METAIR
INVESTMENTS LIMITED

automotive | industrial | retail

CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

TURNOVER increased 4% to **R8bn** DESPITE LOWER OEM VEHICLE PRODUCTION

HESTO PROFITABLE IN H1 2024

MUTLU AKÜ (TÜRKIYE) DERISKED

CONDENSED CONSOLIDATED INCOME STATEMENT	Six months ended 30 June 2024 R'000 Unaudited	Six months ended 30 June 2023 R'000 Unaudited	Year ended 31 December 2023 R'000 Audited
Revenue	**7 951 270**	7 639 052	15 856 456
Cost of sales	**(7 141 315)**	(6 759 373)	(13 935 031)
Gross profit	**809 955**	879 679	1 921 425
Other operating income and dividend income	**100 041**	119 836	258 601
Distribution, administrative and other operating expenses	**(775 861)**	(675 921)	(1 693 428)
Operating profit	**134 135**	323 594	486 598
Net monetary gain arising from hyperinflation in Türkiye	**308 838**	179 604	555 938
Operating profit after net monetary gain arising from hyperinflation	**442 973**	503 198	1 042 536
Share of results and impairment of associates	**8 551**	(9 922)	(10 059)
Interest income	**46 675**	32 540	68 918
Interest expense	**(492 311)**	(312 252)	(809 710)
Profit before taxation	**5 888**	213 564	291 685
Taxation	**(2 636)**	(105 088)	(163 051)
Profit for the period	**3 252**	108 476	128 634
Attributable to:			
Equity holders of the company	**(5 266)**	92 919	95 535
Non-controlling interests	**8 518**	15 557	33 099
	3 252	108 476	128 634
Included in operating expenses above are:			
Depreciation and amortisation	**242 444**	212 428	440 512
Rentals on short-term and low value assets	**25 803**	17 623	46 212
Impairment loss on financial assets	**518**	278	52 641
Impairment of Li-ion line			179 164
Disaggregation of revenue from contracts with customers			
Primary geographical markets			
South Africa	**4 421 802**	5 016 807	9 972 575
Türkiye and UK	**2 348 122**	1 779 239	3 909 026
Romania	**1 181 346**	843 006	1 974 855
	7 951 270	7 639 052	15 856 456
Major product and service lines			
Automotive batteries	**4 308 264**	3 414 314	7 437 986
Automotive components, parts, and tooling	**3 340 379**	3 895 837	7 809 890
Industrial and non-automotive products	**302 627**	328 901	608 580
	7 951 270	7 639 052	15 856 456
Timing of revenue recognition			
Products transferred at a point in time	**4 948 994**	4 757 757	9 489 659
Products and services transferred over time	**3 002 276**	2 881 295	6 366 797
	7 951 270	7 639 052	15 856 456
Earnings per share			
Basic (loss)/earnings per share (cents)	**(3)**	48	49
Headline (loss)/earnings per share (cents)	**(3)**	41	135
Diluted earnings per share			
Diluted (loss)/earnings per share (cents)	**(3)**	47	48
Diluted headline (loss)/earnings per share (cents)	**(3)**	41	133
Number of shares in issue ('000)	**198 986**	198 986	198 986
Number of shares in issue excluding treasury shares ('000)	**194 157**	193 770	193 770
Weighted average number of shares in issue ('000)	**194 125**	193 770	193 770
Adjustment for dilutive shares ('000)	**1 248**	2 167	4 061
Number of shares used for diluted earnings calculation ('000)	**195 373**	195 937	197 831
Calculation of headline earnings			
Net (loss)/profit attributable to ordinary shareholders	**(5 266)**	92 919	95 535
Profit on disposal of property, plant and equipment – net	**(290)**	(17 953)	(15 273)
Impairment of property, plant and equipment			179 420
Impairment of investment in associates		5 199	2 793
Headline (loss)/earnings	**(5 556)**	80 165	262 475

