METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1948/031013/06
ISIN: ZAE000090692
JSE and A2X share code: MTA
("**Metair**" or the "**Company**" or the "**Group**")

TRADING UPDATE AND TRADING STATEMENT

TRADING UPDATE

Group update (excluding hyperinflation accounting unless otherwise stated)

As reported in the Company's operational update for the six months ended 30 June 2024 ("**Current Period**"), published on SENS on Thursday, 5 September 2024, despite the impact of lower local Original Equipment Manufacturer ("**OEM**") volumes and a continued depreciation of the Turkish Lira, Group revenue is expected to remain in line with the interim financial results reported for the six months ended 30 June 2023 ("**Prior Period**" or "**H1 2023**") and earnings before interest and taxation ("**EBIT**") margin, calculated as operating profit before interest and taxation, excluding the impact of hyperinflation complexities and restatements, is expected to range between 6.5% and 7.0%.

As previously indicated, borrowing costs increased significantly due to higher net debt levels particularly at Mutlu Akü to support working capital within tight trading and liquidity conditions and additional local net debt to support customer expansion and higher working capital investments. Net finance costs, as a result, excluding the impact of hyperinflation, is expected to increase by c. 45% from R308 million in the Prior Period, at a run rate approximately in line with the second half of the financial year ended 31 December 2023.

Hesto

Hesto is expected to generate EBIT of c. R110 million for the Current Period, mitigating a drop of volumes from a major customer but also recovering from a loss of R711 million in H1 2023, following model ramp up. The EBIT is expected to cover interest charges. Revenue is expected to increase by c. 7% from R2.7 billion.

The Group's share of Hesto's equity accounted profit is not consolidated until the significant accumulated losses are recouped through future earnings. If Hesto is included as a subsidiary on a '*pro forma*' consolidated basis (with all else unchanged) for the Current Period and comparative Prior Period, Group EBIT (before results of associates and hyperinflation restatements) improves from a loss of R205 million to a profit of R650 million, at a margin of 6%.

Automotive Components Vertical (excluding Hesto which is accounted for as an associate)

Notwithstanding the lower customer demand as previously reported, revenue is expected to decline by 14% compared to the Prior Period. EBIT margins are expected to be between 5.5% and 6.0% (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.

When including Hesto, EBIT recovers strongly from a loss of R448 million in the Prior Period, with a margin of between 4.5% and 5.0% (H1 2023: 6.8% loss).

Energy Storage Vertical

Mutlu Akü's pre-hyperinflation EBIT is expected to be approximately 80% of the comparative R220 million reported for the Prior Period when translated into South African Rand ("**ZAR**") earnings, as the Turkish Lira devalued on average 35% against the ZAR and 43% against the United States Dollar.

Despite the above, the Energy Storage Vertical's revenue is expected to increase by 12% against the Prior Period, with an expected pre-hyperinflation EBIT margin range (before impairments) of between 8.0% and 8.6% (H1 2023: 7.2%), supported strongly by the South African battery business (First Battery), and the return to profitability at Rombat S.A. in Romania ("**Rombat**"). As a result of Mutlu Akü, on a hyperinflationary basis, EBIT for the Energy Storage Vertical is expected to be break even after the non-cash impact of inflating cost of goods sold in Türkiye (H1 2023: margin 3.2%).

Disposal of Metair's Turkish operations

As detailed in the announcement published on SENS on Tuesday, 17 September 2024, on 16 September 2024 ("**Signature Date**"), Metair and its wholly owned subsidiary, Metair International Holdings Coöperatief U.A. ("**MIH**") entered into a sale and purchase agreement ("**SPA**") with Quexco Incorporated in terms of which MIH will dispose of its entire shareholding in Metair Akü Holding Anonim Şirketi ("**Metair Türkiye**"), subject to the fulfilment or wavier of certain conditions ("**Disposal**").

In terms of the SPA, the Disposal consideration in respect of MIH's entire shareholding in Metair Türkiye will be an amount of US$110 million (approximately R1.95 billion, based on the US$:R exchange rate of R17.76:$1 as at the Signature Date). The Disposal consideration will be subject to customary adjustments based on Metair Türkiye's net debt and working capital amounts.

TRADING STATEMENT

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.

Metair is in the process of finalising its results for the Current Period ("**Interim Results**") and shareholders are accordingly advised that Metair expects to report a:

- loss per share of between 2.7 cents and 3.3 cents per share (H1 2023: earnings per share of 48 cents); and
- headline loss per share of between 2.7 cents and 3.3 cents per share (H1 2023: headline earnings per share of 41 cents).

Notable non-cash adjustments (before taxation) include the impact of applying hyperinflation accounting on earnings of Mutlu Akü. The annual inflation rate in Türkiye increased to 71.60% and impacted restatements to cost of goods sold. Consequently, Group EBIT margin is expected to be between 1.5% to 2% (H1 2023: 4.2%). A significant increase in net interest costs of c. R165 million has also impacted earnings.

The Interim Results are expected to be published on SENS on or about Thursday, 26 September 2024.

The information contained in this announcement is the responsibility of the board of 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.

18 September 2024
Johannesburg

Sponsor
One Capital