METAIR
INVESTMENTS LIMITED
automotive | industrial | retail

Growing our International Footprint

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

18TH AUGUST 2014

AGENDA

Part 1

- Commentary and results overview
- Mutlu acquisition
- Vision and strategy

Part 2

- Financial overview
- Mutlu Financial overview
- Refinancing

Part 3

- Operational review
- Start/Stop battery development
- Prospects

COMMENTARY & RESULTS OVERVIEW

COMMENTARY AND RESULTS OVERVIEW

Observations

- Pleased and grateful
- First results that include Mutlu Akü for a full period
- Complicated result - Mutlu Akü being a second half company
- An additional 46.4 million shares in HEPS calculation
- PPA additional depreciation of R17.9 million
- Debt brings R40 million interest charge about

Financial

- Revenue up 32% to R3,235 billion
- Operating profit up 16% to R318,7 million
- EBITDA increased to R485 million
- Cash generated from operation R335 million
- Net asset value per share up by 37% to R19.84
- HEPS only 16% down to 120 cents

Mutlu Acquisition

- Excellent first half performance – exports up 35%
- PBIT increases by 500% from R15 million to R90 million
- Carried full weight of additional group interest and depreciation charges
- Shareholding increases from 75% to 96.7%
- Minority squeeze out process started
- Integration according to plan

COMMENTARY AND RESULTS OVERVIEW

Refinancing

- Mutlu Akü acquisition done: 50% equity and 50% debt
- Bridge facility from ABSA R1,350 million
- Refinancing process post acquisition
- Restructuring required for preference share scheme
- Preference share with 5 years maturity for R1,400 million at 69% of prime
- Revolving credit facility at JIBAR plus 205 basis points

Operating OE Segment

- South Africa, Turkey and European OE market down
- Romanian OE market stable and growing
- SA OE market down on launch of new model
- SA OE market down on increased import duties in Africa exports markets effecting final operating profit margins
- No evidence yet of negative long-term volume fallout on current production models due to labour climate
- Small structural reset in volumes due to macro-economic developments

Operating Aftermarket

- Mutlu export market strong increased by 35%
- Metair now exporting to approximately 46 countries
- SA demand strong - good performance from FNB and ATE
- RARE marketing program launched
- Brand building and brand product range expanding
- European market soften on the back of mild winter

STRIKE EFFECTS-GENERIC

Short term

(During Strike)

- Always negative
- Loss of sales and profit
- Stress on labour relations
- Stress on industry relations
- Disruptive
- Contingency plans need to be put in action

Medium Term

(After Strike)

- Catchback programs to mitigate negative effect
- Mitigating strategies have to be designed
- Overtime and weekend work
- Increasing sales due to catchback
- Increasing workload
- Other fluctuations

Long Term

(After Strike)

- Manufacturers re-think strategies
- Increase in production cost and inflationary effect
- Labour cost competiveness re-balance
- World view on SA as production destination
- Loss of markets and market share
- View on labour climate in SA

"Destabilisation of manufacturing environment"

STRIKE EFFECTS-SPECIFICS

Dispute

- Numsa-Seifsa strike 4.5 week period
- Some component manufacturer's affected $1^{st}/2^{nd}$ and 3^{rd} tier
- Margin pressure on OE sector
- 3 year agreement, 10% increase level per year
- Not accepted by smaller industry employer grouping
- Watered down peace clause

Contingency plans well executed

- Some OEM's closed down at start of strikes (safety and security)
- Stock build up at OEM's and suppliers prior to strike
- Most able to continue for at least 2 weeks
- At least 2 continue to work for the full period
- Metair aftermarket production not affected
- Good plant level relationship makes it possible to circumvent strike at FNB

Long term opportunities lost

- APDP launch set higher vehicle manufacturing base in SA at 650k-700k level
- APDP counter some of the possible negative long term effects of labour unrest
- Labour disruptions strain delivery of APDP objective of 1.2 million vehicle's
- Labour disruptions to date leads to loss of possible further expansion opportunities
- BMW not launching 2^{nd} platform production in SA
- Nissan focus on Nigeria as a possible manufacturing destination
- Some OEM's stopped studies to further increase production on current model

"Destabilisation of manufacturing environment"

WHY ARE WE PLEASED AND GRATEFUL

Structural challenges

- Number of shares in issue increased by 30% from 152,5 million to 198,9 million
- Increase in interest bearing debt to R1 400 million
- Additional interest and depreciation charges of R60 million
- Acquisition related charges increase represents 28% of previous years earnings
- Long term effects of strikes unknown
- Only acquired 75% of Mutlu Akü

Theoretical decline risk

- First half challenge to maintain HEPS
- Like for like for first half Mutlu performance would have been (-R29) million
- HEPS decline could have been down to 91 cent per share
- Theoretical decline could have been 37% on HEPS
- Mutlu Akü traditionally a second half contributor
- Continued challenging labour relations environment

Actual results

- Mutlu Akü performance up 500% from R15 million to R90 million
- Mutlu group net profit contribution R60 million
- HEPS only down 16%
- No loss of vehicle production due to labour disruption
- Structural volume reset in OE export market in SA combined with margin contraction due to labour cost re balance
- Metair major customer affected by import duties in exports markets

VISION & STRATEGY

VISION AND STRATEGY

Vision

- "To generate value for all our stakeholders by managing and controlling businesses that through manufacturing and/or logistical excellence, deliver quality, cost-competitive products to our customers in a sustainable manner"

Strategy

- Continue to target balance in the business
- Nurture Original Equipment (OE) business and expand Original Equipment Manufacturer (OEM) customer base
- Focus intently on cost
- Secure and grow aftermarket product range
- Grow Africa footprint
- Focus on transfer of battery technologies to facilitate AGM and EFB growth.

