

METAIR INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 1948/031013/06

ISIN: ZAE000090692

JSE share code: MTA

("Metair" or the "Group")

TRADING STATEMENT AND TRADING AND OPERATIONAL UPDATE

In terms of paragraph 3.4(b) of the JSE Limited Listings Requirements, companies are required to publish a trading statement as soon as they are satisfied that a reasonable degree of certainty exists that the financial results for the period to be reported upon next, will differ by at least 20% from the financial results for the previous corresponding period.

As previously reported, inflation in Türkiye rose dramatically during the six-month period ended 30 June 2021 ("H1 2021") and cumulative inflation rates over a three-year period exceeded 100% during the second quarter of the financial year ending 31 December 2022 ("FY 2022"). The Group has therefore applied hyperinflationary accounting, as specified in IAS 29, for amounts reported by Mutlu Akü in Türkiye for the period commencing 1 January 2022. The impact of IAS 29 on Mutlu Akü's pre-hyperinflationary results and consequently on Metair's consolidated results are as follows:

- Operating profit decline of c. R328 million
- Profit after tax decline of c. R95 million, arising from the restatement of net non-monetary assets of R185 million and retained income of R280 million through profit and loss
- A net monetary gain amounting to c. R253 million (financial gain)
- Approximately R1.7 billion uplift in assets
- Approximately R1.5 billion uplift in equity, mainly relating to the reversal of previous accumulated foreign currency translation losses within other comprehensive income

Metair is in the process of finalising its results for the six months ended 30 June 2022 ("H1 2022"), ("Results") and shareholders are accordingly advised that primarily due to the impact of IAS 29 on Mutlu Akü's results, Metair expects to report:

- headline earnings per share of between 40 cents and 50 cents per share compared to a headline earnings per share of 170 cents for the prior comparative period, which is a decrease of between 71% and 76%; and
- earnings per share of between 35 cents and 45 cents per share compared to an earnings per share of 170 cents for the prior comparative period, which is a decrease of between 74% and 79%.

The financial information, on which this trading statement is based, has not been reviewed or reported on by Metair's external auditors.

The Results are expected to be published on or about Thursday, 15 September 2022.

Operational update

The Automotive Components Vertical continues to deliver on major customer-driven capital projects which are nearing completion. Following the severe flooding in KwaZulu-Natal ("KZN") which impacted South African operations significantly in the second quarter of FY 2022, operations are gradually returning to pre-flood production levels as market demand remains strong. The Energy Storage Vertical is performing well relative to the operating environments in Türkiye, Romania and South Africa and continues to deliver strong automotive battery volumes and revenues at robust margins.

Automotive Components Vertical

Metair subsidiaries are in a pre-production phase for new model launches and continue to invest in capital expenditure and working capital. The Group incurred planned project costs of c. R115 million ahead of the new major Ford model launch in the fourth quarter of FY 2022. 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. While there is a degree of uncertainty around the short-term volume fluctuation for the remainder of the year as demand ramps up, volume expectations for recovery and model lives 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 announcements published on 5 May 2022 and 20 July 2022 regarding the impact of the flooding in KZN on Metair’s operations. Since the last operational update, production at Toyota South Africa Manufacturing has increased steadily and the outlook for production is that a return to pre-flood levels can be achieved in the short term, depending on the stability of global supply chains. The business interruption insurance claim has also progressed well. Based on our estimates, a claim for R360 million (before tax and minorities) has been accrued and an interim cash payment of R150 million has been received to date. Our second claim is currently under review by the insurers. We expect the total claim to be finalised during the second half of FY 2022. Metair remains in close contact with its funders to maintain sufficient short-term liquidity until the situation stabilises.

Energy Storage Vertical

The Energy Storage business continued to perform resiliently under tough operating conditions, including high inflation fuelled by unprecedented energy and labour cost increases across both Türkiye and Romania. Although these costs are generally recovered from customers following a slight time lag, margins have been negatively impacted in the short term. Market demand has remained strong and international demand for lead acid batteries in all sales channels, especially arising from Türkiye, remains resilient. Hard currency export sales provide a natural hedge to limit the impact of foreign exchange volatility and inflationary pressures. A ten-day labour wage strike during June 2022 was successfully resolved and operations returned to normal at Mutlu Akü in Türkiye. The strike did however adversely impact operations in terms of preparation ahead of the strike, as well as disruptions to manufacturing and sales efforts during the strike.

Overall, automotive volumes sold were c. 4 million units, supported by strong volumes from Türkiye as Mutlu Akü export volumes increased by more than 40% from H1 2021. Volumes from Rombat were c.10% lower compared to H1 2021, mainly due to dampened consumer confidence from the ongoing Russia and Ukraine conflict. First National Battery in South Africa volumes were marginally down on HY2021, but efforts to improve competitiveness and market share are progressing according to plan.

Hyperinflation in Türkiye

Under IAS 29, Turkish Lira results and non-monetary asset and liability balances (including undistributed profits) are restated to present value equivalent local currency amounts (adjusted based on an inflation index) before translation to ZAR at 30 June 2022 (reporting-date exchange rate). Although operations remain unchanged, including the fact that a substantial portion of commodity input costs and sales are hard currency denominated and not directly subject to Turkish inflation, the accounting impact of implementing IAS 29 has been significant.

Mutlu Akü’s strong non-monetary asset base protects against inflation and results in a positive gain from a net asset point of view, but impact on profit and loss has been negative since IAS 29 requires the restatement of Mutlu Akü’s retained income at 31 December 2021 and 30 June 2022 within current year earnings.

Current period trading remains unaffected as reclassification restatements have no impact on net profit, but the indexing effect results in reclassification of operating profit as a ‘net monetary gain’ mainly because cost of sales is adjusted from date of cost incurred and not the date of actual sale of a battery.

In summary, the impact of IAS 29 on Mutlu Akü's pre-hyperinflationary results and consequently on Metair's consolidated results are as follows:

Mutlu: H1 2022 hyperinflation impact on Metair Investments Limited's consolidated results

ZAR in millions	EBIT*	EBITDA**	Profit after tax
Income statement indexing			-
Income statement re-expression	(328)	(290)	(348)
Non-cash net monetary gain (pre balance sheet impact)			348
Balance sheet restatements (re-indexing)			(95)
Monetary gain associated with net non-monetary assets			185
Monetary loss associated with retained income			(280)
Net profit after tax impact of hyperinflation			(95)
<i>Net monetary gain derived within income statement</i>			253

* EBIT defined as earnings before interest and tax

** EBITDA defined as earnings before interest, tax, depreciation, and amortisation

Mutlu Akü accounted for nearly R4 billion or c. 31% of Group turnover in the financial year ended 31 December 2021 with 55% directly linked to hard currencies (USD or EUR) through direct exports and OEM sales. As indicated, Mutlu Akü continued to grow both volumes and prices in H1 2022. Currently, there are no restrictions on remittances of dividends from Türkiye and access to foreign currencies remains unrestricted.

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.

6 September 2022

Johannesburg

Sponsor

One Capital