METAIR INVESTMENTS LIMITED

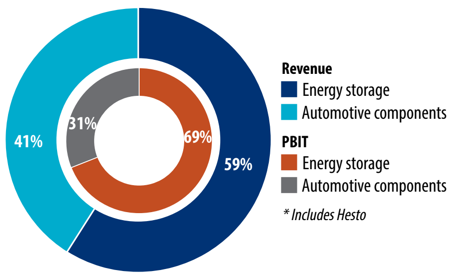
automotive | industrial | retail

(INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA)
("METAIR" OR "THE GROUP" OR "THE COMPANY")

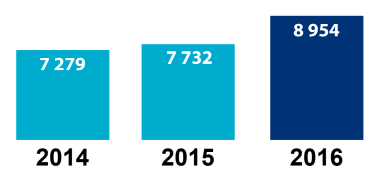
CONDENSED AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016 AND DIVIDEND ANNOUNCEMENT

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

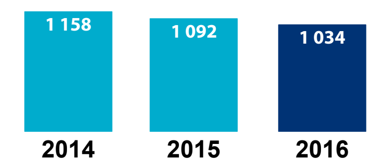
SEGMENT CONTRIBUTION 2016*



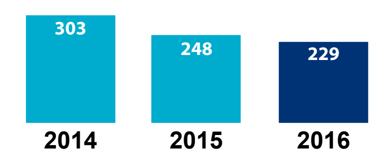
Revenue (million)



EBITDA (million)



HEPS (cents)



CONDENSED CONSOLIDATED INCOME STATEMENT

	31 December 2016 R'000	31 December 2015 R'000
Revenue from sales of goods	**8 953 710**	7 732 479
Cost of sales	**(7 352 251)**	(6 184 034)
Gross profit	**1 601 459**	1 548 445
Other operating income	**110 777**	188 236
Distribution, administrative and other operating expenses	**(980 800)**	(947 063)
Operating profit	**731 436**	789 618
Interest income	**33 296**	33 478
Interest expense	**(187 905)**	(136 277)
Share of results of associates	**29 665**	57 919
Profit before taxation	**606 492**	744 738
Taxation	**(138 434)**	(189 843)
Profit for the period	**468 058**	554 895
Attributable to:		
Equity holders of the company	**447 930**	527 423
Non-controlling interests	**20 128**	27 472
	468 058	554 895
Depreciation and amortisation included in the above expenses	**272 925**	244 681
Operating lease rentals included in the above expenses	**44 660**	36 647
Earnings per share		
Basic earnings per share (cents)	**227**	267
Headline earnings per share (cents)	**229**	248
Diluted earnings per share		
Diluted earnings per share (cents)	**225**	266
Diluted headline earnings per share (cents)	**228**	247
Number of shares in issue ('000)	**198 986**	198 986
Number of shares in issue excluding treasury shares ('000)	**197 790**	197 627
Weighted average number of shares in issue ('000)	**197 784**	197 216
Adjustment for dilutive shares ('000)	**915**	934
Number of shares used for diluted earnings calculation ('000)	**198 699**	198 150
Calculation of headline earnings (R'000)		
Net profit attributable to ordinary shareholders	**447 930**	527 423
Profit on insurance recovery from fire (PPE) – net		(1 308)
Profit on disposal of property, plant & equipment – net	**(1 416)**	(2 818)
Impairment of property, plant and equipment	**1 089**	
Impairment of associate	**5 000**	
Profit on sale of associate – net		(6 177)
Gain from bargain purchase		(28 695)
Headline earnings	**452 603**	488 425

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 December 2016 R'000	31 December 2015 R'000
Profit for the period	**468 058**	554 895
Other comprehensive income:		
– Actuarial (losses)/gains recognised	**(1 108)**	6 575
– Foreign exchange translation movements	**(1 127 532)**	366 703
– Taxation on other comprehensive income/(loss)	**65**	(1 369)
Net other comprehensive (loss)/income	**(1 128 575)**	371 909
Total comprehensive (loss)/income for the period	**(660 517)**	926 804
Attributable to:		
Equity holders of the company	**(680 210)**	898 623
Non-controlling interests	**19 693**	28 181
	(660 517)	926 804

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	31 December 2016 R'000	31 December 2015 R'000
Balance at beginning of the period	**4 974 544**	4 238 631
Net profit for the period	**468 058**	554 895
Other comprehensive (loss)/income for the period	**(1 128 575)**	371 909
Total comprehensive (loss)/income for the period	**(660 517)**	926 804
Share option scheme	**19 443**	1 687
Vesting of share-based payment obligation:		
– Estimated taxation effects of utilisation of treasury shares	**(1 114)**	(3 809)
Dividend *	**(152 783)**	(188 429)
Acquisition of non-controlling interests		(340)
Balance at end of the period	**4 179 573**	4 974 544

