

METAIR INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

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("Metair" or the "Group")

VOLUNTARY OPERATIONAL UPDATE FOR THE SIX MONTHS ENDED 30 JUNE 2022 AND UPDATE REGARDING THE IMPACT OF THE FLOODING IN KWAZULU-NATAL ON METAIR'S OPERATIONS

The Metair Group is in the process of preparing its interim financial results for the six-month period ended 30 June 2022 ("**Interim Results**" or "**H12022**").

From an operational perspective, the Automotive Components Vertical continues to deliver on major customer-driven capital projects whilst navigating the continued effect of global supply chain disruptions and semi-conductor shortages. As previously reported to the market, the suspension of production at a significant customer of the Group (Toyota SA) following the severe flooding in KwaZulu-Natal ("**KZN**") impacted South African operations significantly and resulted in reduced demand in the second quarter of the financial year ending 31 December 2022 ("**FY2022**"), which reduced demand has carried over into the third quarter. Encouragingly, the Energy Storage Vertical is performing well relative to the operating environments in Turkey, Romania and South Africa and continues to deliver strong automotive battery volumes and revenues.

Automotive Components Vertical

Metair subsidiaries are in a pre-production and prototype manufacturing phase for new model launches and continue to invest in capital expenditure, working capital and incur project costs ahead of the new major Ford model launch in the fourth quarter of FY2022. Raw material shortages (including semi-conductor chips), supply chain delays and more recently the loss of production due to the KZN flooding have had a negative impact on Original Equipment Manufacturer ("**OEM**") volumes. As a result, there is a degree of uncertainty around the short-term volume outlook for the remainder of the year, however, volume expectations over the model life remain unchanged.

Management interventions to curb the impact of short-term operational pressures are in place and ongoing investments are expected to deliver returns in line with Metair's targets over the life of the contracts. New model and facelift launches are expected to drive meaningful growth over the medium to long term, most notably the ongoing contract to support Ford's investment into the South African automotive industry.

Update on impact of the flooding in KZN on Metair's operations

Shareholders are referred to the announcement published on 5 May 2022 regarding the impact of the flooding in KZN on Metair's operations. Metair has continued to support its employees, customers, and other stakeholders as best as possible during this challenging time and has worked with Toyota SA to support their recovery and any recoupment of lost production. Clean up operations and assessments to date have been successful and although limited production recently commenced, there is still some uncertainty regarding timing of return to normal production volumes. Regarding the insurance process, Metair is pleased to inform shareholders that the business interruption claim has been initiated and an interim cash payment of R150 million has been received to date. The insurance claim process is ongoing and envisaged to be completed during the second half of the year. Metair continues to be in close contact with its funders to maintain sufficient short-term liquidity until the situation stabilises.

Energy Storage Vertical

The Energy Storage business continues to perform resiliently under tough operating conditions including high energy and labour costs in Europe and Turkey. These costs are recovered from customers following a slight lag in price recovery of these input costs. Market demand has remained

strong and international demand for lead acid batteries in all sales channels, especially arising from Turkey, remains high. Export sales are earned in hard currency and provide a natural hedge to limit the impact of foreign exchange volatility and inflationary pressures. A 10-day labour wage strike during June was successfully resolved and operations returned to normal at Mutlu Akü in Turkey.

Overall, automotive volumes sold are expected to be circa. 4 million units and supported by strong volumes from Turkey as Mutlu Akü export volumes increased by more than 40% in the period compared to the six-month period ended 30 June 2021. Volumes from Rombat are expected to be at least 10% lower mainly due to dampened consumer confidence from the ongoing Russia and Ukraine conflict.

Hyperinflation in Turkey

In Turkey, cumulative inflation rates over a three-year period exceeded 100% as at April 2022 as per the International Monetary Fund and global accounting firms, based on IAS 29 criteria, have now classified Turkey as a hyperinflationary economy for reporting periods ending on or after 30 June 2022. Metair has taken advice and is expected to apply the external guidance. A review of the impact of IAS 29 on the Interim Results and future financial statements is underway, and the outcome will be communicated in due course.

For context, Mutlu Akü in Turkey accounted for nearly R4 billion of turnover in the financial year ended 31 December 2021 (approximately 31% of group turnover) and 55% was directly linked to hard currencies (USD or Euro) through direct export and OEM sales, growing both volumes and price in H12022. Inflation increased in Turkey during the first quarter and this upward trend continued into the second quarter of 2022. Currently, there are no restrictions on remittances of dividends from Turkey.

In light of the unexpected delay in finalising the Interim Results, as a result of the assessment required to determine the impact of IAS 29 thereon, Metair expects the Interim Results to be released on SENS on or about Wednesday, 14 September 2022.

The information contained in this announcement is the responsibility of the directors of Metair and does not constitute an earnings forecast. Such information has not been audited, reviewed, or reported on by the Group's external auditors.

20 July 2022
Johannesburg

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