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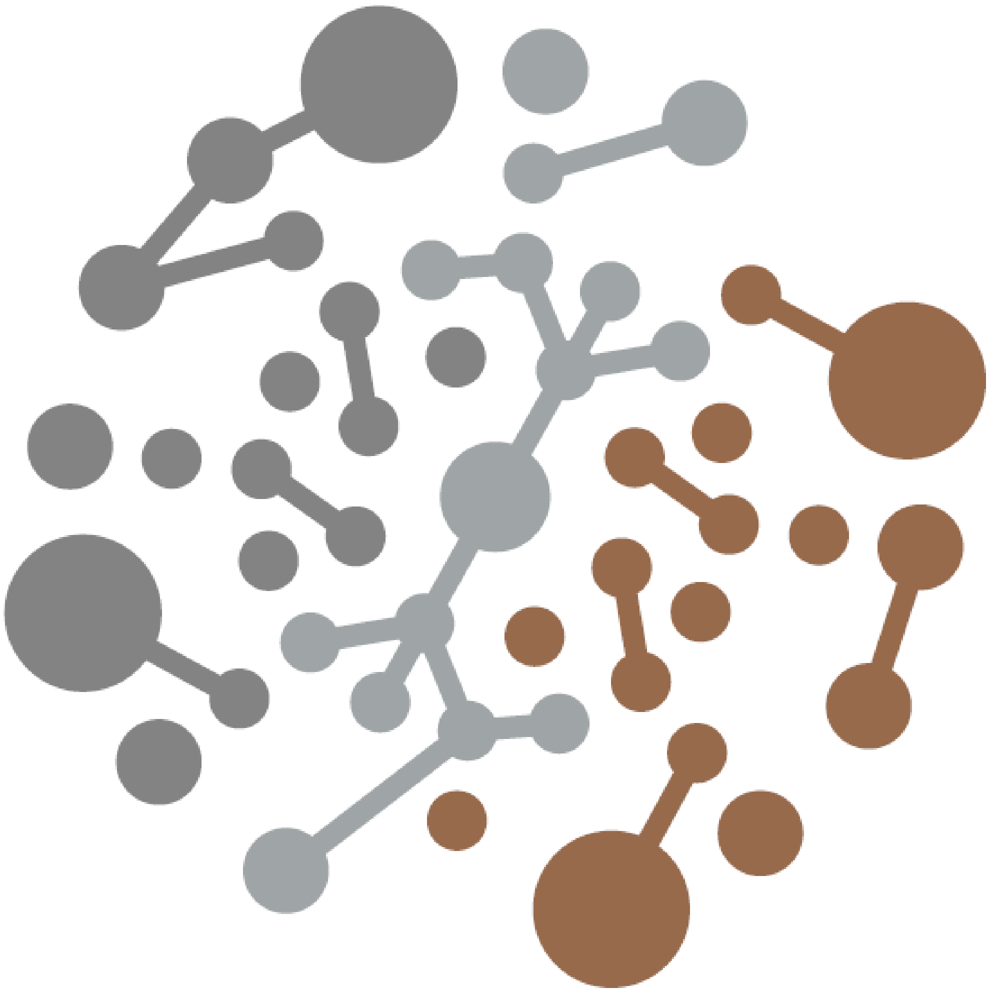
automotive | industrial | retail

AVIOR DIGITAL SUMMIT 2020



Agenda

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- Welcome and opening observations
- Metair image 2019
- Salient features 2019
- ESG and business design
- Metair Covid-19 response strategy
- Strategic review
- Financial and operational review
- Q & A

Welcome and opening observations

Integrated annual reports – the journey

Metair's integrated annual reports are always presented against the backdrop of a theme that aims to reflect significant circumstances, or the position the company finds itself in at the time

14 year integrated annual report themes

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2006	Growth, gain, enrichment
2007	Transformation
2008	Transparency
2009	Crossroads – back to basics
2010	Balance
2011	Human focus, measurement and adjustment
2012	Reflection – the road ahead
2013	Growing our international footprint
2014	Brand wall
2015	Creativity and innovation
2016	Our people
2017	Environmental focus and effect
2018	Stakeholder requirements – balanced sustainable return on invested capital
2019	Technology shift: Lithium-ion (Li-ion) line investments

Metair image 2019

Metair image 2019

Metair image 2019 theme

The image on the cover of Metair's integrated annual reports sets the theme for the year and encapsulates the company's current focus and direction. The theme and cover image are introduced to Metair's leaders at the annual managing directors' conference in November. They shape the context of Metair's strategy execution for the year ahead.