3 X 50%=100% Strategy

- 50% of business in OE sector
- 50% of business in Aftermarket, non-auto and exports
- 50% of overall business in batteries

PERFORMANCE AGAINST STRATEGY

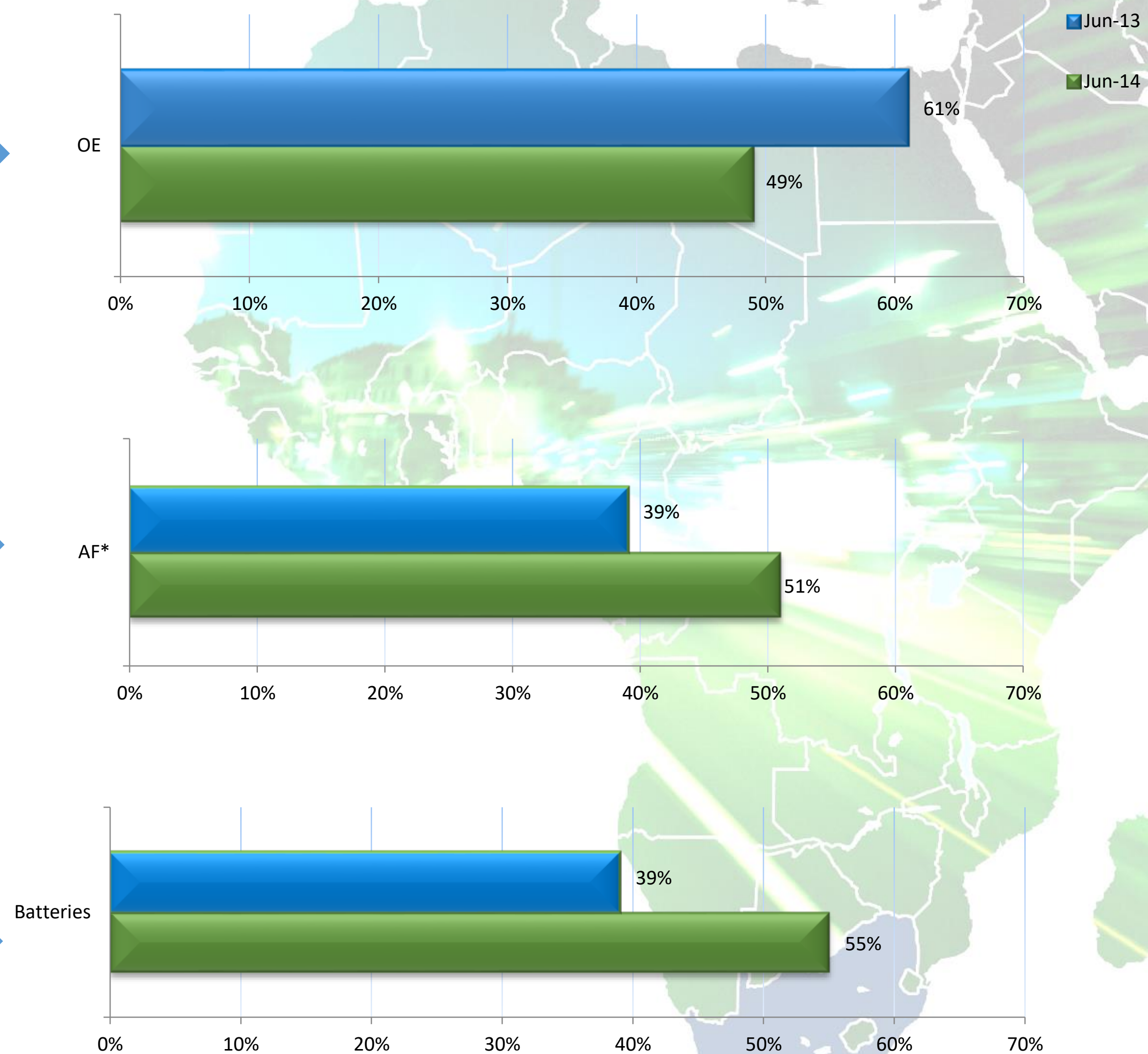
OE market

Aftermarket

&

Non-automotive

Batteries



FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

Income statement

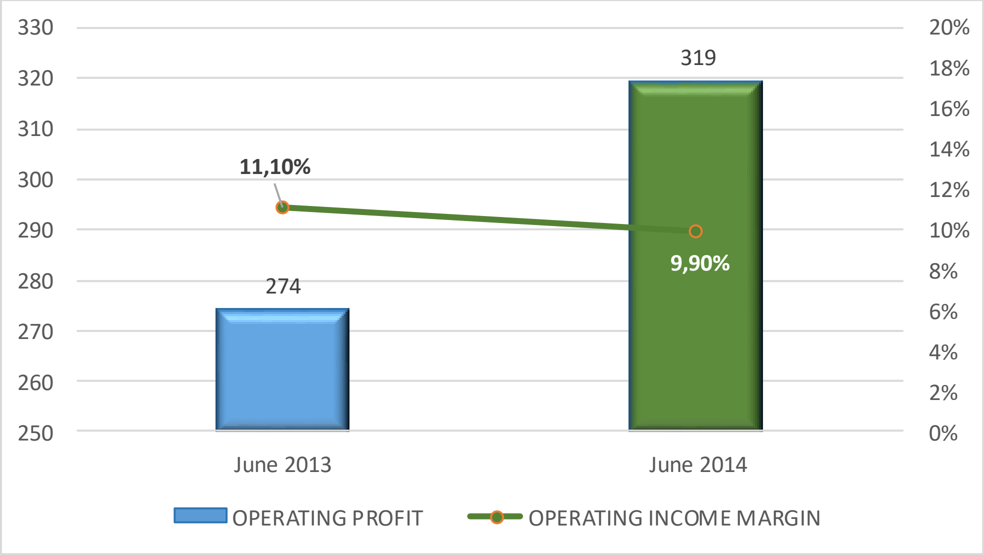
ITEM	June 2014 R'000	June 2013 R'000
Revenue	3 235 218	2 459 831
EBITDA	484 599	375 087
Operating profit	318 737	274 164
Operating income margin	9.9%	11.1%
Profit after tax	250 936	229 102

Shareholder performance

ITEM	June 2014 R'000	June 2013 R'000
Attributable profit	234 809	209 457
Earnings per share	120	143
Weighted avg number of shares	195 099	146 112
Headline earnings per share	120	143
Net Debt	(1 437 904)	(53 893)
Dividend per share(gross of WHT)	70 cps	95 cps