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Six months ended 30 June 2024 R'000 Unaudited	Six months ended 30 June 2023 R'000 Unaudited	Year ended 31 December 2023 R'000 Audited
Profit for the period	**3 252**	108 476	128 634
Other comprehensive income/(loss):			
– Actuarial losses recognised – net		(14 794)	(18 869)
– Foreign exchange translation movements including the effect of hyperinflation	**264 776**	(63 557)	297 064
Net other comprehensive income/(loss)	**264 776**	(78 351)	278 195
Total comprehensive income for the period	**268 028**	30 125	406 829
Attributable to:			
Equity holders of the company	**259 681**	13 955	373 215
Non-controlling interests	**8 347**	16 170	33 614
	268 028	30 125	406 829

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Six months ended 30 June 2024 R'000 Unaudited	Six months ended 30 June 2023 R'000 Unaudited	Year ended 31 December 2023 R'000 Audited
Balance at beginning of the period	**5 532 876**	5 197 495	5 197 495
Net profit for the period	**3 252**	108 476	128 634
Other comprehensive income/(loss) for the period	**264 776**	(78 351)	278 195
Total comprehensive income for the period	**268 028**	30 125	406 829
Employee share option scheme	**11 979**	(15 540)	(32 014)
Vesting of share-based payment obligation			
– Estimated taxation effects of utilisation of treasury shares	**(302)**		
Dividend *			(36 479)
Foreign currency translation, including the effect of hyperinflation	**(2 632)**	886	(2 955)
Balance at end of the period	**5 809 949**	5 212 966	5 532 876

* *No ordinary dividend was declared for the year ended 31 December 2023. No ordinary dividend is being declared for the six months ended 30 June 2024 (30 June 2023: Rnil). R36 million refers to Smiths Manufacturing (Pty) Ltd and Rombat dividends paid to minority shareholders at December 2023.*

CONDENSED CONSOLIDATED BALANCE SHEET	Six months ended 30 June 2024 R'000 Unaudited	Six months ended 30 June 2023 R'000 Unaudited	Year ended 31 December 2023 R'000 Audited
ASSETS			
Non-current assets	**6 357 567**	5 477 100	5 867 472
Property, plant and equipment	**4 257 867**	3 930 224	4 078 258
Intangible assets	**1 277 035**	991 529	1 166 971
Loan to associate	**228 966**	203 572	215 815
Investment in associates	**330 316**	314 670	289 982
Deferred taxation	**263 383**	37 105	116 446
Current assets	**7 486 176**	7 972 695	7 241 801
Inventory	**3 348 294**	3 071 150	3 289 551
Trade and other receivables	**2 635 224**	3 348 586	2 550 042
Contract assets	**429 531**	698 857	408 602
Taxation	**23 984**	19 642	22 488
Derivative financial assets	**1 216**	16 792	2 198
Cash and cash equivalents	**1 047 927**	817 668	968 920
Total assets	**13 843 743**	13 449 795	13 109 273
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	**1 497 931**	1 497 931	1 497 931
Treasury shares	**(100 164)**	(106 974)	(106 974)
Reserves	**(774 794)**	(1 382 009)	(1 048 603)
Retained earnings	**5 051 309**	5 057 862	5 063 202
Ordinary shareholders' equity	**5 674 282**	5 066 810	5 405 556
Non-controlling interests	**135 667**	146 156	127 320
Total equity	**5 809 949**	5 212 966	5 532 876
Non-current liabilities	**1 763 718**	947 134	1 699 840
Borrowings	**1 066 144**	367 568	1 057 842
Post-employment benefits	**64 910**	73 280	63 622
Deferred taxation	**448 476**	355 986	393 880
Deferred grant income	**127 823**	100 744	131 749
Provisions for liabilities and charges	**56 365**	49 556	52 747
Current liabilities	**6 270 076**	7 289 695	5 876 557
Trade and other payables	**2 630 320**	3 382 374	2 870 256
Contract liabilities	**49 098**	17 445	47 004
Borrowings	**2 980 550**	3 101 616	2 384 725
Taxation	**55 760**	50 617	37 313
Provisions for liabilities and charges	**114 962**	102 456	126 134
Derivative financial liabilities	**17 204**	5 764	8 820
Bank overdrafts	**422 182**	629 423	402 305
Total liabilities	**8 033 794**	8 236 829	7 576 397
Total equity and liabilities	**13 843 743**	13 449 795	13 109 273
Net asset value per share (cents)	**2 923**	2 615	2 790
Capital expenditure	**242 235**	282 011	601 175
Capital commitments:			
– Contracted	**119 799**	133 206	77 494
– Authorised but not contracted	**415 695**	262 384	700 058