The image on this year's cover is inspired by the successful installation of Metair's first lithium-ion cell manufacturing and assembly facility in Romania, which started production in November 2019. The image represents the various components of a lithium-ion battery – the cathode, anode, chemistry and the connectivity between all of the elements that collectively produce energy. Similarly, business requires connectivity and synergy between a range of components to create the energy that drives the organisation forward. These components include financial capital, technical expertise and experience, the relationships that connect and strengthen the organisation and, most importantly, our people. These elements work together to achieve synergistic value creation that benefits all stakeholders.

The lithium image also represents the automotive industry's primary response to concerns about global warming and climate change. The response entails a shift to electric vehicles, which are primarily powered by lithium-ion batteries. Metair's increased focus on diversifying and developing the energy storage business, which began in 2012 with the acquisition of Rombat, successfully diversified the organisation and brought balance to the business while creating a valuable asset in the process. However, competing on the global stage in the next phase of technological innovation will require significant capital. Following the strategic review, the board concluded that a possible managed separation of the two verticals could unlock value for stakeholders and needs to be investigated.

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Salient features 2019

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"Navigating the new world of mega trends, shifts, demands and markets complicated by major tensions in trade, political power, economic systems equity and life balance requires a special kind of business. It must be fully-connected, responsive, agile, principled and technology-based, and guided by a commitment to best practice in governance, environmental impact, sustainability, health and safety. It needs capable, intelligent, committed, ethical, knowledgeable and exemplary leaders motivating highly-efficient, well-trained, fairly-treated teams that know best when, how and where to respond."

"Business is a team sport"

"Boards need to be aligned in their diversity"

Salient features at group level

REVENUE
increased 9.4% to
R11.2bn

EBITDA
improved
4.7%

HEPS
increased 2.7% to
336 cents
per share

DIVIDEND PER SHARE OF
120
declared in 2020 in respect of the 2019 financial year

FREE CASH FLOW
R544m

Cash generated from operations increased 40% to
R1.2bn

FIRST
lithium-ion cells produced at Metair's production line in Romania

±67 300
tonnes of lead recycled

Achieved a consolidated group B-BBEE **Level 2** and all South African subsidiaries at **Level 4** or better

Strategic review
concluded and strategic direction changed

Water consumption per person hour worked improved
5.7%

Group scope
1 and 2 carbon emissions per person hour worked increased to
11.7kg CO_2e

LTIFR
improved to
0.77
in 2019 from 1.15 in 2018

R1.97bn
as salaries, wages and other benefits (2018: R1.81bn)

R34.8
million was invested in training initiatives to further develop our human capital (2018: R28.2 million)

Salient features: Metair group

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- Share buyback of 3.97% concluded in May 2019
- Bigger capital allocation to shareholders
  - R45m share buyback — 74% of PAT
  - R199m dividends — 35% of EBITDA
  - Total R244m
- Capital expenditure limited to depreciation, with the exception of initial investment into Li-ion
- Net asset value R21.86 per share, up 0.9%
- FNB recovery on track
- Planning to cancel at least 60%-70% of repurchased shares pending shareholder review

Salient features: Li-ion advancement

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First investment into Li-ion business and technology

- 35% shareholding in Prime Motors
- Delivered a small profit in 2018
- Secured first Li-ion line at a cost of EUR15m
- Installed 4 November 2019
- Commissioning November 2019 to April 2020

- Talent pool created in Li-ion technology
- Developed low temperature Li-ion starter battery
- Technology partnership opportunities

- Moved from pre sales to first acquired customers
- Received first RFQ for Li-ion starter batteries
- Supplied several Li-ion battery pack solutions in Europe
- Launched first EV bus in Romania

Financial capital | Intellectual capital | Human capital | Manufactured capital

Salient features: Industry and international trade developments

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Energy storage vertical

Lead acid remains relevant: Lithium-ion technology ready

- FNB continues recovery
- Resilient local market performance from Mutlu in Turkey
- Lithium-ion line installed in Romania
- Embedded lithium-ion technology knowledge
- Vehicle growth opportunity offered in line with automotive components outlook
- Continued local market share growth
- Product improvement and brand enhancement investment
- Rombat performance challenged in most competitive market

Opportunity to do baseline valuation

Automotive components vertical

Expansion and growth opportunity

- Structural support security through APDP system
- South African Automotive Masterplan (SAAM)
- Excellent market access from SA
- Several new model launches planned
- New contracts awarded – volumes under discussion
- Planned approximate R900m investment
- Potential 40% volume increase in local production
- 3500 employment creation opportunity