OPERATING PROFIT

Operating profit

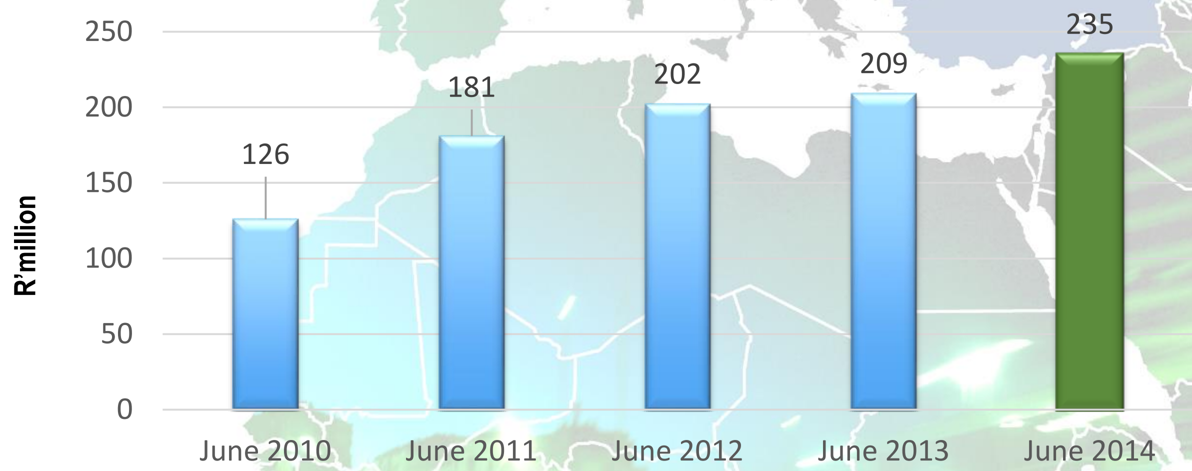


Three main contributors to the decline in operating margins

- Mutlu Akü effectively reported operating profit of R73 million, at a 8,3% margin (taking into account R17 million of fair value additional depreciation) for the six months
- Local OE margin decline of c. 2,4%
- Local Aftermarket decline of c. 4,3%

HEADLINE EARNINGS PER SHARE(HEPS)

Headline earnings



HEPS

Trends

- Although headline earnings growth over recent historical period
- HEPS down for first time due to seasonality of Mutlu and additional shares in issue

BALANCE SHEET-ASSETS

Non-current assets

ITEMS	Dec 2013 R'million	June 2013 R'million	June 2014 R'million
Non-Current assets	**4 299**	**1 520**	**4 402**
Property, plant and equipment	2 844	1 234	2 886
Intangible assets	1 244	84	1 263
Other non-current assets	211	202	253

Current assets

ITEMS	Dec 2013 R'million	June 2013 R'million	June 2014 R'million
Current assets	**3 150**	**2 009**	**3 090**
Inventory	1 264	846	1 385
Trade and other receivables	1 311	730	1 168
Cash and cash equivalents	575	433	537
Total assets	7 449	3 529	7 492

Comparison to prior periods

- Half-year comparison significantly impacted by Mutlu
- Inventory increase due to stock buildup leading up to potential strike
- Maintain healthy cash position

BALANCE SHEET-EQUITY AND LIABILITIES

Equity & non-current liabilities

ITEMS	Dec 2013 R'million	June 2013 R'million	June 2014 R'million
Total equity	**3 789**		**3964**
Non-current liabilities	**1 655**	**291**	**869**
Borrowings	1 022	164	214
Post employment benefits	108	29	104
Deferred taxation	379	62	383
Deferred grant income	125	36	135
Provisions for liabilities and charges	21	-	33

Current liabilities

ITEMS	Dec 2013 R'million	June 2013 R'million	June 2014 R'million
Current liabilities	**2 005**	**1 023**	**2 658**
Trade and other payables	1 516	624	773
Borrowings	181	56	1 490
Provisions for liabilities and charges	141	76	124
Bank overdrafts	167	267	271
Total liabilities	3 660	3 529	3 529

Comparison to prior periods

- Trade and other payables reduced significantly as Mutlu minority liability decreased to R65 million from R612 million at December
- Borrowings have been refinanced. Bridge disclosed as "current", but is now long-term preference share
- Debt : Equity at c. 40%

INCOME STATEMENT

Operating profit

ITEMS	30 June 2013 R'million	30 June 2014 R'million
Revenue	2 460	3 235
Gross Profit	520	722
Other operating income	24	68
Distribution, Administrative & other expenses	(270)	(471)
Operating profit	274	319

Profit for the period

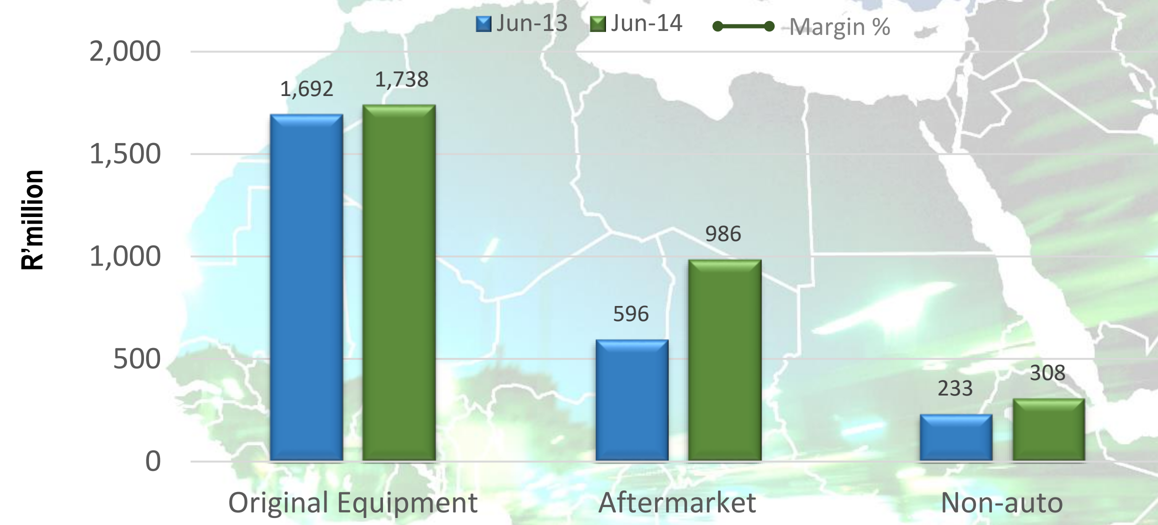
ITEMS	30 June 2013 R'million	30 June 2014 R'million
Net interest expense	(5)	(42)
Share of results of associates	38	32
Profit before taxation	307	309
Taxation	(78)	(59)
Profit for the period	229	251
Attributable to:		
Equity holders of the company	209	235
Non-controlling interests	20	16