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	Six months ended 30 June 2024 R'000 Unaudited	Six months ended 30 June 2023 R'000 Unaudited	Year ended 31 December 2023 R'000 Audited
Operating activities			
Operating profit	**134 135**	323 594	486 598
Depreciation and amortisation	**242 444**	212 459	440 512
Share of results and impairment of associates	**8 551**	(9 922)	(10 059)
Net movement in provisions and derivatives	**(5 760)**	(16 272)	62 814
Other items	**36 580**	(16 302)	149 152
Working capital changes	**(255 049)**	(535 548)	27 952
Cash generated/(utilised) from operations	**160 901**	(41 991)	1 156 969
Interest paid	**(442 759)**	(312 705)	(779 300)
Taxation paid	**(99 760)**	(102 215)	(235 229)
Dividends paid			(36 479)
Dividends received from associates	**9 036**		6 047
Net cash (outflow)/inflow from operating activities	**(372 582)**	(456 911)	112 008
Investing activities			
Interest received	**46 675**	21 542	45 377
Acquisition of property, plant and equipment (excludes leased assets)	**(233 896)**	(274 954)	(576 101)
Net cash (utilised) / generated from other investing activities	**(650)**	22 345	6 050
Net cash outflow from investing activities	**(187 871)**	(231 067)	(524 674)
Financing activities			
Borrowings raised – net	**754 039**	36 579	257 019
Net cash utilised in other financing activities	**(44 333)**	(28 897)	(101 601)
Net cash inflow from financing activities	**709 706**	7 682	155 418
Net increase/(decrease) in cash and cash equivalents	**149 253**	(680 296)	(257 248)
Cash and cash equivalents at beginning of the period	**566 615**	980 310	980 310
Exchange loss and hyperinflation impact on cash and cash equivalents	**(90 123)**	(111 769)	(156 447)
Cash and cash equivalents at end of the period	**625 745**	188 245	566 615

CONDENSED CONSOLIDATED SEGMENT REVIEW	Revenue: Six months ended 30 June 2024 R'000 Unaudited	Revenue: Six months ended 30 June 2023 R'000 Unaudited	Revenue: Year ended 31 December 2023 R'000 Audited	Profit before interest and taxation: Six months ended 30 June 2024 R'000 Unaudited	Profit before interest and taxation: Six months ended 30 June 2023 R'000 Unaudited	Profit before interest and taxation: Year ended 31 December 2023 R'000 Audited
Energy storage						
Automotive	**4 308 264**	3 414 314	7 437 986	**44 169**	151 907	311 378
Local	**2 935 486**	2 385 151	5 278 697	**38 379**	117 174	240 701
Direct export	**1 372 778**	1 029 163	2 159 289	**5 790**	34 733	70 677
Industrial	**300 588**	324 163	601 982	**(37 781)**	(31 051)	(43 667)
Local	**295 220**	321 328	593 624	**(37 587)**	(31 110)	(43 498)
Direct export	**5 368**	2 835	8 358	**(194)**	59	(169)
Total energy storage	**4 608 852**	3 738 477	8 039 968	**6 388**	120 856	267 711
Automotive components						
Local	**6 203 399**	6 558 119	13 470 203	**303 507**	(449 766)	(45 397)
Original equipment	**5 805 438**	6 094 412	12 537 745	**258 420**	(477 448)	(109 365)
Aftermarket	**395 922**	458 969	925 860	**45 016**	27 541	63 947
Non-auto	**2 039**	4 738	6 598	**71**	141	21
Direct exports	**14 257**	22 501	47 620	**4 608**	2 068	4 844
Original Equipment	**621**	120	1 066	**303**	64	401
Aftermarket	**13 636**	22 381	46 554	**4 305**	2 004	4 443
Total automotive components	**6 217 656**	6 580 620	13 517 823	**308 115**	(447 698)	(40 553)
Total segment results	**10 826 508**	10 319 097	21 557 791	**314 503**	(326 842)	227 158
Managed associates *	**(2 875 238)**	(2 680 045)	(5 701 335)	**(112 443)**	711 383	607 580
Li-ion line impairment						(179 164)
Amortisation and depreciation arising from business combinations				**(21 783)**	(17 725)	(41 043)
Other reconciling items **				**(46 142)**	(43 222)	(127 933)
Total group revenue and operating profit	**7 951 270**	7 639 052	15 856 456	**134 135**	323 594	486 598
Share of results and impairment of associates				**8 551**	(9 922)	(10 059)
Profit before interest, taxation and net monetary gain arising from hyperinflation in Türkiye				**142 686**	313 672	476 539
Net finance costs				**(445 636)**	(279 712)	(740 792)
Net monetary gain arising from hyperinflation in Türkiye				**308 838**	179 604	555 938
Profit before taxation				**5 888**	213 564	291 685