Project management and execution focus

ESG and business design

Environment

WATER USAGE

- Water consumption per person hour worked (PHW) decreased 5.7%
- Water consumption 624 332 m^3 (-4.1%)

ENERGY USAGE

- Group scope 1 and 2 carbon emissions per PHW increased to 11.7 kg CO_2e
- Carbon footprint 641 441 tCO_2e (+7.9%)
- Electricity consumption 217 122 MWh (+2.3%)
- Energy consumption per PHW increased 0.6%

RECYCLING

- 64% of non-hazardous waste recycled
- ± 67 300 tonnes of lead recycled
- 8 operations achieved a 1% improvement in site specific scrap reduction
- Energy storage businesses improved yield by 2%

ACCREDITATIONS

- ISO 50001 accreditation in progress
- Going forward, Metair will be submitting full material declarations in line with the International Material Data System (IMDS), to certify that no substances of concern are utilised in the production process

Safety

ZERO FATALITIES

ZERO lost-time injuries at our largest employer, HESTO, for the **3rd consecutive year**

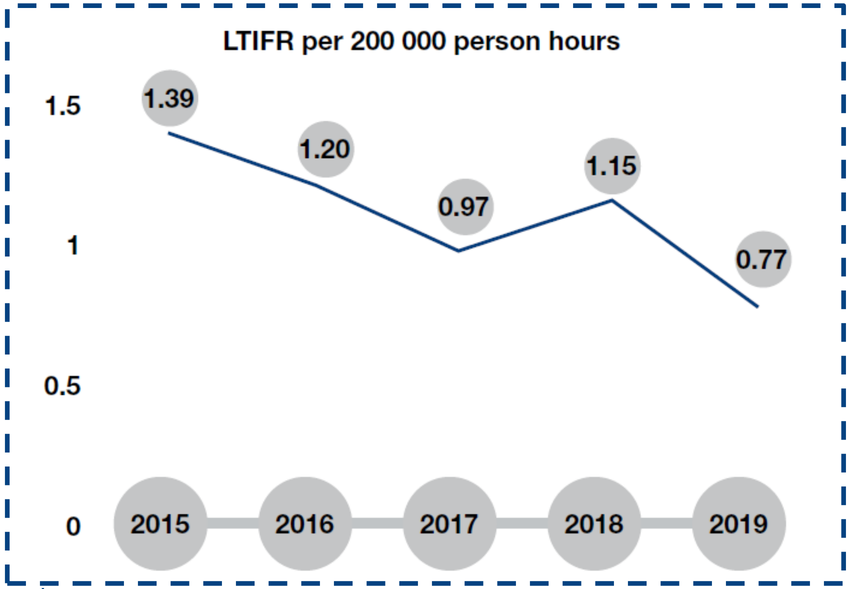
The group committed **R28 million of CAPEX to health and safety**

Designed template based on the ISO 45001 framework to **assist subsidiaries with compliance, continuous improvement and best practices**

Eleven of our operations accredited in terms of **OHSAS 18001** or **ISO 45001**

Hesto awarded the **TSAM Superior Award for Safety** in 2019

Employees with blood lead levels >40µg	2019	2018
As at 1 January	13	30
New cases	71	88
Cases returned below 40µg	(74)	(115)
As at 31 December	10	13



Governance: Metair's definition

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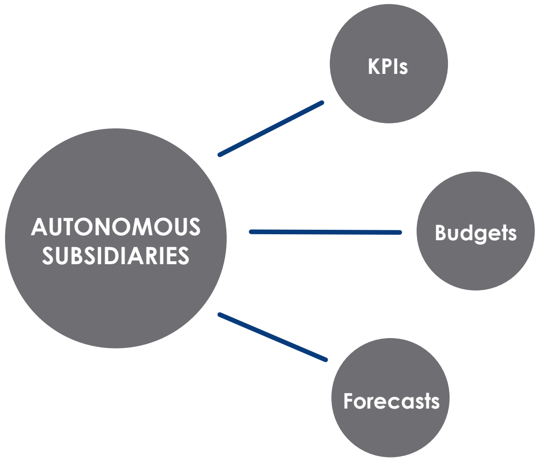
Governance:

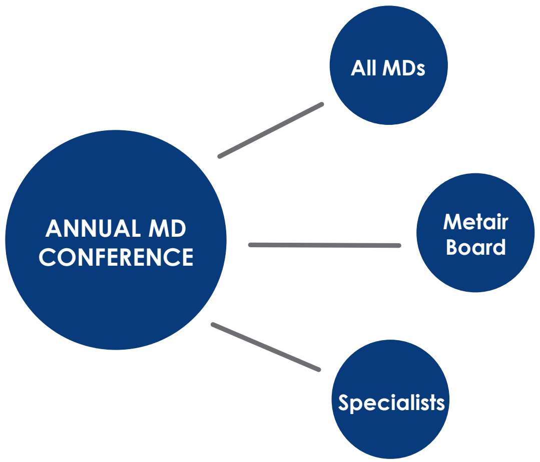
Speaks to the system we designed to direct, grow and control our business;

We continuously challenge our approach, design and application in this area;

Requires balanced focus on performance and conformance, keeping all stakeholders' interests in mind.