Other items to note

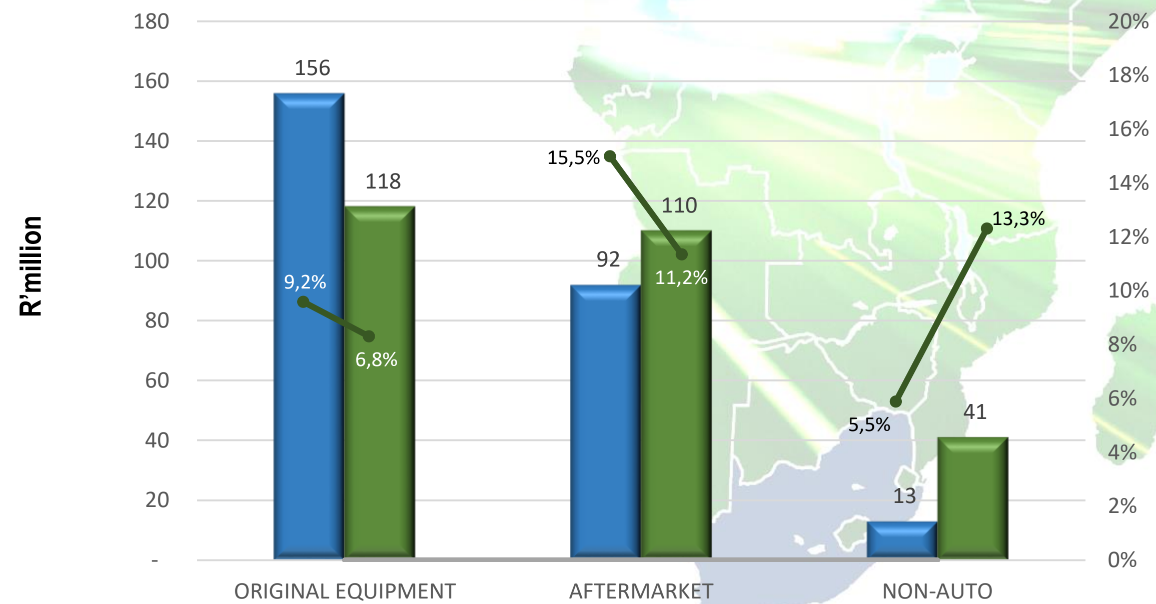
- Other operating income increased: APDP benefits, Rombat grant unwind, inclusion of Mutlu
- Net interest increased in line with our borrowings
- Taxation benefit from lower tax rates in Turkey and Romania, combined with effects of our restructuring

SEGMENTAL ANALYSIS

Local revenue

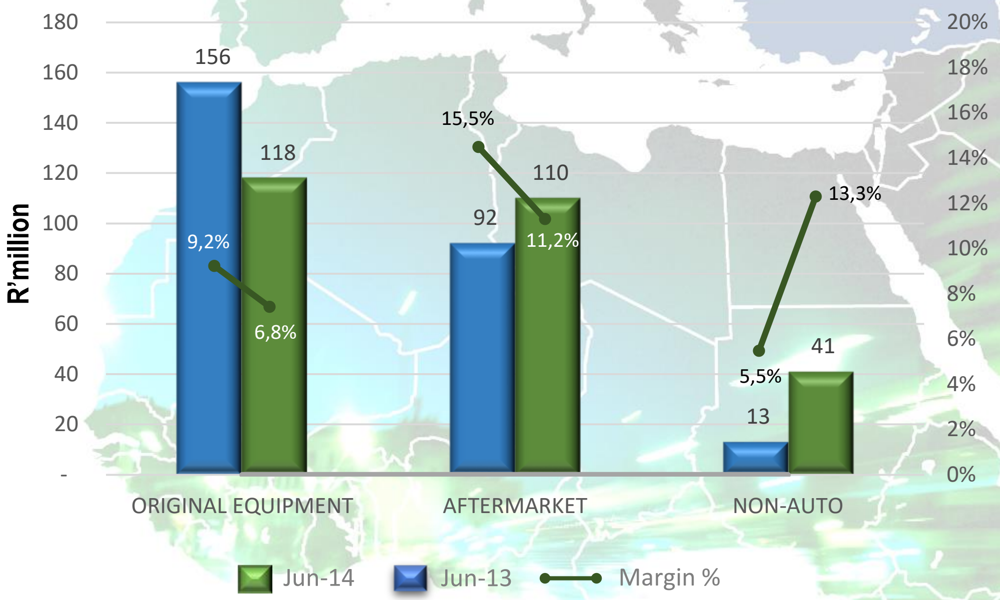


Local PBIT



SEGMENTAL ANALYSIS

Local PBIT and Margins



Local OE margin contraction

- **Labour**
- **Structural Volumes**
- **Model changes**

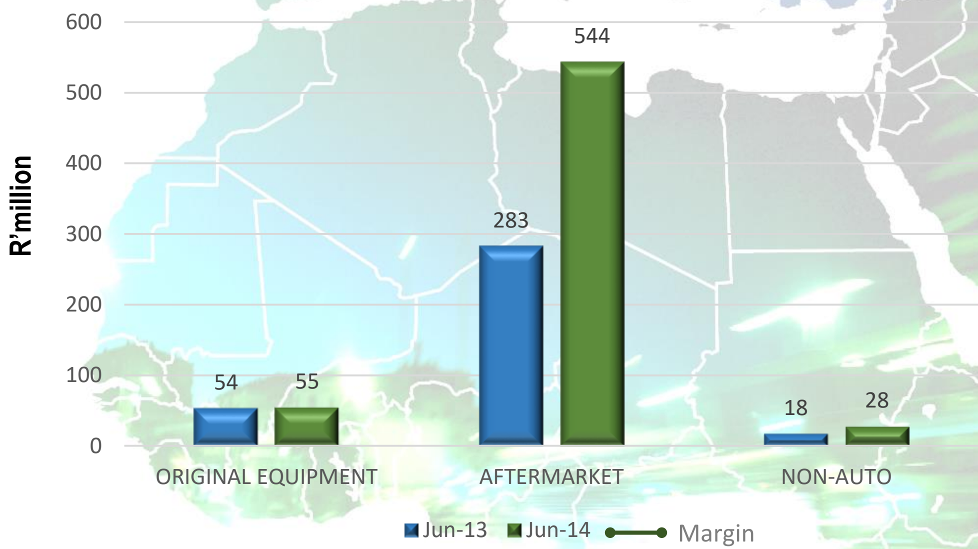
- Labour disruptions result in unpredictable manufacturing patterns and volumes
- Manufacturing varies between high, low or no production, which results in higher manufacturing cost
- Another factor that impacted stability is model changes, where old models are phased out and new models phased in
- How do we get back to normal margins: Stability of production

