

Metair Investments Limited

(Incorporated in the Republic of South Africa)

(Registration number 1948/031013/06)

ISIN: ZAE000090692

Share code: MTA

(“Metair” or the “Company” or the “Group”)

OPERATIONAL AND FULL YEAR VERTICAL GUIDANCE UPDATE

Update on Covid-19 recovery plan and outlook

Shareholders are hereby advised that in line with previous operational updates published on SENS (i) detailing Metair’s Covid-19 strategic response (“**Covid-19 Strategic Response**”), (ii) outlining the 6 pillars of the Covid-19 Strategic Response, and (iii) confirming the approval by the board of directors of Metair of the investments required to support the Automotive Components Vertical business’ planned multi-stepped U-shaped Covid-19 recovery plan, Metair is currently executing all the activities required to manage the Covid-19 risks as well as executing on the creation of its future vision: Vision 2022. This is shaping Metair’s designed recovery post the pandemic and the Company’s focus remains on its multi-stepped U-shaped recovery with growth.

Employee health, safety, welfare, and communication

The welfare, health and safety of Metair’s employees remains a priority and a key concern. All Metair subsidiaries have policies in place to ensure a safe working environment and to prevent the spread of Covid-19. The policies are in accordance with section 8(1) of the Occupational Health and Safety Act, No. 85 of 1993, as well as other regulations in their specific jurisdictions. The policies have specific provisions to address employees who show symptoms for Covid-19 during on-site screening. There are on-site isolation facilities and transportation arrangements to transfer employees suspected of having the virus to designated Covid-19 healthcare facilities for further testing.

To date, Metair has unfortunately had 4 employees that succumbed to Covid-19, and its heartfelt condolences are extended to their families and colleagues. In total, 521 Metair employees have tested positive for the virus and 1 685 Metair employees have had to self-quarantine.

Automotive Components

The Automotive Components Vertical recovery remains a project-based recovery, as Metair anticipates a full-year decline of 30% in South African production volumes in 2020. Metair remains committed to new model launch projects as well as the most sustainable projects, customers, models, and markets. Fortunately, the planned model launches and facelifts have had a positive effect even in the second half of 2020. Although the production volumes in South Africa in the first half of 2020 were down by 42%, Metair has experienced an improvement in second half volumes and production stability from the Automotive Components business with increased export demand from Europe.

Metair still expects full year production volumes to be suppressed. As such, Metair still expects full year revenues to be between 25% and 30% lower than 2019 (at prevailing exchange rates), with full year operating margins between 1% and 3%, barring any further manufacturing disruptions. This is based on an expected second half improvement in local automotive manufacturing of approximately 60 - 70 thousand units (35% - 40%) from the first half of 2020, driven by export demand and new facelifts, and the achievement of full year volumes of between 400 thousand units to 440 thousand units.

Metair has approved a R1,3 billion investment to support new projects that can deliver between R25 billion and R28 billion of turnover over a 7 year period from the middle of 2022, depending on the final project

volumes and product designs. However, one effect of Covid-19, has been a slight change in project timing resulting in potentially prolonged project model life. Project timings have been under pressure due to travel restrictions and the finalisation of market positioning, and therefore some projects have been delayed by 3-6 months. Project model lives have also been reassessed by Metair's customers, and it appears that there is potential for the secured projects to be extended from the initial 5-7 years to 7-10 years.

Energy Vertical

The energy vertical recovery is based on aftermarket demand, market share gains, brand positioning, economic range expansion as well as Original Equipment Manufacturer (OEM) projects. Aftermarket demand has returned strongly and Metair structurally adapted its cost base and business activities to increase agility. Metair continues to increase its market visibility as Covid-19 has potentially impacted the longer term viability of Metair's industrial manufacturing business in South Africa due to lower demand. As the general outlook remains positive, Metair does acknowledge that it will take some time for absolute clarity to be achieved especially in light of a potential major second wave of Covid-19 infections in Europe. Metair's traditionally higher aftermarket demand has been maintained, despite some limitations on its ability to serve and reach its export customers and markets. Barring any short term setbacks, Metair is upgrading its guidance for the full year outlook. Based on Metair's current visibility, Metair expects full year revenues to only be between 5% and 10% lower than the prior year, with full year margins of between 8% and 10%. This outlook is based on prevailing exchange rates and an average virgin lead price of \$1,700 per tonne, combined with an overall positive outlook for volumes. We expect total automotive battery volumes to improve by 1.5 - 1.7 million units from the first 6 months of 2020, to 7.2 - 7.6 million units for the full year.

The guidance provided above, in respect of both verticals, does not include any potential business interruption insurance claims related to Covid-19 in South Africa. Metair is in discussion with its insurers regarding the claim, and it awaits the outcome of ongoing court proceedings in South Africa which will set a precedent for claims of this nature and provide clarity on the potential claim value.

Cash and debt covenants

Despite the Covid-19 impact and much lower earnings before interest, taxation, depreciation and amortisation (EBITDA), the Company's financial position in terms of cash and liquidity has remained strong and with the improved outlook for the full year 2020, Metair is highly confident that covenant requirements will be met at 31 December 2020. Management continues to closely monitor the Group's financial position, and remains focused on effective cash management, specifically in the areas of working capital in conjunction with customer requirements, cost control and capital expenditures, taking into account planned investments required in new or upcoming customer models and facelifts.

The information contained in this announcement does not constitute an earnings forecast. The financial information provided is the responsibility of the directors of Metair, and such information has not been reviewed or reported on by the Company's auditors.

Johannesburg
4 December 2020

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