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automotive | industrial | retail

CONDENSED UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED **30 JUNE 2022**

METAIR INVESTMENTS LIMITED ("Metair" or "the group" or "the company")



Consolidated group

assessed at

Non-cash impact of hyperinflation accounting (IAS29)

for Mutlu Akü in Türkiye significantly impacted results

REVENUE (MILLION)

5 822



EBITDA (R'MILLION)

including equity earnings

Ford investment for the group approved with 4 400 jobs created

HEPS (Cents)

2022 H1



Year ended

* Includes Hesto



2022 H1 2021 H1

*Normalised metrics represent management's view of core earnings, after eliminating once-off items and the non-cash impact of hyperinflation accounting

	Six mont	Year ended	
	30 June	30 June	31 December
	2022 R'000	2021 R'000	2021 R'000
CONDENSED CONSOLIDATED INCOME STATEMENT	Unaudited	Unaudited	Audited
Revenue	5 821 975	5 934 173	12 621 070
Cost of sales	(5 404 919)	(4 851 263)	(10 421 551)
Gross profit	417 056	1 082 910	2 199 519
Other operating income	351 120	74 386	204 463
Distribution, administrative and other operating expenses	(623 797)	(612 475)	(1 244 943)
Operating profit	144 379	544 821	1 159 039
Interest income Interest expense	8 954 (133 527)	19 472 (83 280)	32 425 (177 464)
Net monetary gain arising from hyperinflation in Türkiye	252 822	(03 200)	(177 404)
Share of results of associates	(27 534)	3 130	(51 878)
Impairment of associates	(10 440)	0.00	(01.07.0)
Profit before taxation	234 654	484 143	962 122
Taxation	(138 994)	(139 944)	(269 324)
Profit for the period	95 660	344 199	692 798
Attributable to:			
Equity holders of the company	79 980	327 227	674 791
Non-controlling interests	15 680	16 972	18 007
to all stand for the second term and a second stand	95 660	344 199	692 798
Included in operating expenses above are: Depreciation and amortisation	100 504	150 100	201.006
Rentals on short-term and low value assets	183 534 12 294	153 198 9 856	301 996 22 828
Impairment loss on trade receivables	12 294	9 838 4 683	22 020
Disaggregation of revenue from contracts with	103	4 003	20 22 1
customers			
Primary geographical markets			
South Africa	3 085 913	3 707 715	7 022 371
Türkiye and UK	1 936 352	1 429 014	3 934 430
Romania	799 710	797 444	1 664 269
	5 821 975	5 934 173	12 621 070
Major product and service lines			
Automotive batteries	3 448 276	2 987 566	7 019 984
Automotive components and customer tooling	2 088 408	2 666 905	5 060 421
Industrial and non-automotive products	285 291	279 702	540 665
	5 821 975	5 934 173	12 621 070
Timing of revenue recognition		0.000.011	7 757 050
Products transferred at a point in time	3 944 424	3 362 611	7 757 053
Products and services transferred over time	1 877 551 5 821 975	2 571 562	4 864 017
Earnings per share	5 621 975	5 934 173	12 621 070
Basic earnings per share (cents)	41	170	350
Headline earnings per share (cents)	45	170	354
Diluted earnings per share			
Diluted earnings per share (cents)	41	169	346
Diluted headline earnings per share (cents)	44	169	350
Number of shares in issue ('000)	198 986	198 986	198 986
Number of shares in issue excluding treasury shares ('000)	193 581	192 717	193 108
Weighted average number of shares in issue ('000)	193 350	192 618	192 715
Adjustment for dilutive shares ('000)	2 761	1 372	2 174
Number of shares used for diluted earnings calculation		100.000	101000
('000)	196 111	193 990	194 889
Calculation of headline earnings	70.000	327 227	674 791
Net profit attributable to ordinary shareholders (Profit)/loss on disposal of property, plant and equipment	79 980	327 227	674 791
– net	(598)	242	(144)
(Reversal of impairment)/impairment of property, plant and	(000)	242	(1+4)
equipment	(2 786)		7 850
Impairment of associate	10 440		
Headline earnings	87 036	327 469	682 497
	Six mont	hs ended	Year ended
	30 June 2022	30 June 2021	31 December 2021
CONDENSED CONSOLIDATED STATEMENT OF	2022 R'000	R'000	R'000
COMPREHENSIVE INCOME	Unaudited	Unaudited	Audited
Profit for the period	95 660	344 199	692 798
Other comprehensive income/(loss):			
– Actuarial losses recognised – net			(3 810)
- Foreign exchange translation movements including the			
effect of hyperinflation	1 233 094	(399 569)	(897 191)
Net other comprehensive income/(loss)	1 233 094	(399 569)	(901 001)
Total comprehensive income/(loss) for the period	1 328 754	(55 370)	(208 203)
Attributable to:			
Equity holders of the company	1 313 338	(72 017)	(225 992)
Non-controlling interests	15 416	16 647	17 789
	1 328 754	(55 370)	(208 203)
	Six mont	hs ended	Year ended
	30 June	30 June	31 December
	2022	2021	2021
CONDENSED CONSOLIDATED STATEMENT OF	R'000	R'000	R'000
CHANGES IN EQUITY	Unaudited	Unaudited	Audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	30 June 2022 R'000 Unaudited	30 June 2021 R'000 Unaudited	31 December 2021 R'000 Audited
Balance at beginning of the period	3 874 354	4 214 838	4 214 838
Effect of hyperinflation			
Net profit for the period	95 660	344 199	692 798
Other comprehensive income/(loss) for the period	1 233 094	(399 569)	(901 001)
Total comprehensive income/(loss) for the period	1 328 754	(55 370)	(208 203)
Share option scheme	13 869	9 173	24 377
Vesting of share-based payment obligation: – Estimated taxation effects of utilisation of treasury			
shares	(1 170)	(187)	(1 298)
Dividend *	(174 423)	(155 129)	(155 360)
Balance at end of the period	5 041 384	4 013 325	3 874 354