Local AM margin contraction

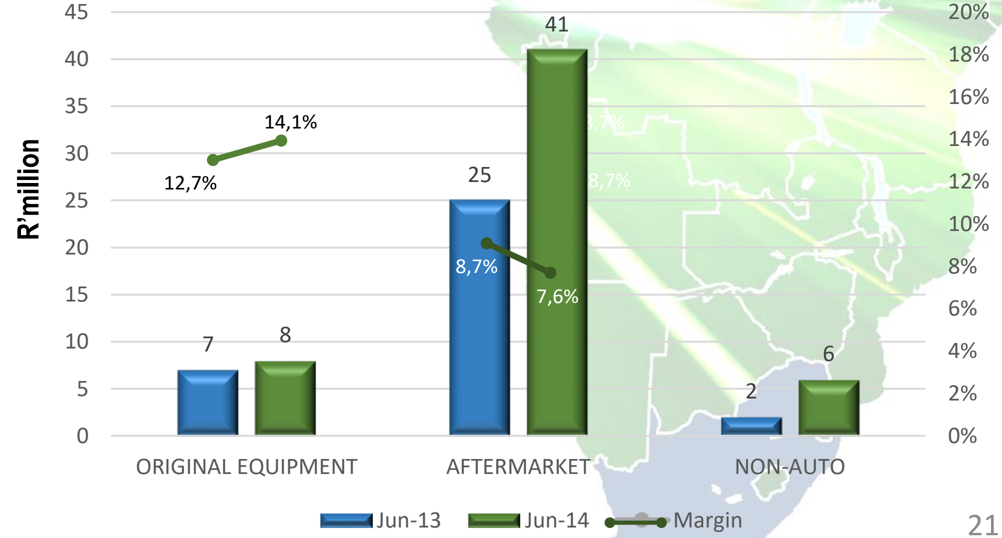
- Focused on improving market share
- Aftermarket delayed pricing increases to protect and gain back market share
- Mutlu Akü Aftermarket margins low during first half of the year, also did not want to enter the market with a big price increase.

SEGMENTAL ANALYSIS

Export revenue



Export PBIT



MUTLU VOLUMES

Original market

Automotive Units	FULL-YEAR 2013	YTD 2013	YTD 2014
Original Equipment			
- Local	710 469	367 925	290 711

Aftermarket

Automotive Units	FULL-YEAR 2013	YTD 2013	YTD 2014
Aftermarket			
- Local	1 350 898	451 766	442 115
- Export	1 371 493	360 287	486 430
Total Volume	3 432 860	1 179 978	1 219 256

Volume movements

OE

- Ford and Renault going through model changes

Aftermarket

- Aftermarket local volumes in line with prior year
- Export 35% up – devaluation of TL assisted in competitiveness

MUTLU INCOME STATEMENT

* Only represents Mutlu Aku, excludes real estate related results

EBITDA

ITEMS	30-Jun-13 R'million	30-Jun-14 R'million	YTD 2014 vs 2013 R'million
Sales revenue	770.4	878.0	14.0%
Cost of sales	(557.1)	(614.2)	10.2%
Gross margin	213.3	263.8	23.7%
Gross margin %	27.7%	31.0%	
Operating expenses	(152.1)	(150.5)	-1.1%
Other operating income (Incl. forex)	-9.0	14.5	nm
EBITDA	52.0	127.8	145.8%

Exchange rate used ZAR 5 : 1 TRY

Improvement in EBITDA

- Sales revenue and margin improved
  - Mix change (less OE more export)
  - Significant cost containment and drive to improve efficiency
- Operating expenses reduced despite high inflation
- Other operating income: Forex losses contained

MUTLU INCOME STATEMENT

* Only represents Mutlu Aku, excludes real estate related results

Profit after tax

ITEMS	30-Jun-13 R'million	30-Jun-14 R'million	YTD 2014 vs 2013 R'million
EBITDA	68.3	127.8	87.1%
Depreciation and amortisation	(37.0)	(37.8)	2.0%
EBIT	15.0	90.0	500.0%
Operating profit %	2.0%	10.4%	
Net finance cost	(6.0)	(6.0)	
Profit before tax	9.0	84.0	833.3%
Tax on profit	(1.8)	(15.1)	nm
Profit after tax	7.2	68.9	856.9%

Exchange rate used ZAR 5 : 1 TRY

Improvement in profitability

- Improved margin, cost containment and forex management resulted in PBIT increasing to R90 million
- Operating profit percentage increased to 10,4%
- Although borrowing costs almost doubled in Turkey, net finance cost remained at R6 million.

MUTLU FOREX & INTEREST CHARGES

FOREX

ZAR (millions)	1 Jan - 30 June 2013	1 Jan - 30 June 2014
Net Foreign exchange (losses)/gains (Incl. operating profit)	**(21.3)**	**0,3**
Net USD debt @ BoP (stated in ZAR)	299.0	109.1
Net USD debt @ EoP (stated in ZAR)	330.0	68.2
TL:USD rate @ BoP	*1.78*	*2.13*
TL:USD rate @ EoP	*1.93*	*2.16*

REFINANCING

Acquisition phase 1 (Bridge facility)

Bridge facility

Bridging facility		
ZAR in millions		*Margin to JIBAR*
ABSA	1 350	150bps
Cleared	**1 350**	**150bps**

Acquisition phase 2 (Refinancing)