Business design: An institutionalised system bigger than any one person





- Shareholder expectations
- Operational overviews
- Strategic overviews
- Technology trends
- Proposed budget
- Proposed KPIs
- Proposed capital expenditure
- Proposed return matrix

INPUTS

OUTPUTS

- Final KPIs
- Budgets
- Targets
- Capital expenditure
- Group objectives
- Annual performance expectation letters

Business design

METAIR BOARD OF DIRECTORS

Corporate Governance

- The board provides effective leadership based on a foundation of high ethical standards
- The company secretary and sponsor are responsible for assisting the board in monitoring compliance with relevant legislation and the JSE listings requirements
- The directors of the company and its subsidiaries subscribe to the principles of the King Report on Corporate Governance for South Africa (King III) released in 2009, and apply its principles
- The group ensures that it complies with all applicable laws and regulations and considers adherence to non-binding rules, codes and standards

Subsidiary and Divisional Boards

- In line with the decentralised nature of the group's operations, many subsidiary and divisional boards manage the day-to-day affairs within their areas of responsibility, subject to board approved authority limits
- A governance framework, including strategic objectives of the policy, has been agreed between the group and its subsidiary boards.
- The Metair board remuneration and nominations committee approves and the company board ratifies the appointments to the boards of major subsidiaries.

Board Audit and Risk Committee

- The committee has an independent role with accountability to both the board and shareholders. The role of the committee is to assist the board in carrying out its duties relating to accounting policies, internal controls, financial reporting practices and identification of exposure to significant risk
- The audit committee has specific responsibilities relating to:
  - Preparation of accurate financial reporting and financial statements in accordance with International Financial Reporting Standards
  - Integrated reporting
  - Combined assurance
  - Internal/External audit
  - Risk management
  - Information technology

Stakeholder Relationships

- A stakeholder-inclusive approach to governance, recognising the interests and concerns of key stakeholders
- Transparent and effective communications with stakeholders builds and maintains stakeholder's trust and confidence
- The board ensures that disputes are resolved as effectively, efficiently and expeditiously as possible

Environment

- Continuous focus to reduce carbon footprint and streamline processes in order to reduce consumption of resources throughout production process
- Utility Strategy: Reduce electricity consumption through **alternative energy sources**, **variable drive technology balancing electricity usage to output** and **investigating alternative energy supply**
- In addition, effective waste and water management is targeted through lead and plastic recycling initiatives and through the collection of rain water

Business design

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Defensive / Differentiated Products

Customer choice
- Product specification varies according to the model choice
- Customer retains the right to change specification

High logistical and protection cost
- Fragile products that require significant packaging and protection materials
- Aesthetically sensitive products

Limited shelf life
- Products degrade over time
- Cannot be easily transported through climate zones due to degradation

Locally available commodities are preferred
- Commodities used in the manufacture of products available in local market
- Importing of commodities adds significantly to the costs

Key Market Segments

Automotive Components Vertical
- Parts sold to OEMs used in the assembly of new vehicles
- Key market is **South Africa**

Energy Storage Vertical
- Energy Vertical moving towards being world leader in Mobility Energy supply
- Annuity income generated from vehicles sold as they require replacement parts
- Key markets are **South Africa, Romania, Slovakia, Russia, Turkey, Hungary, UK, Germany, Kenya, China**

Energy solutions other
- Sales mostly related to the telecoms, utility, mining, retail and materials / product handling sectors
- Key markets are **Sub-Saharan Africa, Turkey**

Property
- The group prefers to own the properties it uses for manufacturing and distribution
- Located in **South Africa, Turkey, Romania, Kenya, Germany, China**