** An ordinary dividend of 70 cents per share was declared in 2016 in respect of the year ended 31 December 2015. An ordinary dividend of 80 cents per share was declared in 2015 in respect of the year ended 31 December 2014.*

CONDENSED CONSOLIDATED BALANCE SHEET

	31 December 2016 R'000	31 December 2015 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**2 857 131**	3 327 427
Intangible assets	**1 001 461**	1 357 091
Investment in associates	**387 245**	235 890
Deferred taxation	**4 952**	5 353
	4 250 789	4 925 761
Current assets		
Inventory	**1 608 961**	1 734 860
Trade and other receivables	**1 394 933**	1 575 434
Taxation	**31 358**	23 969
Derivative financial assets	**1 092**	11 250
Cash and cash equivalents	**744 017**	769 186
	3 780 361	4 114 699
Total assets	**8 031 150**	9 040 460
EQUITY AND LIABILITIES		
Capital and reserves		
Stated capital	**1 497 931**	1 497 931
Treasury shares	**(10 481)**	(13 940)
Share-based payment reserve	**95 114**	75 671
Foreign currency translation reserve	**(660 569)**	466 317
Equity accounted earnings reserve	**271 336**	241 671
Changes in ownership reserve	**(21 197)**	(21 197)
Retained earnings	**2 904 386**	2 630 982
Ordinary shareholders' equity	**4 076 520**	4 877 435
Non-controlling interests	**103 053**	97 109
Total equity	**4 179 573**	4 974 544
Non-current liabilities		
Borrowings	**986 547**	1 835 635
Post-employment benefits	**88 911**	113 617
Deferred taxation	**336 395**	401 208
Deferred grant income	**147 950**	172 362
Provisions for liabilities and charges	**48 150**	55 912
	1 607 953	2 578 734
Current liabilities		
Trade and other payables	**1 065 304**	1 006 242
Borrowings	**911 018**	129 337
Taxation	**16 350**	34 264
Provisions for liabilities and charges	**108 445**	113 040
Derivative financial liabilities	**15 492**	1 820
Bank overdrafts	**127 015**	202 479
	2 243 624	1 487 182
Total liabilities	**3 851 577**	4 065 916
Total equity and liabilities	**8 031 150**	9 040 460
Net asset value per share (cents) attributable to ordinary shareholders calculated on number of shares in issue excluding treasury shares	**2 059**	2 468
Capital expenditure	**372 946**	496 955
Capital commitments:		
– Contracted	**46 124**	122 201
– Authorised but not contracted	**141 214**	256 708

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*

	31 December 2016 R'000	31 December 2015 R'000
Operating activities		
Profit before taxation	**606 492**	744 738
Net finance costs	**153 238**	116 777
Depreciation and amortisation	**272 925**	244 681
Other non-cash items	**29 202**	(123 411)
Working capital changes	**(28 390)**	(164 201)
Cash generated from operations	**1 033 467**	818 584
Interest paid	**(186 534)**	(150 255)
Taxation paid	**(133 752)**	(174 120)
Dividends paid	**(152 783)**	(188 429)
Dividend income from associates		58 888
Net cash inflow from operating activities	**560 398**	364 668
Investing activities		
Interest received	**33 296**	33 478
Acquisition of property, plant and equipment	**(293 995)**	(485 710)
Acquisition of associate	**(121 986)**	
Net cash (utilised)/generated in other investing activities	**(44 294)**	8 524
Net cash outflow from investing activities	**(426 979)**	(443 708)
Net cash (outflow)/inflow from financing activities	**(53 589)**	176 226
Net increase in cash and cash equivalents	**79 830**	97 186
Cash and cash equivalents at beginning of the period	**566 707**	472 473
Exchange losses on cash and cash equivalents	**(29 535)**	(2 952)
Cash and cash equivalents at end of the period	**617 002**	566 707

** The condensed cash flow has been expanded to provide additional information. Comparative figures have been aligned for consistency.*