	Six mont	hs ended	Year ended	
	30 June	30 June	31 December	
	2022	2021	2021	
CONDENSED CONSOLIDATED BALANCE SHEET	R'000 Unaudited	R'000 Unaudited	R'000 Audited	
ASSETS	onaudited	Unaudited	Auditeu	
Non-current assets	2 4 4 0 2 0 0	2 582 697	2 636 978	
Property, plant and equipment	3 449 288		283793	
Intangible assets	979 669	404 502		
Investment in associates	510 185	621 256	613 056	
Loan to associate	188 562	15 000	E 074	
Deferred taxation	17 125	15 328	5 374	
0	5 144 829	3 623 783	3 539 201	
Current assets	0.007.010	1 000 700	1 050 050	
Inventory	2 807 619	1 928 786	1 959 253	
Trade and other receivables	2 131 401	1 944 053	1 978 447	
Contract assets	525 238	279 459	511 199	
Taxation	1 069	23 500	2 552	
Derivative financial assets	15 171	3 181	6 693	
Cash and cash equivalents	725 819	1 111 487	1 078 074	
	6 206 317	5 290 466	5 536 218	
Total assets	11 351 146	8 914 249	9 075 419	
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	1 497 931	1 497 931	1 497 931	
Treasury shares	(110 202)	(124 320)	(118 153)	
Reserves	(1 218 855)	(1 841 110)	(2 380 436)	
Retained earnings	4 741 283	4 365 925	4 759 200	
Ordinary shareholders' equity	4 910 157	3 898 426	3 758 542	
Non-controlling interests	131 227	114 899	115 812	
Total equity	5 041 384	4 013 325	3 874 354	
Non-current liabilities	000 107	F00 107	1 0 10 000	
Borrowings	320 187	560 107	1 849 263	
Post-employment benefits	70 500	85 696	73 263	
Deferred taxation	413 322	217 880	173 614	
Deferred grant income	98 657	117 368	104 681	
Provisions for liabilities and charges	41 035	41 221	40 808	
	943 701	1 022 272	2 241 629	
Current liabilities				
Trade and other payables	2 368 257	1 895 298	2 155 753	
Contract liabilities	33 109	105 797	49 952	
Borrowings	2 687 286	1 693 719	477 642	
Taxation	66 142	75 661	60 574	
Provisions for liabilities and charges	72 201	72 252	98 205	
Derivative financial liabilities	1 161	7 366	1 131	
Bank overdrafts	137 905	28 559	116 179	
	5 366 061	3 878 652	2 959 436	
Total liabilities	6 309 762	4 900 924	5 201 065	
Total equity and liabilities	11 351 146	8 914 249	9 075 419	
	0.500	0.000	1.0.10	
Net asset value per share (cents)	2 536	2 023	1 946	
Capital expenditure	249 911	253 401	574 646	
Capital commitments:				
- Contracted	584 724	158 632	79 946	
 Authorised but not contracted 	152 179	567 938	590 354	
	Six mont	hs ended	Year ended	
	30 June	30 June	31 December	
	2022	2021	2021	
CONDENSED CONSOLIDATED STATEMENT OF	R'000	R'000	R'000	
CASH FLOWS	Unaudited	Unaudited	Audited	
Operating activities				
Operating profit	144 379	544 821	1 159 039	
Depreciation and amortisation	183 534	153 198	301 996	
Equity earnings, before impairment	(27 534)	3 130	(51 878)	
Net movement in provisions and similar items	(31 686)	(20 875)	(15 997)	
Other items	(69 151)	51 168	126 790	
Working capital changes	(559 237)	(458 308)	(871 020)	
Cash (utilised)/generated from operations	(359 695)	273 134	648 930	
Interest paid	(130 311)	(85 707)	(183 389)	
Taxation paid	(133 722)	(133 191)	(251 357)	
Dividends paid	(174 423)	(155 129)	(155 360)	
Dividend income from associates	58 113	4 924	6 724	
Net cash (outflow)/inflow from operating activities	(740 038)	(95 969)	65 548	
Investing activities	,	, 0/		
-	9.054	10 470	20 105	
Interest received	8 954	19 472	32 425	
Acquisition of property, plant and equipment	(227 232)	(159 864)	(439 685)	
Funding advanced to Hesto	(188 562)			
Net cash utilised in other investing activities	4 712	(1 747)	(8 357)	
Net cash outflow from investing activities	(402 128)	(142 139)	(415 617)	
Financing activities				
Borrowings raised/(repaid) – net	803 100	(142 495)	34 075	
Net cash utilised in other financing activities	(1 170)	(142 433)	(44 394)	
Net each inflow/(outflow) from financing activities	(1170)	(140,680)	(44 394)	