Refinance outcome

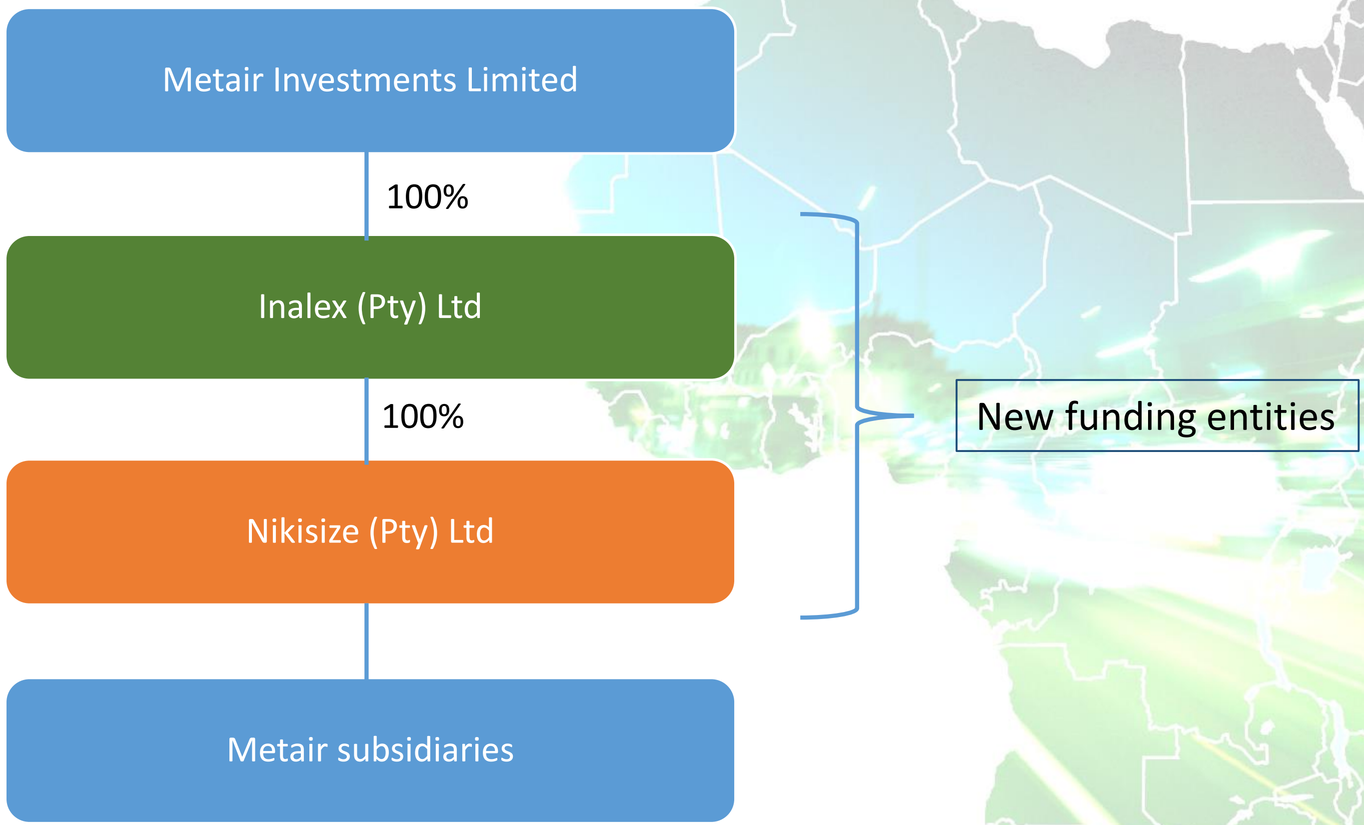
Preference share allocation		
ZAR in millions		*Rate of prime*
SBSA	1 400	
Cleared	**1 400**	**69%**

RCF allocation		
		Margin to JIBAR
SBSA	150	
ABSA	300	
Investec	300	
Cleared	**750**	**205bps**

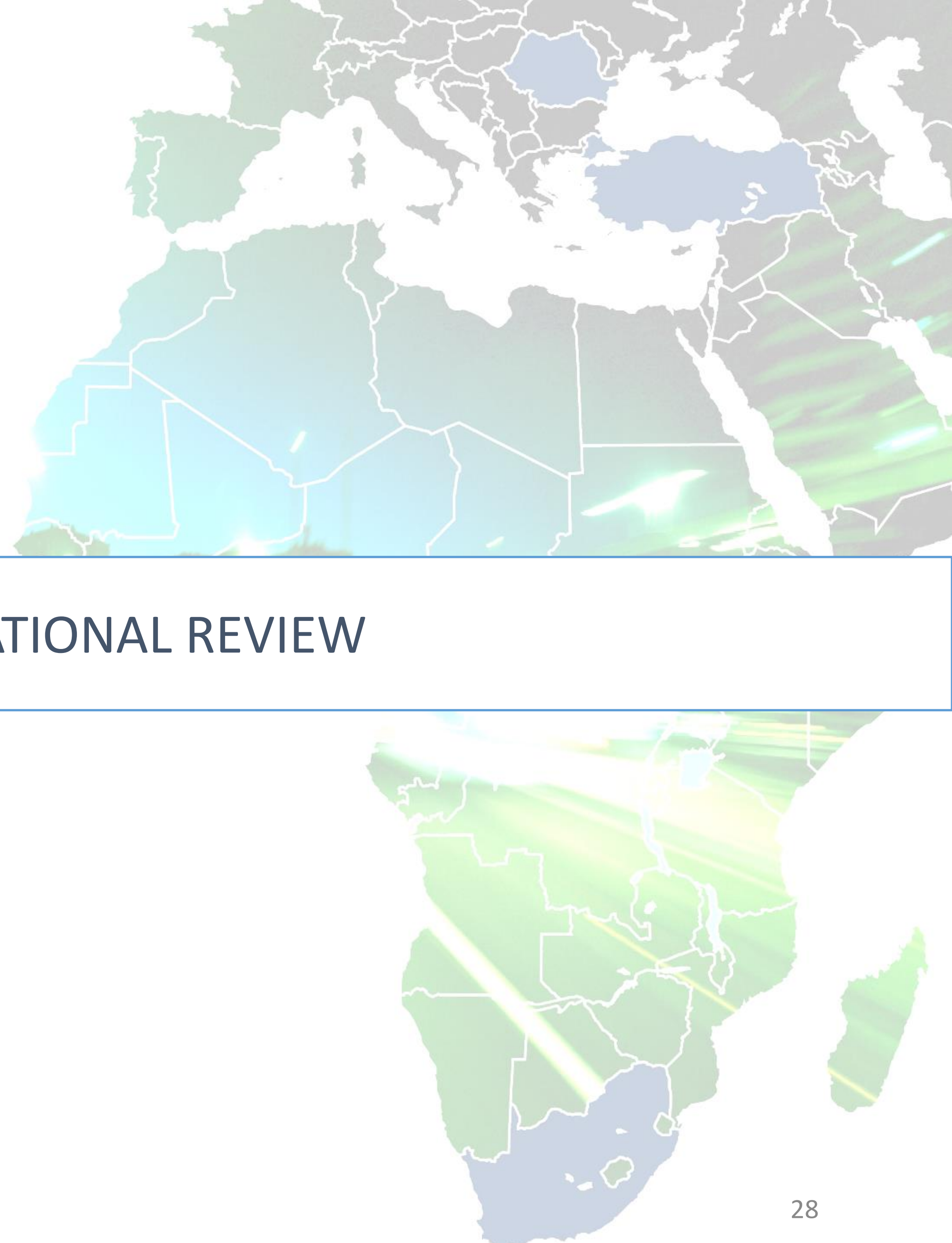
Salient terms of refinancing

- Very pleased with outcome of refinancing
- 5-year redeemable reference share and 5-year revolving credit facility
- Unsecured, flexible structure
- Covenants: 2,0 X EBITDA incurrence covenant and;
2,5 X EBITDA maintenance covenant
Dividend interest cover ratio of 3,0 times