* *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 CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Basis of preparation

The condensed unaudited consolidated interim results for the six months ended 30 June 2024 have been prepared in accordance with and containing the information required by IAS 34: Interim Financial Reporting, as well as the Financial Pronouncements as issued by the Financial Reporting Standards Council and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee. The interim results do not include all the notes of the type normally included in an annual financial report prepared in accordance with the International Financial Reporting Standards ("**IFRS**"). Accordingly, this report is to be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with IFRS and comply with the JSE Limited Listings Requirements, the requirements of the Companies Act, 71 of 2008 and any public announcements made by Metair during the interim reporting period.

Accounting policies

The accounting policies applied are in terms of IFRS and are consistent with accounting policies used in the preparation of the 31 December 2023 consolidated annual financial statements. The interim results have not been reviewed or audited by the group's auditors.

Borrowings

During the period the group repaid borrowings of R521.8 million (H1'23: R521.3 million) and raised borrowings of R1 275.9 million (H1'23: R557.9 million).

Contingencies

Other than discussed in the commentary section below regarding financial guarantees, there has been no other material change in the group's contingent liabilities since period-end.

Post-balance sheet events

Debt restructure
On 1 July 2024, the group raised the ZAR equivalent of $38.2 million in the form of a bridge loan as the first step to rebalance the shareholder loan funding in Hesto and consequently advanced c. R685 million as a subordinated loan to Hesto.

Disposal of Mutlu Akü ("Mutlu group")
On 16 September 2024, Metair and its wholly owned subsidiary, Metair International Holdings Coöperatief U.A. ("**MIH**"), entered into a sale and purchase agreement in terms of which MIH will dispose of its entire shareholding in Metair Akü Holding Anonim Şirketi ("**Mutlu group**") for a total consideration of $110 million on a cash free and debt free basis ("**Disposal**"). Further information is provided in the category 1 Disposal announcement published on SENS on 17 September 2024.

The Disposal is subject to both regulatory and Metair shareholder approval.

The interim results presentation will be available on the company's website https://www.metair.co.za/wp-content/uploads/2024/09/Interim-2024-Presentation.pdf.
Live webcast: A live webcast of the presentation will be available at 10:00 (SAST) on Thursday, 26 September 2024 at https://www.corpcam.com/Metair26092024.

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

Sponsor
One Capital

Investor relations
Instinctif Partners

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

TN Mgoduso – Chairperson

PS O'Flaherty – Chief Executive Officer

The condensed unaudited consolidated interim results 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

INTERIM RESULTS COMMENTARY

Introduction

Metair continues to operate within a difficult trading environment, with a resolute focus on meeting strategic priorities set out earlier in the current financial year ending 31 December 2024 ("**FY2024**"). The reporting period required ongoing agility within Metair's operating markets and mitigating actions to address the negative impacts of lower South African Original Equipment Manufacturers' ("**OEMs**") customer demand and volume variability.

Both business verticals performed resiliently relative to their challenging operating and trading conditions, maintaining constant supply to customers. Challenges experienced include, *inter alia*, high interest and inflation rates as well as persistent supply chain and port disruptions.

Management's efforts focused on maintaining stability, improving profitability, and enhancing liquidity at Hesto Harnesses ("**Hesto**"), the group's managed associate, following the significant losses incurred in the first half of the 2023 financial year ("**FY2023**"), ("**H1 2023**" or "**Prior Period**"). Efforts also centred around stabilising Mutlu Akü in Türkiye, following production disruptions experienced in the second half of FY2023.