CONDENSED CONSOLIDATED SEGMENT REVIEW

	Revenue		Profit before interest and taxation	
	31 December 2016 R'000	31 December 2015 R'000	31 December 2016 R'000	31 December 2015 R'000
Energy storage				
Automotive				
Local	**3 598 149**	2 946 904	**334 096**	340 588
Direct export	**1 516 901**	1 181 398	**145 906**	105 118
	5 115 050	4 128 302	**480 002**	445 706
Industrial				
Local	**685 764**	741 739	**77 733**	92 657
Direct export	**50 108**	57 501	**489**	7 224
	735 872	799 240	**78 222**	99 881
Total energy storage	**5 850 922**	4 927 542	**558 224**	545 587
Automotive components				
Local				
Original equipment	**3 580 962**	3 000 767	**189 922**	266 077
Aftermarket	**470 565**	446 252	**48 832**	54 098
Non-auto	**38 090**	31 739	**1 251**	1 936
	4 089 617	3 478 758	**240 005**	322 111
Direct exports				
Original equipment	**17 879**	121 819	**736**	20 912
Aftermarket	**35 303**	24 131	**6 198**	1 985
	53 182	145 950	**6 934**	22 897
Total automotive components	**4 142 799**	3 624 708	**246 939**	345 008
Total segment results	**9 993 721**	8 552 250	**805 163**	890 595
Reconciling items:				
- Share of results of associates			**29 665**	57 919
- Managed associates *	**(1 040 011)**	(819 771)	**11 699**	(48 151)
- Profit on sale of associate				10 705
Amortisation of intangible assets arising from business acquisitions			**(40 308)**	(47 995)
Bargain purchase from Dynamic acquisition				28 695
Other reconciling items **			**(45 118)**	(44 231)
Total	**8 953 710**	7 732 479	**761 101**	847 537
Net interest expense			**(154 609)**	(102 799)
Profit before taxation			**606 492**	744 738

** Although the results of Hesto Harnesses Proprietary Limited does not qualify for consolidation the full results of Hesto Harnesses Proprietary Limited 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 2016 have been prepared in accordance with the requirements of the JSE Limited 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 R122.8 million (2015: R38.7 million) and raised borrowings of R80 million (2015: R263.1 million).

Change of directors

Mr A Joffe resigned as a non-executive director with effect from 1 January 2016. Ms PPJ Derby and Ms TN Mgoduso were appointed as independent non-executive directors of the board with effect from 1 March 2016. With effect from 1 March 2016, Mr RS Broadley stepped down as chairman of the Remuneration Committee ("Remco") but remained a member of Remco, and Ms Mgoduso was appointed as the chairman of the Remco. Ms Derby was appointed as a member of the Social and Ethics Committee ("Social Com") with effect from 1 March 2016. Mr DR Wilson resigned as a non-executive director of the board and as a member of the Audit and Risk Committee with effect from 1 November 2016. Ms G Motau was appointed as an independent non-executive director and as a member of the Audit and Risk Committee with effect from 1 November 2016. With effect from 20 October 2016, Mr Broadley stepped down as chairman of the Social Com but remained a member of the Social Com, and Ms Derby was appointed as chairperson of the Social Com.

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 66

Notice is hereby given that a gross cash dividend of 70 cents per share has been declared by the board in respect of the year ended 31 December 2016.

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 18 April 2017
Shares to commence trading ex-dividend	Wednesday 19 April 2017
Record date	Friday 21 April 2017
Payment of dividend	Monday 24 April 2017

The following additional information is disclosed with regard to the dividend:
- the local dividend tax rate is 20%;
- the gross local dividend amount is 70 cents per share for shareholders exempt from dividends tax;
- the net local dividend amount is 56 cents per share for shareholders liable to pay a dividend tax;
- Metair's issued share capital is 198 985 886 (which includes 1 015 527 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 19 April 2017 and Friday 21 April 2017 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 4 May 2017 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 2016 and the results presentation will be available on the company's website (www.metair.co.za).

Highlights from the integrated report:

- Most of the South African subsidiaries at B-BBEE Level 4 or better
- Multi-year contract for enhanced flooded battery Start/Stop finalised with a German OEM
- Despite model change year, headline earnings per share decrease limited to 8% to 229 cents per share
- Revenue increased 16% to R8.95 billion
- First lithium-ion automotive and industrial products produced

The 2016 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, 23 March 2017 at 14h00. The audio webcast can be accessed through http://www.corpcam.com/Metair23032017. Alternatively a telephone conference call facility will be available at 14h00 on Thursday, 23 March 2017 on +27 (0) 11 535 3600 / +27 (0) 10 201 6800.

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 22 March 2017

SG Pretorius – Chairman

C T 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
COMPANY SECRETARY: SM Vermaak
*British

ABRIDGED RESULTS COMMENTARY

It seems clear that the increased levels of global and local uncertainty represent the new norm. Things have never changed more quickly, more frequently and more significantly than is the case today. Metair's performance in 2016 was significantly impacted by several unexpected events, many of which were outside of our control.

We planned for a difficult year in 2016 and highlighted several of the challenges we saw ahead in last year's report, including a new model launch, the settling down of overseas acquisitions, geopolitical and security issues.

Trading for the period ended 31 December 2016 started with a model change in the automotive components vertical and the company had to navigate the complexities around the model launch in the first half of the year. Fortunately most of the automotive components businesses, except for the wire harness business, managed to settle during the second half of the year putting most of the premium support cost associated with the launch behind them.

The energy vertical had a strong finish to the year as the Turkish and Romanian battery businesses experienced record production output for the year on the back of excellent last quarter demand. On the other hand, trading in the energy storage vertical in South Africa proved to be difficult in the second half of the year.