REFINANCING – Abbreviated Group Structure (After)

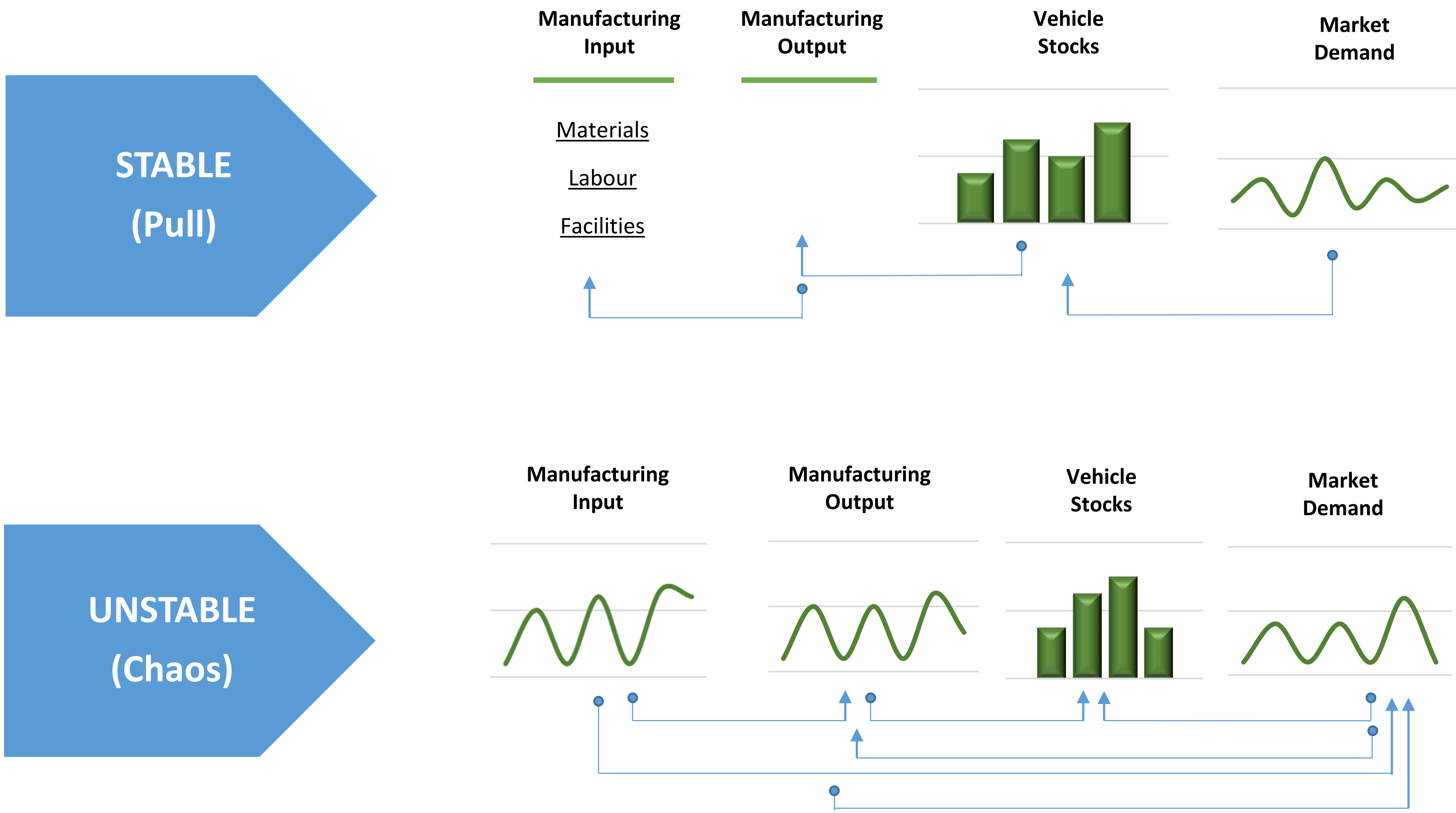


- Redeemable preference share issuer
- Original RCF borrower



OPERATIONAL REVIEW

AUTOMOTIVE MANUFACTURING EFFICIENCY AND COMPETETIVENESS



Detecting any structural volume changes is very difficult in an unstable environment.

WORKING CAPITAL

R'million

ITEM	June 2014	June 2013	Dec 2013
Inventory	1 385	846	1 264
Trade & receivables	1 149	718	1 274
Trade & payables	(688)	(653)	(860)
Total	**1 846**	**911**	**1 678**

DAYS

	June 2014	June 2013	Dec 2013
Inventory	78	63	65
Trade & receivables	65	53	65
Trade & payables	(42)	(48)	(44)
Total	**100**	**68**	**86**

All days calculations based on turnover

Based on Pro forma turnover

VEHICLE PRODUCTION PER OEM IN SOUTH AFRICA (NAAMSA)

OEM	2010	2011	2012	2013	2013 Actual (6-months)	2014 Actual (6-months)	Notes
BMW	49 243	52 908	44 229	66 087	**37 340**	**36 851**	
MBSA	53 646	50 939	61 439	47 189	**25 692**	**3 682**	**1.**
FMCSA	34 822	28 716	51 006	56 923	**27 572**	**32 991**	
GM	27 234	32 530	38 199	40 019	**19 252**	**21 439**	
NISSAN	40 184	43 743	54 657	46 443	**26 260**	**20 361**	
VW SA	120 577	137 872	110 864	107 567	**55 253**	**49 321**	
TOYOTA	123 197	153 052	149 252	151 392	**80 172**	**69 078**	**2.**
Adjustments	264	720	968				
TOTAL	**449 167**	**500 480**	**510 614**	**515 620**	**271 541**	**233 723**	