Key businesses: Energy storage vertical

COMPANY	OWNERSHIP	KEY BUSINESS AREA AND PRODUCTS	IP IN PRODUCT DEVELOP-MENT	MANUFAC-TURING PARTNER-SHIPS	KEY OE RELATIONSHIPS
Energy storage vertical					
Mutlu Akü	100.0%	Batteries, solar systems, backup systems, standby systems, charging systems	✔		
First National Battery	100.0%	Batteries, solar systems, backup systems, standby systems, charging systems, Battery Centre franchise	✔		
Rombat	99.4%	Batteries, solar systems, backup systems, standby systems	✔		
Dynamic Battery Services	100.0%	National and international distribution of key battery group products			
Prime Batteries	35%	Lithium battery production for electric vehicles and electric energy storage. Development of new lithium battery technologies	✔		
Akkumulatoren-fabrik MOLL GmbH & Co. KG	25.1%	Starter batteries to the automotive industry and aftermarket, stationary batteries, solar systems, components, lithium batteries	✔		
Associated Battery Manufacturers (East Africa)	25.0%	Automotive and solar batteries		✔	

Key businesses: Automotive components vertical

COMPANY	OWNERSHIP	KEY BUSINESS AREA AND PRODUCTS	IP IN PRODUCT DEVELOP-MENT	MANUFAC-TURING PARTNER-SHIPS	KEY OE RELATIONSHIPS
Automotive Components Vertical					
Smiths Manufacturing	75.0%	Air-conditioning and climate control systems, air cleaners, wiper and washer systems, radiators, reserve tanks, charge air coolers, compressors, engine control units		✓	Toyota, Nissan, Mercedes-Benz, Isuzu, Ford
Hesto Harnesses	74.9%	Wiring harnesses, instrument cluster/combination meters, moulded parts		✓	Toyota, Isuzu, Ford
Lumotech	100.0%	Headlights, taillights, reflectors and plastic injection mouldings	✓	✓	Toyota, Ford, VW
Supreme Spring Division	100.0%	Coil springs, leaf springs, stabiliser bars, torsion bars	✓		Toyota, Isuzu, Nissan, BMW, Ford, Mercedes-Benz, Mahindra
Automould / **Smiths Plastics**	100.0%	Plastic injection moulding, chrome plating, body colour painting and assembly		✓	Toyota, VW, Nissan, Mercedes-Benz, Ford, BMW
Unitrade	100.0%	Automotive cable, automotive wire	✓		Toyota, Isuzu
ATE	100.0%	Brake pads, brake discs, brake shoes, hydraulics and other braking components	✓		
Valeo SA	49.0%	Front end modules		✓	Mercedes-Benz, VW
Tenneco Automotive	25.1%	Shock absorbers, struts		✓	VW, Ford, Toyota, Nissan, Isuzu

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Metair Covid-19 response strategy

Response strategy: approach and principles

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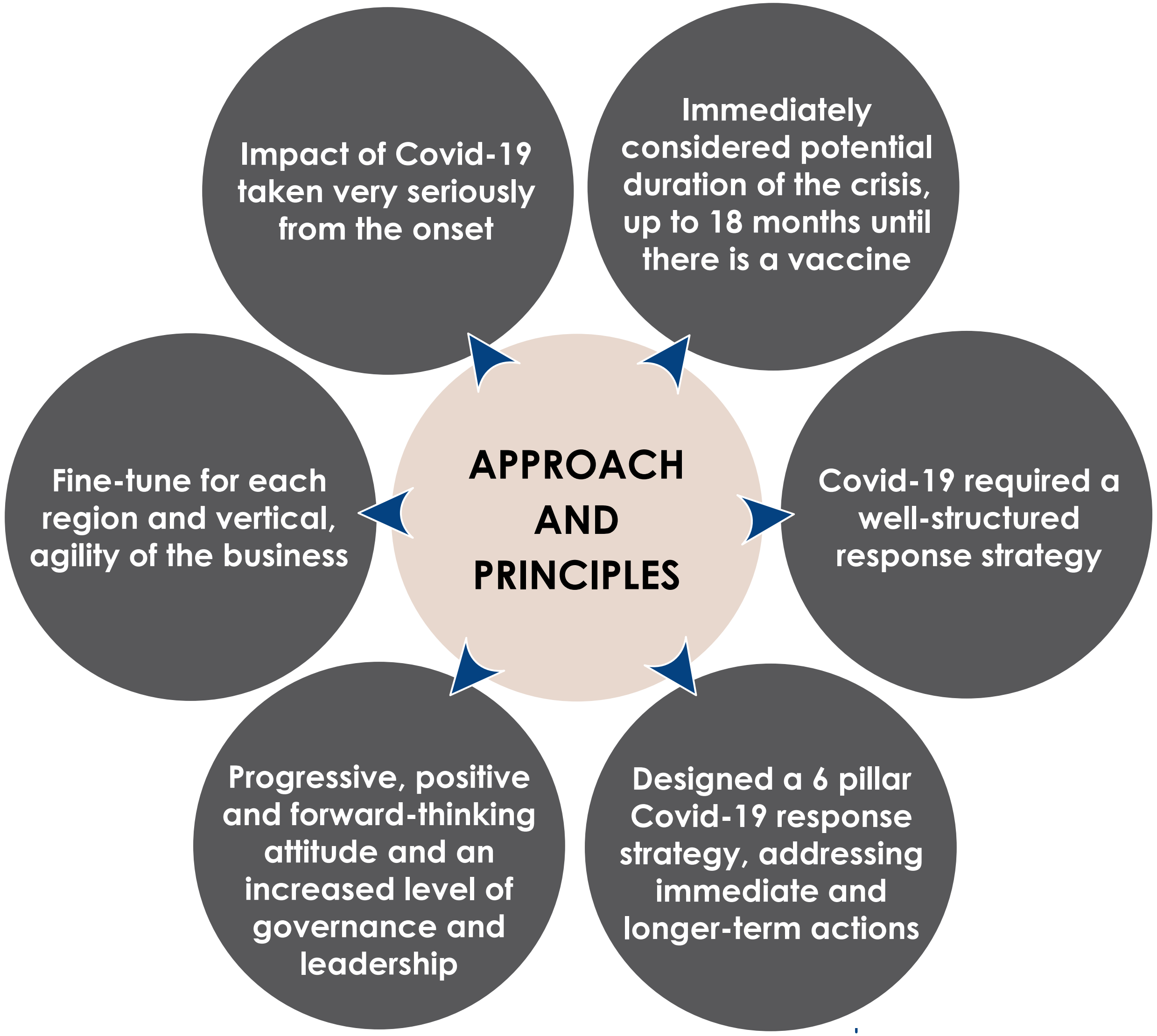