Results

Group revenue increased 16% to R8.95 billion, with the strong operational performance in the energy storage business in Turkey and Romania. The energy storage vertical achieved revenue growth of 19% but operating profit grew 2% due to the difficult trading environment in South Africa. The automotive component business was impacted by the costs and production inefficiencies associated with a new model launch and by operation-specific challenges at Hesto, although production and margins recovered reasonably well by year end. The overall impact of these trends was a decrease in operating profit margin to 8.2% (2015: 10.2%) and group earnings before interest, tax, depreciation and amortisation (EBITDA) decreased 5% to R1 billion. Headline earnings decreased 7% to R453 million and headline earnings per share declined 8% to 229 cents per share.

The net debt/equity ratio of 31% remains conservative and group borrowings from third parties increased marginally to R1.9 billion. The group continues to be in compliance with all of its lenders' covenants and is well positioned to repay or refinance the first tranche of debt from the Mutlu Akü acquisition. As at 31 December 2016, Metair had access to unutilised facilities of approximately R1.2 billion (Rand equivalent), US$79 million and a revolving credit facility of R379 million.

Automotive component vertical (including Hesto)

The business managed to achieve low double digit full year turnover growth as technology advancements and an overall weaker Rand, supported by product and customer expansion, countered the anticipated 10% overall volume reduction linked to our major product exposure associated with new models.

This vertical achieved profit before interest and tax ("PBIT") margins of 6% for the full year, although margins in the second half were higher than the guidance provided previously of between 6% and 8%. This is due to improved stability in production volumes and manufacturing efficiency, elimination of the premium support cost associated with the model launch and the benefit of a stronger Rand relative to the Euro, US Dollar and Japanese Yen in the last quarter of 2016.

The automotive components vertical revenue increased 14% to R4 143 billion, contributing 41% to group revenue and 31% to operating profit.

Energy storage vertical

Traditionally strong seasonal volume demand in the winter markets served by Rombat and Mutlu Akü in Europe and the Middle East, supported by a strong performance from Mutlu Akü in particular, resulted in growth in operating profit for the full year within these markets.

Within the South African market, margins were negatively impacted by local market competition which intensified during the second half of the year, as well as disruption and inefficiency caused by the establishment of a dedicated original equipment manufacturer production facility.

The energy storage vertical contributed R5 851 billion (59%) to group revenue, an increase of 19% and 69% to operating profit.

Technology and innovation landscape

A new path is being set for future automotive and energy storage products by disruptive technologies and business models driven by advances in innovation. This trend is supported by increasingly economically-active millennials who demand more environmentally- and people-friendly products. Recent scandals in the automotive vehicle market are also accelerating the adoption of new technologies.

Fortunately for Metair, these new requirements and potential market demand shifts have resulted in an increase in energy demand from all products. Our experience with lithium-ion applications in our mining cap lamp and automotive starter batteries demonstrates our institutional knowledge and expertise in identifying new technology applications.

Dividend

The board has approved a dividend of 70 cents per share for the year ending 31 December 2016.

Looking ahead

We believe that 2016 demonstrated Metair's resilience through the group's ability to finish the year on a positive note after such a challenging start. We are also pleased with our progress against the ESG targets we set for ourselves in 2016. While we did not achieve all of our goals, the ambitious levels at which these were set, signalled our commitment to making progress in these important areas.

Considering the shift in the automotive component business to a lower production ceiling in 2017, together with significantly increased complexity and variability, we will focus on strengthening our adaptability and flexibility to meet our customers' requirements without compromising the company's financial sustainability. We expect that 2017 will present a more stable operating environment for FNB in South Africa with a special marketing effort to overcome competition in the energy storage business, together with a settled new production facility, to ensure that FNB improves its performance.

It is unfortunate that the socio-political climate in Turkey led to an attempted coup with continued geopolitical instability, related risk and Turkish Lira volatility. The positive effect of the devaluation is an increase in our product offering competitiveness in the local and export market. The negative effect will only fully crystallise during 2017 if the Turkish Lira settles at a lower level, reducing Mutlu Akü's contribution to group earnings when this is converted into South African Rands. Although all the industrial reasons for investing in Mutlu Akü remain very sound, it will be difficult to completely guard against the effects of a serious currency crisis in Turkey.

Metair's performance in the year ahead is dependent upon, inter alia, the successful execution of our strategy, OE volumes, geopolitical conditions, a peaceful labour environment, efficiency improvements, internal inflation recoveries and the exchange rate. Subject to such factors, we expect the group's financial performance in 2017 to improve, particularly since the disruption of the new vehicle launch phase is behind us.

We thank our customers for their business – particularly those who put their trust in us by involving us in the launch of a new product or by awarding us new business in new technologies.