		Revenue		Profit before interest and taxation			
	Six month	s ended	Year ended	Six month	s ended	Year ended	
	30 June	30 June	31 December	30 June	30 June	31 December	
	2022	2021	2021	2022	2021	2021	
CONDENSED CONSOLIDATED	R'000	R'000	R'000	R'000	R'000	R'000	
SEGMENT REVIEW	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited	
Energy storage							
Automotive				(
Local	2 230 735	2 047 589	4 701 913	(62 220)	209 148	593 48	
Direct export	1 217 541	939 976	2 318 071	33 383	121 335	339 87	
	3 448 276	2 987 565	7 019 984	(28 837)	330 483	933 35	
Industrial							
Local	276 807	264 137	511 021	(15 521)	(2 348)	(44 15	
Direct export	3 385	8 352	19 382	312	(274)	(2 14	
	280 192	272 489	530 403	(15 209)	(2 622)	(46 29	
Total energy storage	3 728 468	3 260 054	7 550 387	(44 046)	327 861	887 063	
Automotive components							
Local							
Original equipment	2 384 502	3 224 726	6 174 325	140 257	218 977	183 97	
Aftermarket	255 010	227 135	470 610	37 686	30 621	66 28	
Non-auto	5 099	7 213	10 263	(749)	80	(35)	
	2 644 611	3 459 074	6 655 198	177 194	249 678	249 89	
Direct exports							
Original Equipment	2 054	1 491	3 203	1 180	591	1 13	
Aftermarket	21 251	30 007	54 009	4 742	3 598	6 36	
	23 305	31 498	57 212	5 922	4 189	7 50	
Total automotive components	2 667 916	3 490 572	6 712 410	183 116	253 867	257 39	
Total segment results	6 396 384	6 750 626	14 262 797	139 070	581 728	1 144 46	
Reconciling items:							
- Share of results of associates				(27 534)	3 131	(51 87)	
 Impairment of associate 				(10 440)			
 Managed associates* 	(574 409)	(816 453)	(1 641 727)	60 649	150	95 27	
Amortisation of intangible assets		, ,	, ,				
arising from business acquisitions				(17 416)	(9 104)	(17 08	
Other reconciling items**				(37 924)	(27 954)	(63 61	
Total	5 821 975	5 934 173	12 621 070	106 405	547 951	1 107 16	
Net interest expense				(124 573)	(63 808)	(145 03	
Net monetary gain arising from							
hyperinflation in Türkiye				252 822			
Profit before taxation				234 654	484 143	962 122	

Although the results of Hesto Harnesses Proprietary Limited ("Hesto") do not qualify for consolidation, the full results of Hesto have been included in the segmental review. Metair has a 74.9% equity interest and is responsible for the operational management of this associate.