During FY2024, the Metair board of directors ("**Board**") approved a debt restructuring plan formulated by management to address the elevated debt levels. The plan covers Hesto's debt obligations as well as negotiating the disposal of Mutlu Akü to pay off South African debt and reduce the interest cost burden.

Group results (as reported, unless otherwise stated)

Group revenue increased by 4% to R8 billion (H1 2023: R7.6 billion) for the six months ended 30 June 2024 ("**H1 2024**"). From a volume perspective, total automotive battery units sold in the Energy Storage business improved by 10%, up 358 000 units from 3.6 million in the Prior Period to 3.9 million units, supported by stronger aftermarket and export sale volumes.

Overall vehicle production volumes were 7% softer, declining from c. 292 000 in H1 2023 to c. 270 000. Globally, Toyota Motor Corporation has faced certain challenges with their engine certification processes which have unfortunately impacted the local OEM (TSAM) and their ability to produce and export some of their product to Europe in FY2024. Indications are that these issues will be resolved in the short-term and production volumes will resume to normal levels.

Group reported EBITDA* and EBIT** was negatively affected by primarily non-operational hyper inflationary accounting from Mutlu Akü.

Despite the impact of lower local OEM volumes and a continued depreciation of the Turkish Lira ("**TL**"), the EBIT margin, excluding the impact of hyperinflation complexities and restatements, was 6.8% (H1 2023: 6.4%). Reported EBIT margin was 1.7% (H1 2023: 4.2%).

Excluding the impact of hyperinflation, EBITDA improved to R729 million (H1 2023: R676 million). Reported Group EBITDA was R385 million (H1 2023: R529 million).

* *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.*

** *Earnings before interest and taxation, calculated as profit before interest, taxation, share of associate earnings and net monetary gain arising from hyperinflation in Türkiye.*

Net finance expenses increased by 59% to R446 million (H1 2023: R280 million) due to elevated net debt levels to support customer expansion, a high working capital cycle and extreme interest rates in Türkiye. Mutlu Akü's net interest costs increased by 103% to R326 million (H1 2023: R161 million). A net monetary gain arising from hyperinflation accounting restatements of R309 million (H1 2023: R180 million) was recognised.

Share of equity profit from associates amounted to R9 million (H1 2023: R10 million loss). Hesto's share of post-tax equity profits for the period of R5 million (H1 2023: R427 million loss) is not included within equity accounted earnings as in terms of equity accounting rules until sufficient future profits are generated to reverse the accumulated losses. Hesto's results are included within the segmental review and in the calculation of debt covenants.

Return on invested capital improved to 11.9% (H1 2023: 5.3%).
Headline earnings per share decreased to a loss of 3 cents per share from 41 cents in H1 2023, mainly as a result of the significant increase in net interest costs of R166 million and the impact of applying hyperinflation accounting on earnings of Mutlu Akü.

Automotive Components Vertical

As previously advised, cutbacks in local vehicle production are having a significant effect on component manufacturers. According to the National Association of Automobile Manufacturers of South Africa (NAAMSA), passenger cars and light commercial vehicle sales have decreased by 6.9% and 9.4%, respectively, for H1 2024.

Core subsidiary businesses (excluding Hesto) namely, lighting (Lumotech), suspension (Supreme Springs) and H-VAC (Smiths Manufacturing) contributed R3.3 billion to group revenue, a 14% decrease from H1 2023, and generated EBIT of R196 million (H1 2023: R264 million) at a margin of 5.9% (H1 2023: 6.8%), impacted by temporary lower customer demand and supply chain disruptions. The impact was effectively mitigated through continued focus on operating efficiencies and stringent cost control.

With the inclusion of Hesto, the Automotive Components business generated revenue of R6.2 billion (H1 2023: R6.6 billion), being a decrease of 6%. EBIT showed a strong recovery from a loss of R448 million in H1 2023 to a profit of R308 million in H1 2024, with a margin of 5.0% (H1 2023: 6.8% loss).

Hesto

The Hesto turnaround strategy continued in a positive direction. Revenue increased by 7% from R2.7 billion to R2.9 billion and EBIT improved from a loss of R711 million in H1 2023 to a profit of R112 million in H1 2024, covering net interest charges. This performance mitigated the decrease of volumes from a major customer and demonstrates the recovery from the previously reported challenging new customer model ramp up.

