served by fully utilising our current lead acid base energy storage businesses while engineering a cost-efficient way of gaining relevance with alternative lithium-ion technology product solutions. The benefit of such a technology-focused strategy is that it is possible to gain customer take off and investment support agreements prior to any major capital commitments in new technology manufacturing facilities. It also aligns with our European customers' call for dual technology solution providers.

OUTLOOK

The current high levels of geo-political uncertainty and labour volatility in South Africa and Turkey are likely to continue until after the general and local elections in May 2019. The wage negotiation process that Metair will enter into in South Africa and Turkey this year could be challenging under these circumstances. We expect conditions for our automotive component business to be favourable in the short to medium term, based on the increased stability and certainty created by the extension of the APDP. Vehicle exports are expected to reach record levels. However, low levels of consumer confidence and labour volatility remain concerns in the short term. Some of our businesses are well positioned to benefit from the shift towards increased connectivity, innovation and full electric vehicles.

In the prevailing market conditions where world trade dynamics and technology choices are constantly shifting, selling the group's spare lead acid battery capacity has proved to be a continuous process. In this environment OEM customers required flexibility and demand shifts have become unpredictable. The group will therefore focus more on expanding our aftermarket lead acid battery export customer base including production of customer branded aftermarket product requirements.

We will continue to focus on improving the performance of First National Battery in the South African market. Should conditions in Turkey remain stable and exchange rate volatility stabilises, another strong performance by Mutlu Aku would deliver real growth in Rands, rather than offsetting depreciation in the currency as it has to date.

APPRECIATION

We would like to thank our Chairman and the board for their direction and diligence in applying their minds to the oversight of the business. A special word of thanks to Ralph Broadley and Les Soanes who have served the Metair board with distinction for nearly two decades. Their experience and technical insight has been much appreciated.

We are grateful to our workforce for their resilience in handling the rapid changes and disruption of the past year, and commend the new talent identified in the group who rose to the challenges presented to them and met them with distinction. The small Metair management team has once again excelled, particularly in the areas of financial reporting and business intelligence, and we thank them for their efforts.

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