The reconciling items relate to Metair head office companies

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

The condensed unautited consolidated interim results for the six months ended 30 June 2022 have been prepared in accordance with and containing the information required by IAS 34 Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The interim results do not include all the notes of the type normally included in an annual financial report prepared in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, this report is to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021, 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 nvestments Limited during the interim reporting period.

Investments Limited during the interim reporting period. Accounting policies The accounting policies applied are in terms of IFRS and consistent with the accounting policies used in the preparation of the 31 December 2021 consolidated annual financial statements except for first-time application of IAS 29 financial reporting in hyperinflationary economies'. Türkiye is a hyperinflationary economy in terms of IAS 29 and the financial statements of entities whose functional currency is that of a hyperinflationary economy are required to be stated in terms of the measuring unit (purchase power) current at the end of the reporting period. Therefore, Multu Ak0's results and batements. Comparative amounts are not restated to reporting date purchasing power before being included in the group's consolidated financial statements. Comparative amounts are not restated as they were previously presented in Metair's presentation currency (i.e. ZAR), which is a stable currency in terms of IAS 29. The group has elected to present the initial and subsequent impact of the application of IAS 29 as a combined effect that encompasses the restatement in accordance with IAS 29 and translation in accordance with IAS 21 as a net change through the foreign currency translation reserve presented under other comprehensive income in the condensed consolidated statement of comprehensive income. The interim results have not been reviewed or audited by the group's auditors. The interim results have not been reviewed or audited by the group's auditors

There has been no other material change in the group's contingent liabilities since period-end.

Borrowings During the period the group repaid borrowings of R510.4 million (2021H1: R354.8 million) and raised borrowings of R1 332.8 million (2021H1: R234.4 million).

Post-balance sheet events

There has been no material change since period-end.

Charges to the board of directors and committees of Metair. The following charges to the board of directors and committees of Metair. The following charges to the board of directors of Metair and the company's remuneration committee and nomination committee took place with effect from 2 August 2022. Mr S. Sithole resigned as an independent non-executive director of the company and consequently stepped down as a member of the remuneration committee and nominations committee and was appointed as an alternate director to Ms N. M. Mkhondo, an independent non-executive director of the company. Mr B. Mawasha, an independent non-executive director of the company, has stepped down as a member of the nominations committee. Ms Mkhondo was appointed as an ember of the remuneration committee. Mr P.H. Giliam and Ms B. Mathews, independent non-executive directors of the company, were appointed as members of the nominations committee. nembers of the nominations

The interim results presentation will be available on the company's website (<u>www.metair.co.za</u>) Live webcast: A live webcast of the presentation will be available at 11:00 (SAST) on Thursday, 15 September 2022 at <u>https://www.corpcam.com/Metair15092022</u>				
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 14 September 2022

0 CMD Flemming – Chairman R Haffeiee – Chief Executive Officer

The condensed unaudited consolidated interim results were produced under the supervision of

An ordinary dividend of R0.90 per share was declared in 2022 in respect of the year ended 31 December 2021 in line with Metair's dividend policy. No ordinary dividend is being declared for the six months ended 30 June 2022 (30 June 2021: Rnil).

An ordinary dividend of R0.75 per share was declared in 2021 in respect of the year ended 31 December 2020

Interim Results Commentary

Introduction

Metair successfully mitigated a very challenging first six months in a number of areas. Locally and globally, volatility, uncertainty and vector succession in mogarized a very chainenging must be months in a number of areas. Eocary and a complexity in regions and economies remained high. This combined with higher energy costs, hyperin events required active management to stabilise the company. flation and climate change rela

The most significant disruption from a South African perspective was the flooding in Kwa-Zulu Natal ("KZN") in April. This caused significant damage and disruption to the group's major customer, Toyota South Africa Manufacturing ("Toyota"), forcing it to halt vehicle production at its Prospecton plant for several months to restore its facilities. Although the Metair group companies were largely unaffected by flood damage, most of the Metair Automotive Component companies were severely impacted by the loss of sales to this major customer. A business interruption insurance claim has been instituted for the loss of turnover and is ongoing. From the onset of the floods, Metair focused thing employed insurance of the matched instructed into the case of the cover and being in the matched interface of the incover and the second worked with thing employees, customers, and other stakeholders as best as possible during the challenging time while the group worked with ner to support its recovery while managing ongoing cash flow and liquidity needs across the group. While managing through this period, Metair ensured return to production readiness including availability of materials to support the reopening of the Toyota plant. After several months of lost manufacturing, production recommenced in the third quarter with vehicle production based on a responsible ramp up plan. Although there have been minor challenges, vehicle production levels have climbed steadily and a return to normal production volumes is anticipated within the fourth quarter of the year.