Metair Covid-19 response strategy

Medium to long-term sustainability and Vision 2022

Structured 6 pillar Covid-19 response strategy

- Employee health, safety, welfare and communication
- Solvency and liquidity
- Government interaction
- Covid-19 exit plan
- Covid-19 recovery plan
- Governance and leadership

Response strategy approach and principles

Employee health, safety, welfare and communication

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The welfare, health and safety of our employees is both a priority and a key concern

Following the announcement of the lockdown we ensured that:
- Our factories were locked down safely
- Our employees got home safely
- We had the required mass communication systems via SMS and HR emergency lines in place

Government lockdowns temporarily suspended the normal employee-employer relationship:
- New employment arrangements
- We aimed to protect the most vulnerable
- We committed to being just and fair
- Government support must be forthcoming but will take some time to be implemented

R3500

The Metair board approved management's request to support our hourly paid employees in South Africa with a R3 500 per month company welfare allowance for the duration of the lockdown

50%-90% CTC

That, combined with government support, aimed to get an operator level employee to between 50% to 90% of their cost to company

-50%

We took the decision to share the pain with salaried employees and appreciate the sacrifices made by all employees as they dropped to 50% of normal pay

Employee health, safety, welfare and communication cont.

In line with our view that the lockdown could last for 3 months we informed salaried employees that our support for month 1 will be at 50%, month 2 at 25%, and month 3 at R3 500 per employee

To date we are aware of 6 Covid-19 cases amongst our staff compliment in South Africa, 19 in Turkey, 1 in Germany (fatal) and none in Romania or the UK.

In Turkey the government took a very different Covid-19 risk management approach. Group wide to date we have tracked & traced and isolated 299 employees

UIF / TERS

In South Africa, all of our businesses were successful in registering with UIF for the TERS program and in most cases the flow of funds for March and April have been effected, but May remains open

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 as well as other regulations in their specific jurisdictions.

A total of 364 vulnerable employees with underlying health conditions have been booked off.

We thank the department of employment and labour for their hard work and availability during this period. We entered into the required MOA with the department and are appreciative of the amendments they accommodated in the MOA, especially the removal of the clause that would have disqualified any company that made any welfare payments to employees from participating in the fund. This was a major shift in the support structure

Employee health, safety, welfare and communication cont.

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SA

In South Africa, support is at 38% of pay up to a maximum of R17 000 per month limiting the maximum support for any individual employees at about R6 900 per month

TURKEY

Turkey is at 50% support for employees who are temporarily unemployed

ROMANIA

Romania is at 75% support for employees who are temporarily unemployed

UK

The UK is set at 80% of a maximum level

GERMANY

In Germany government support is at 100% but businesses are already dealing with the market effect caused by the pandemic and Moll applied for liquidation as shareholders decided not to inject more capital into the business.