Notes:

1. Low production in the first 5 months of 2014 due to new model ramp up
2. Reset of LCV Export markets due to adjusts to changes in regional macro economic conditions

VEHICLE PRODUCTION PER OEM IN IN TURKEY

	2010	2011	2012	2013	H1 2013	H1 2014
OYAK RENAULT	307 083	330 994	310 602	331 694	166 646	153 990
FORD	242 070	295 850	272 097	281 287	191 041	109 588
TOFAŞ	312 245	307 788	256 428	244 614	120 443	106 974
HYUNDAI	77 000	90 231	86 976	102 020	32 929	98 300
TOYOTA	83 286	91 639	76 925	102 260	24 968	69 050
TURK TRAKTOR	28 277	40 617	39 542	38 411	25 200	23 283
MERCEDES BENZ TURK	14 480	21 362	20 002	22 395	10 292	11 059
HONDA	20 305	12 341	21 850	14 813	6 958	7 093
OTHERS	40 236	43 815	30 811	28 549	12 786	9 417
AIOS(ISUZU)	3 292	4 324	4 763	4 907	2 888	3 456
OTOKAR	2 236	3 062	2 851	4 840	2 140	1 898
TEMSA	3 367	4 060	2 354	2 918	1 541	1 551
HATTAT TARIM	2 148	4 889	2 713	2 098	1 500	1 393
KARSAN	24 719	22 146	15 448	12 486	4 107	595
MAN	1 132	1 610	1 134	1 300	610	524
BMC	3 342	3 724	1 548	0	0	0
TOTAL	**1 124 982**	**1 234 637**	**1 115 233**	**1 166 043**	**591 263**	**588 754**

2014 CAPITAL EXPENDITURE COMMITMENTS*

GROUP - Approved

Sector R'000	Maintenance	Expansion Efficiency	Total
OE	31.6	112.7	**144.3**
Aftermarket/Non-auto	59.4	9.4	**68.8**
Property	4.1		**4.1**
Total	**95.1**	**122.1**	**217.2**

* Includes authorised and committed capex

2014 CAPITAL EXPENDITURE COMMITMENTS*

ROMBAT - Approved

Sector R'000	Maintenance	Expansion Efficiency	Total
OE			
Aftermarket/Non-auto	21		**21**
Total	**21**		**21**

MUTLU - Approved

Sector R'000	Maintenance	Expansion Efficiency	Total
OE			
Aftermarket/Non-auto	23,7		**23,7**
Total	**23,7**		**23,7**

* Includes authorised and committed capex

ACQUISITION INTEGRATION

ROMBAT

- According to plan
- Start/Stop facility installed and commissioned
- Opening of Start/Stop facility by Romanian Prime Minister – 28 September 2013
- First test batteries produced
- Investment assistance support claim received
- Start/Stop focus increasing

MUTLU

- According to plan
- MTO process complete now shareholding at 96,7%
- Minority squeeze out process started
- Targeting 100% by year-end
- Very good first half result
- First full second half exposure
- Establish a Start/Stop R & D center

ACQUISITION HEALTH CHECK

ROMBAT

Transfer of Associates	Complete
Transfer of Technology	In progress
Integration	Complete
Change Management	Complete
Start/Stop facility	Complete
Secure subsidy for Start/Stop facility	Complete
Expansion of aftermarket footprint Europe	In progress
Availability of recycled material	Improved
Start/Stop product approval	In progress
Secure Start/Stop OE customers	In progress

MUTLU

Transfer of Associates	Under Review
Transfer of Technology	In progress
Integration	In progress
Change Management	In progress
Expansion of aftermarket footprint	In progress
Start/Stop product approval	In progress
Secure Start/Stop OE customers	In progress
Established Start/Stop R & D center	Under review

START/STOP BATTERY DEVELOPMENT

START/STOP BATTERY DEVELOPEMENT

Structural

- Carbon footprint reduction focus still very strong
- Fuel efficiency improvement focus increasing
- Start/Stop systems remain the most cost effective way
- Legislative environment affecting change continue to be in place
- Mutlu acquisition refocusing and assisting in technology rebalance
- Mutlu acquisition vastly improving Metair Group battery technology base

Technical

- Re-balance technology to EFB from AGM type products
- Mutlu Akü already supplying three OEM customers with EFB products
- Rombat obtained approval for EFB range products from some OEM’s
- Mutlu is the first group company to simultaneously pass all OEM specifications on AGM products
- Mutlu Akü proved to be group leader in AGM product technology
- FNB starts AGM product refinement and improvement program

Commercial

- Metair not competitive on two German car manufactures AGM tenders
- Receive three new EFB and AGM Start/Stop battery enquiries
- Competitive on a regional basis
- International competitiveness require focus and improvement
- Made significant progress on development of international brand relationships
- Committed outcome of current interest should be known by year-end

PROSPECTS

PROSPECTS DEPEND ON …

Original Equipment (OE)

- Strike effects of 4,5 weeks SEIFSA – NUMSA strike
- Catch back program run by OEM's
- Effectiveness of cost saving progress to contain destabilization effect
- Stablistation of labour environment
- Europe and other export market vehicle demand
- Exchange rate volatility

Aftermarket

- European demand in winter period
- Export demand in winter period
- Severity of winter in Europe and export markets
- Market share growth in local markets
- SA Government ruling in regard to the dumping of batteries from Korea
- Effectiveness of Groups RARE marketing program

Non-Automotive

- Return of demand in mining sector
- Competitiveness improvement in product range
- Retail sector demand
- Stand-by product demand
- Effectiveness of Groups RARE marketing program

PROSPECTS DEPEND ON …

Mutlu Akü Performance

- Integration progress
- Minority squeeze out
- Synergy extraction
- Commodity price movement
- Exchange rate movements and volatility
- OE and Aftermarket and export demand
- Geopolitical environment
- Staying true to its second half performance nature

Stabilisation of manufacturing environment

- Availability of labour
- Severity of catchback programs of OEM
- Clear view of stable production level
- Balancing of business against medium-term demand
- Return of manufacturing excellence and efficiency

Geo and Social Political

- Middle East political situation
- Russian political situation
- Sanctions currently not affecting Turkey trade in Russia
- Battery product not on product sanction list
- No customer of companies on sanction list

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Q & A

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