Metair subsidiaries in South Africa have been preparing 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. All projects have progressed well, and the subsidiaries are currently in a pre-production and prototype manufacturing phase. Original Equipment Manufacturer ("OEM") production volumes were impacted by raw material shortages (including semi-conductor chips),

supply chain delays and the loss of production due to the KZN flooding, all of which had a short-term negative impact on OEM volumes in South Africa

Interventions to curb the impact of short-term operational instability within the Automotive Components business are a major focus for management and the ongoing investments are expected to deliver returns in line with Metair's targets over the life of the contracts. Internationally, inflation rates have increased across all territories in which the group operates, mainly due to higher energy cost driven by the conflict in Ukraine. Inflation in Türkiye rose dramatically during the first half and cumulative inflation rates over a three-year period exceeded 100% during the second quarter. Based on the criteria set out in International Financial Reporting Standards including IAS 29 Financial Reporting in Hyperinflationary Economies', Türkiye meets the requirements to be designated as a hyperinflationary economy. Consequently, Mutlu Akü's first half results now include the requirements and consequences of adopting IAS 29 for the first time. Operations remain unchanged and the business continues to experience healthy levels of local and global demand, there is no restricted access to hard currency or limitations on the remittance of dividends to shareholders. In addition, a substantial portion of commodity input costs on Mutu Aku's balance sheet, with the strong non-monetary asset base protecting against inflation and resulting in a positive gain from a and consequently on Metair's consolidated results is as follows: and sales are hard currency denominated and not directly subject to Turkish inflation. Mutlu Akü remains a significant operation within the Energy Storage Vertical and management has put in place a strategy to determine and respond to the longer-term impact of hyperinflation. Market demand for lead-acid batteries remained resilient in all sales channels. 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

Group Performance

Group revenue for the period decreased by 2% to R5.8 billion (H1'21: R5.9 billion), reflecting the overall loss of turnover in the Automotive Components Vertical, Group operating profit ("EBIT") decreased by R401 million to R144 million (H1'21: R545million) at an operating margin of 2.5% (H1'21: 9.2%). Group earnings before interest, tax, depreciation and amortisation ("EBITDA")) (including equity earnings but excluding impairments) declined to R300 million (H1'21: R701 million) and the EBITDA margin declined to 5.2% (H1'21: 11.8%). The decrease in both EBIT and EBITDA was mainly due to lower OEM production volumes in South Africa, the impact of project costs incurred ahead of new project launches (particularly Ford-related), the short-term impact of the strike at Mutlu Akü, the non-cash impact of hyperinflation accounting adopted by Mutlu Akü and a lag in the recovery of energy costs in Europe.

The group (including Hesto) is in the process of finalising an intensive capital expansion phase, with R454 million in capital expenditure already spent in 2022, and R87 million planned for the remainder of the year. As such, the group continues to focus on liquidity management, especially considering the short-term instability recently experienced. Group net debt increased to R2.4 billion (FY'21: R1.3 billion) and net finance expenses increased to R125 million (H1'21: R64 million) due to higher interest rates in all geographies, combined with higher debt levels. Headline earnings per share decreased by 125 cents per share or 74% to 45 cents per share (H1'21: 170 cents per share). Group unadjusted return on invested capital (ROIC) was 11.7% (H1'21: 16.3%) on a last twelve-month basis

Segmental review

Automotive Components Vertical

The Automotive Components Vertical is directly dependent on South African OEM production, which continued to be impacted by global supply chain sortages, with some of Metal's key customers significantly affected by production instability, variability, and premium logistics costs, especially during the first quarter of the year. Despite the supply chain disruptions and loss of major customer revenue due to the

Net decrease in cash and cash equivalents	(540 250)	(300730)	(500
Cash and cash equivalents at beginning of the period	961 895	1 565 123	1 565
Exchange loss and hyperinflation impact on cash and cash equivalents	(33 745)	(101 405)	(242
Cash and cash equivalents at end of the period	587 914	1 082 928	961