Ford volumes progressed in line with expectations and close collaboration between Hesto, its customers and technology partner has positively supported revenue and operating profit over the remaining revised business case model life of eight years. Management continues to focus on production efficiencies and cost reductions as well as preparations for new customer facelifts and model introductions.

If Hesto were to be included as a subsidiary on a 'pro forma' consolidated basis (with all else being equal), group EBIT (before results of associates and hyperinflation restatements) improves from a loss of R205 million in H1 2023 to a profit of R650 million in H1 2024, at a margin of 6%.

Energy Storage Vertical

The Energy Storage Vertical's revenue increased by 23% to R4.6 billion (H1 2023: R3.7 billion) with an increase in total volumes of 10% from 3.6 million to 3.9 million units. Total OEM battery sales volumes accounted for 35% of total energy volumes (H1 2023: 36%), a slightly higher mix than the target of 30%. The group's emphasis remains on correcting the sales mix going forward.

When excluding the impact of hyperinflation in Türkiye, the vertical reported a 12% increase in revenue to R4.5 billion (H1 2023: R4.0 billion) and generated R392 million in EBIT (H1 2023: R291 million) at a margin of 8.6% (H1 2023: 7.2%). As a result of Mutlu, on a reported hyperinflation basis, EBIT for the vertical declined 95% to R6 million (H1 2023: R121 million) after the non-cash impact of inflating inventory and cost of goods sold.

At Rombat S.A in Romania ("**Rombat**"), automotive volumes improved by 41% to 1.3 million batteries (H1 2023: 0.957 million batteries), resulting in an EBIT of R20 million (H1 2023: R11 million loss). The volume recovery was supported by strong market gains in European exports and aftermarket.

First Battery's ("**FB**") automotive battery volumes decreased 9% from 0.864 million units to 0.786 million units in a competitive and price sensitive market. FB generated EBIT of R152 million (H1 2023: R83 million) at a margin of 14% (H1 2023: 7.4%) owing to increased focus on product mix and improved manufacturing efficiencies.

Mutlu Akü Automotive battery volumes increased to 1.8 million batteries (H1 2023 1.76 million batteries), stemming from a 28% increase in export sales. However, the sales mix continues to be weighted in OEM at c. 50% and declining local aftermarket sales of 0.5 million batteries (H1 2023: 0.6 million).

When translated into South African Rand (ZAR), Mutlu Akü contributed R185 million (H1 2023: R220 million) of EBIT on a pre-hyperinflation basis, as the TL devalued on average 35% against the ZAR and 43% against the United States Dollar.

Türkiye interest rates increased to 50% and inflation peaked at 71.6%. To mitigate against the increased financial volatility, the group has announced its disposal of its entire shareholding in Mutlu Akü.

Financial position

Group net asset value per share increased to 2 923 cents (FY2023: 2 790 cents). Net working capital increased to R3.7 billion (FY2023: R3.33 billion) to support customer expansion as well as Mutlu Akü's elevated working capital cycle. Cash utilised in operations (before interest and taxes) improved from R42 million in H1 2023 to cash generated of R161 million.

Group reported net debt (borrowings less cash and cash equivalents, excluding Hesto) increased to R3.4 billion during H1 2024 (FY2023: R2.8 billion) primarily due to working capital requirements in Türkiye.

Going concern, liquidity and debt covenants

The group's reported net debt to equity ratio remained high at 59% (FY2023: 52%). Net debt to EBITDA was 3.5 times (FY2023: 2.6 times). This was higher than the target of 2.5 times due to funding taken up for new projects and the impact of hyperinflation on Mutlu Akü's results.

The group's revolving credit facilities ("**RCFs**") of R1 275 million (RCF 1, R750 million maturing August 2026 and RCF 2, R525 million maturing April 2025) and preference share funding of R840 million (maturing December 2024) are subject to covenant methodology. Net debt, calculated on a covenant testing methodology which includes Hesto, amounted to R5.4 billion (FY2023: 4.6 billion) at balance sheet date, at 2.95 times adjusted EBITDA (FY2023: 3 times). Despite the high debt level, the group remained within agreed banking covenant levels.