Metair will review the potential write down of the remaining R100 million investment in Moll once we have received the liquidator's final business review and recommendations

KENYA

In Kenya we were allowed to operate fully, but under strict health and safety measures

Total employee welfare cost to date is R58 million

Solvency and liquidity

Our business design proved to be robust since we own all our major factories and have no rental obligations

We deferred all major capital and project expenses, including the dividend payments

We modeled a worst-case scenario, taking into consideration that the lockdown could potentially last for 3 months

The board also reviewed the projected and financial model for our outlook position, taking into consideration:

- our current market view
- the deteriorating exchange rates
- the 6-week lockdown period
- operating for 2 months at 50% capacity
- a revised best estimate volume outlook till year end
- Short-term exchange rate losses

Our liquidity and solvency currently show adequate headroom, with covenants also being met

Increased government interaction and economic participation level

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It is **very important to structurally achieve the best possible economic participation approval level,** if one takes the view that the **Covid-19 challenge could be with us for a long time,** with potential oscillation between various risk levels over the next 18 months

3

Initially, our business was classified as a Level 3 economic participant

In addition, FNB managed to be classified as an essential service provider

4

After extensive lobbying and interaction with industry bodies like NAACAM, NAAMSA, TIPS and RMI, we managed to achieve a Level 4 economic participation classification

Structurally we achieved the best possible economic participation position at an applied Level 4 risk level

We would like to thank the DTI, Minister Patel and the CEOs of our industry bodies for their accommodation and approachability during this period

Operational status review

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SA

Lockdown level 5 : 27 March – 30 April (no production)
Lockdown level 4: 1 May – 31 May (up to 50%)
Lockdown level 3: 1 June – TBC (up to 100%)
But operations still linked to market demand in level 3/4

UK

The UK continued to operate as an essential service but also had to adjust to market demand

TURKEY

Mutlu was classified as an essential service but had to deal with 9 mini-lockdowns. Although operational, Mutlu had to adjust to market demand and operated at c. 50% from mid-March, only increasing from June as OEMs become operational again

GERMANY

In Germany, OEMs shut down mid-March and re-opened mid June

ROMANIA

Romania entered a state of emergency from beginning of April to 18 May. OEMs stopped production on 16 March and re-opened on 15 June. Rombat was able to service AM and OES sales but at much reduced demand

KENYA

In Kenya we were allowed to operate fully, but under strict health and safety measures

Covid-19 exit and return to work plan

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From the onset very early on that we will need a well-structured Covid-19 exit plan, and set out to design **best practice return to work standard operating manuals and training programs**

We approved standard operating manuals to begin manufacturing

- concluded internal start up readiness self-assessments
- selected employees have returned to work
- supplied the required PPE
- conducted training and implemented the new standard operating procedures

We are executing an external disaster act legal compliance audit at FNB and will use the legislative landscape list to roll out to all businesses

Return to work process has run smoothly with only a few minor labour incidents

- businesses deal with the difficulty of selecting, allocating and rotating the employees participating in the 50% who are allowed to work
- the labour relationship environment will remain challenging and fragile during a partial return to work scenario

To date, the extraordinary start up cost required under our return to work policies, regulations and procedures, amounted to R13 million

Governance and leadership

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We believe it is important to lead and set the example from the front during this period

A special thank you to Brand, our Chairman, for always being available during this period and for his positive encouragement and support

I would like to thank the Metair team, subsidiary executives and leadership teams, and the Metair board for their presence, availability and focus during this period

We had more special board and committee meetings during the period than we have ever had in Metair's history

COVID-19 recovery plan and Vision 2022

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In addition to executing all the activities required now to manage the Covid-19 risks, we also wanted to create our future vision: **Vision 2022**, which will shape our designed recovery

Our focus is to design a multi-stepped U-shaped recovery and to avoid an L-shaped recovery curve based on international V, U and L recovery trends

The Energy Vertical recovery is based on an aftermarket demand, market share, brand positioning, economic range expansion and OEM projects

Metair needs to focus on the new model launch projects and ensure optimal execution on them, as well as focusing on the selection of the most sustainable projects, customer, models and markets

The Automotive Components recovery is a project-based recovery that can alter a potential L-shaped recovery to a U

We are currently completely disconnected from the market

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Three scenarios appear possible for the automotive industry

The "U" shape is currently considered as the most probable development

V

The V-Shape: Quick Recovery

What you believe:
- Firm reaction across countries leads to effective containment
- Seasonality of virus impact
- Peak impact coming soon

What it means:
- Short-term business disturbance with declining car sales for car dealerships in April/May 2020
- Strong recovery of OEM production and car sales thereafter
- Global trade flows pick up quickly