0)	(000 000)	Mr S Douwenga (CFO) BCom (Hons), CA(SA),
3	1 565 123	
0	1000 120	
		EXECUTIVE DIRECTORS: R Haffejee (CEO); S Douwenga (CFO)
5)	(242 840)	INDEPENDENT NON-EXECUTIVE DIRECTORS: CMD Flemming (Chairman); TN Mgoduso (Lead Independent);
В	961 895	P Giliam; B Mathews; B Mawasha; N Mkhondo; MH Muell (German); A Sithebe; S Sithole (Alternate director to N Mkhondo)
		COMPANY SECRETARY: SM Vermaak

KZN flooding in the second quarter: the Automotive Components Vertical contributed B2.7 billion (H1'21 B3.5 billion) in revenue, with OEM Capital expenditure

801 930

(142 682)

(10 319)

earnings from the group's major customer, Toyota. The operating profit margin therefore declined to 6.9% (H1'22:7.3%) and operating profit was B183 million (H1'21: B254 million).

Energy Storage Vertical

Net cash inflow/(outflow) from financing activities

Overall, automotive volumes sold were c. 4 million units, supported by strong volumes from Türkiye as Mutlu Akü export volumes increased by c.14% in the period compared to H1'21. Volumes from Rombat were c.14% lower, mainly due to dampened consumer confidence asing from the orgonic conflict in Ukraine and extremely strong demand experienced in the prior period following restrictions due to As a result of the KZN flooding and the consequential loss of a major customer's volumes, Metair initiated an insurance claim for loss Covid-19. In South Africa, First National Battery's ("FNB") volumes were marginally down on H1'21, but efforts to improve competitiveness and market share continue to progress according to plan.

The Energy Storage Vertical experienced resilient local aftermarket, OEM and export demand in all regions, mainly due to improved export demand from Mutlu Akü in Türkiye. Overall automotive sales units increased by 1% to 3.99 million units (H1'21: 3.96 million units). Turnover increased by 14% to R3.73 billion (H1'21: R3.26 billion), mainly because of improved volumes, the impact of hyperinflation and higher average lead prices. Operating margins for the Energy Storage Vertical decreased from 10.1% to -1.2% due to hyperinflation accounting and in particular restating and inflating cost of goods sold by Mutlu Akü by a greater extent when compared to sales. Operating profit margins would have been 7.7% before applying hyperinflation accounting. Although volumes remained resilient, a wage related strike at Mutlu Akü in June significantly impacted manufacturing and sales for the month with pre-strike preparation costs also incurred. The Energy Storage Vertical delivered an operating loss of R44 million (R273 million operating profit on a pre-hyperinflation basis) (H1'22: R328 million). On a pre-hyperinflation basis, Mutlu Akü's EBIT in local currency, was approximately 56% higher than in H1'21, at an EBIT margin of 9.1% (H1'21: 11.4%). The further devaluation of the Turkish Lira against the Rand during H1'21 (an average decline of 44% period on period) finally resulted in a ZAR EBIT of R156 million pre-hyperinflation (H1'21: R160 million). FNB's margins declined to 9.5% (H1'21: 9.9%) and its operating profit decreased to R94 million from R103 million in H1'21. Rombat's operating profit decreased by 68% to R20 million at an operating margin of 2.5% (H1'21: 7.7%), which was mainly due to the lag in energy cost recovery from customers.

Sales of industrial batteries increased to R280 million (H1'21: R272 million), as FNB's industrial trade business migration

Financial position

Group net asset value per share increased to 2 536 cents (FY'21: 1 946 cents). Much of this increase is related to the impact of hyperinflation net asset point of view. Net working capital increased by R820 million to R3.06 billion (FY'21: R2.24 billion) due to the impact of the group's major customer halting production as well as the strike at Mutlu Akü and lead times for imported components resulting in a build-up of stock. Both these positions are expected to be temporary in nature. Cash utilised in operations amounted to R360 million (H1'21: generated R273 million), with a significant portion of cash generation reclassified to net monetary gains as a result of the impact of hyperinflation accounting. Cash and cash equivalents decreased to R588 million from R962 million in 2021, while net debt (borrowings less cash and • Uplift in assets of R1.7 billion and R1.4 billion uplift in equity relating to foreign currency translation gains within other comprehensive income nts) increased to R2.4 billion (FY'21: R1.3 billion). The group's net debt to equity ratio increased to 49% (FY'21: 35%), and Outlook and prospects net debt to EBITDA increased to 2.4 times (FV'21: 0.9 times). The group's gearing increased significantly due to the operational challenges Metair's priority is to support the successful launches of new models and facelifts during the fourth quarter while successfully recovering described above as well as funding taken up for new projections, additional funding of R188 million advanced to Hesto Harnesses, increased working capital investments and the impact of hyperinflation on Mutlu Akü's results. On a pre-hyperinflation basis, group net debt to EBITDA amounted to 1.8 times.