A debt restructure plan was formulated and approved by the Board for the proposed refinance and ring-fencing of South African operations only, in order to rebalance and recapitalise Hesto debt. Subsequently, Hesto's balance sheet will be restructured to introduce longer term external funding from proposed lenders to align to a project financing methodology. Management is focused on the optimisation and the deleveraging of debt which includes the recently announced disposal of Mutlu Akü.

The group's lenders remain supportive and are engaging with the Board on the debt restructure and refinance programme that will ensure a sustainable capital structure in the medium term. The debt restructure programme is anticipated to launch during Q4 2024. Post 30 June 2024, the group raised the ZAR equivalent of $38.2 million in the form of a bridge loan as the first step to rebalance the shareholder loan funding in Hesto and consequently advanced c. R685 million as a subordinated loan to Hesto.

Unutilised credit facilities amounted to R828 million (FY2023: R767 million) in South Africa and R1 billion (FY2023: R1.6 billion) equivalent conditional facilities internationally.

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

Capital expenditure (including Hesto)

The group invested R261 million (H1 2023: R316 million) to support future growth and efficiency improvements, of which 55% was spent in South Africa and 45% was spent in the international battery businesses. R93 million of the investment was spent on maintenance, R162 million on expansion and R7 million on health and safety.

Financial guarantees

The group provides proportionate (74.9%) financial guarantees on behalf of Hesto, for funding facilities provided by Standard Bank of South Africa, and shareholder loans as well as extended trade credit support from Yazaki Corporation ("**Yazaki**"). The shareholder loan from Yazaki amounted to $51 million at 30 June 2024.

On 1 July 2024, Metair advanced R685 million ($38.2 million) as part of the broader capitalisation and rebalancing of the shareholder funding in Hesto pro-rata.

The equivalent financial guarantee of $38.2 million, previously granted in favour of the other shareholder, Yazaki, was released. The new funding of R685 million raised from an external funder is guaranteed by Metair. In addition, Metair extended the level of guarantees over extended trade credit support facilities advanced by Yazaki to Hesto for up to $52.4 million.

European Commission's Statement of Objections

Shareholders are referred to the announcements published on SENS on 6 December 2023 and subsequent, respectively, wherein shareholders were advised that Metair and its subsidiary, Rombat, had received an advance copy of a Statement of Objections ("**Statement**") from the European Commission ("**Commission**") expressing concerns that battery manufacturers, including Rombat, may have potentially violated EU anti-trust rules in the field of automotive lead-acid starter batteries between 2004 and 2017 and that Rombat was in the process of conducting an in-depth analysis of the Statement for purposes of preparing an initial response to the Commission.

A reply to the Statement was submitted in April 2024 and the Commission conducted oral hearings during July 2024, at which Rombat and Metair presented opening arguments regarding the Statement, as well as supporting evidence. At this stage, no ruling or final determination has been made or communicated by the Commission and a reliable estimate of any potential fine cannot be made.

Outlook and prospects

Metair operates best in a stable and high-volume production environment and full year performance is dependent upon original equipment volumes at major customers and geo-economic conditions in international markets. The group will continue to drive effective project management and operating efficiencies to improve the current base and return on invested capital.

Despite the short-term impacts of a decrease in volumes and high levels of debt, management has made significant progress on the previously communicated stabilisation and turnaround strategy which will continue into the second half of FY2024. The Group has stabilised major new projects undertaken in FY2023 with Hesto demonstrating a strong operational recovery. Ongoing profitability improvement initiatives are expected to enhance future earnings and support reduced debt levels.

The finalisation of the Mutlu disposal will eliminate the effects of hyperinflation and high interest rates (circa R750 million per year) related to the Mutlu debt of approximately R1.3 billion. This will create improved visibility of the underlying business as there will be no overhang from Türkiye.

Post the disposal the remaining Metair Group debt is expected to be approximately R3.7 billion and will be subject to a debt restructuring exercise.

Metair's focus going forward will primarily be an automotive component manufacturing business focused on South Africa, with a strategic focus of being a key player in the sub-Saharan African mobility and energy sector, which has compelling macroeconomic tailwinds in the medium to long-term. Diversification within these sectors will be key.