Going concern, cash and debt covenants

On a covenant testing basis, calculated on a trailing 12 months adjusted EBITDA, priority debt cover amounted to 1.5 times (required to be not more than 1 times group EBITDA) and gearing was 3 times cover (required to be not more than 2.5 times group EBITDA), resulting in covenants being breached at balance sheet date. The group's preference share and revolving credit facility (RCF) funding have therefore be reclassified as current debt. Discussions with the group's funders regarding the debt position have been positive and a waver is imminent.

Unutilised and available funding facilities were R919 million (H1'21: R758 million) in South Africa, R796 million (H1'21: R1 122 million) combined equivalent at Rombat and Mutlu Aku, with R280 million (H1'21: R540 million) still available through the RCF 2 South African facility. Management continues to closely monitor the group's financial position and remains focused on effective cash management, ability to continue as a going concern

production volumes recording a decline of 10% (23% for Metair's main customers) for the period. Margins were diluted by manufacture inefficiencies, premium logistics costs as well as planned project costs of R115 million associated with new model launches. This was however mitigated by business interruption claim of R360 million accrued (before tax and minority share) and represents substantially lost R12 million to health and safety, improving the group's competitive position and efficiency. Majority of the capital expenditure for the period was focused on capacity expansion for the Automotive Components Vertical to invest in facilities, tooling and machinery required to support planned new model launches and facelifts.

. 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.

Insurance claims

of profits due to business interruption. The business interruption insurance claim has progressed satisfactorily to date and based on nagement's estimates, a claim for R360 million (before tax and minorities) has been accrued for the period and an interim cash payment of R150 million has been received to date. The second claim is currently under review by the insurers and the total claim is expected to be finalised during the second half of the year.

Hyperinflation in Türkiye

As previously reported, inflation in Türkive rose dramatically during the first half of the year and cumulative inflation rates over a three-year period exceeded 100% during the second quarter of the financial year. Based on the criteria set out in IAS 29 'Financial Reporting in Hyperinflationary Economies', Türkiye meets the requirements to be designated as a hyperinflationary economy. The group, based on the directives issued by the International Monetary Fund and global accounting firms, applied hyperinflationary accounting, as specified in IAS 29, for results reported by Mutlu Akü in Türkiye for the period commencing 1 January 2022.

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

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

- 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) through profit and loss

from the discussion of the second sec business will finalise the preparation and implementation of new projects with some subsidiaries entering the pre-production and prototype manufacturing phase, which will result in further planned project costs ahead of model launches. Production at Toyota has resumed and is increasing steadily. The outlook for production is that a return to pre-flood levels can be achieved in the short to medium term, depending on the stability of global supply chains. The outlook for the year is therefore dependant on the successful launch of new projects, production ormalisation of continuing models and the successful conclusion of the wage negotiation accession autor the projects, products of the second of the mage negotiations across the sector. The investment in future growth of the Automotive Components Vertical could bring about a short-term decline in margins for this vertical, but should migrate towards the Metair market guidance of EBIT between 7% and 9%, once production stabilises and new models are successfully launched The Energy Storage Vertical will continue to focus on improving volumes in hard currency export markets and expanding its trading industrial portfolio in South Africa. A major focus for Rombat will be managing the current trend in energy cost in the European region, and recovery of these costs associated with the energy crisis. Inflationary pressures and cost of living pressure across Europe are expected to potentially impact consumer demand. FNB in South Africa will continue with efforts to improve competitiveness and market share, the specially in the areas of working capital cost control and capital experimentation between the specially in the areas of working capital experimentation of the special experimentation o requirements of the business, management has determined that there is no material uncertainty or significant doubt upon the group's the Energy Storage Vertical business has provided Metair with the opportunity to consider strategic options for this vertical. A conclusion to this is expected in the fourth quarter Ince