U

The U-Shape: 2020 is gone, but it will be fine

What you believe:
- Public reaction not effective to stop spreading of the virus
- Seasonality of virus impact longer
- Medical treatment still possible in 2020

What it means:
- Business disturbance of car production and sales will remain through Q2 and Q3 2020
- Slow recovery as of Q4 2020
- Liquidation of some car dealers caused by too few car sales and workshop closures

Currently seen as most probable scenario

L

The L-Shape: 18 Months Downturn/Recession

What you believe:
- COVID-19 is the trigger for global recession
- Volatility and insecurity on capital markets remain
- Commodity markets react with strong downturn

What it means:
- Short-term disturbances lead to longer decline in the auto industry
- Bankruptcies of a high number car dealers, as insecurity leads to substantially lower new car sales and after-service sales

Forecasted global automotive sales (indexed, base year 2019 = 100% volume)

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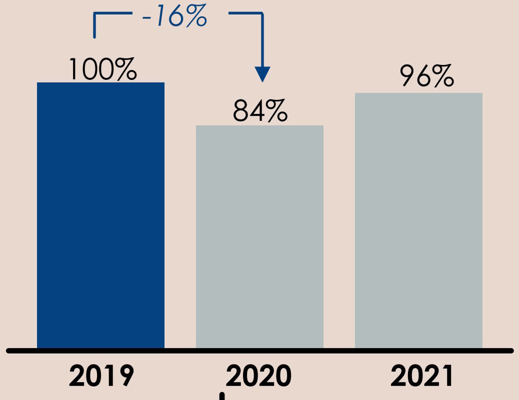
We forecast a significant decline of vehicle sales from -16% down to -33%, driven by severity and duration of crisis impact

V

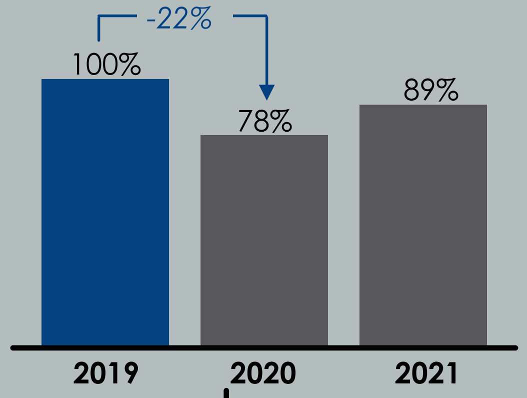
The V-Shape: Quick Recovery



Region:	% GDP change, '20:
World	***(0.7%)***
Europe	*(3.0%) – 1.0%)*
North Am.	*(3.0%) – (1.0%)*
South Am.	*(0.9%) – 1.0%*
China	*1.1% - 2.0%*
APAC	*(0.9%) – 1.0%*
Middle-East	*(0.9%) – 1.0%*

U

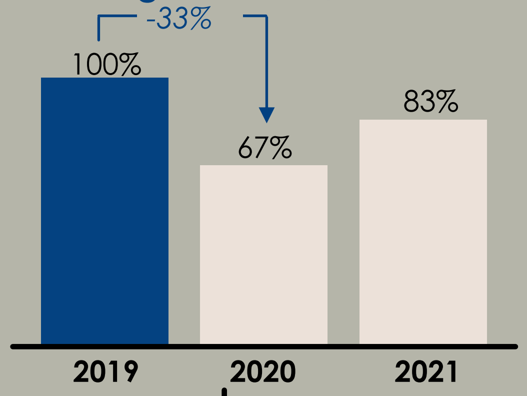
The U-Shape: 2020 is gone, but it will be fine



Region:	% GDP change, '20:
World	***(2.0%)***
Europe	*(6.0%) – (3.1%)*
North Am.	*(6.0%) – (3.1%)*
South Am.	*(3.0%) – (1.0%)*
China	*(3.0%) – (1.0%)*
APAC	*(3.0%) – (1.0%)*
Middle-East	*(3.0%) – (1.0%)*

L

The L-Shape: Lasting downturn/recession



Region:	% GDP change, '20:
World	***(5.0%)***
Europe	*< (6.0%)*
North Am.	*< (6.0%)*
South Am.	*(6.0%) – (3.1%)*
China	*< (6.0%)*
APAC	*(6.0%) – (3.1%)*
Middle-East	*(3.0%) – (1.0%)*

Currently seen as most probable scenario

Source: Kearney market model considering input data from International Monetary Fund, World Bank and RWI - Leibniz-Institut für Wirtschaftsforschung

The U-Shape: Expected light vehicle volumes by region (mn)

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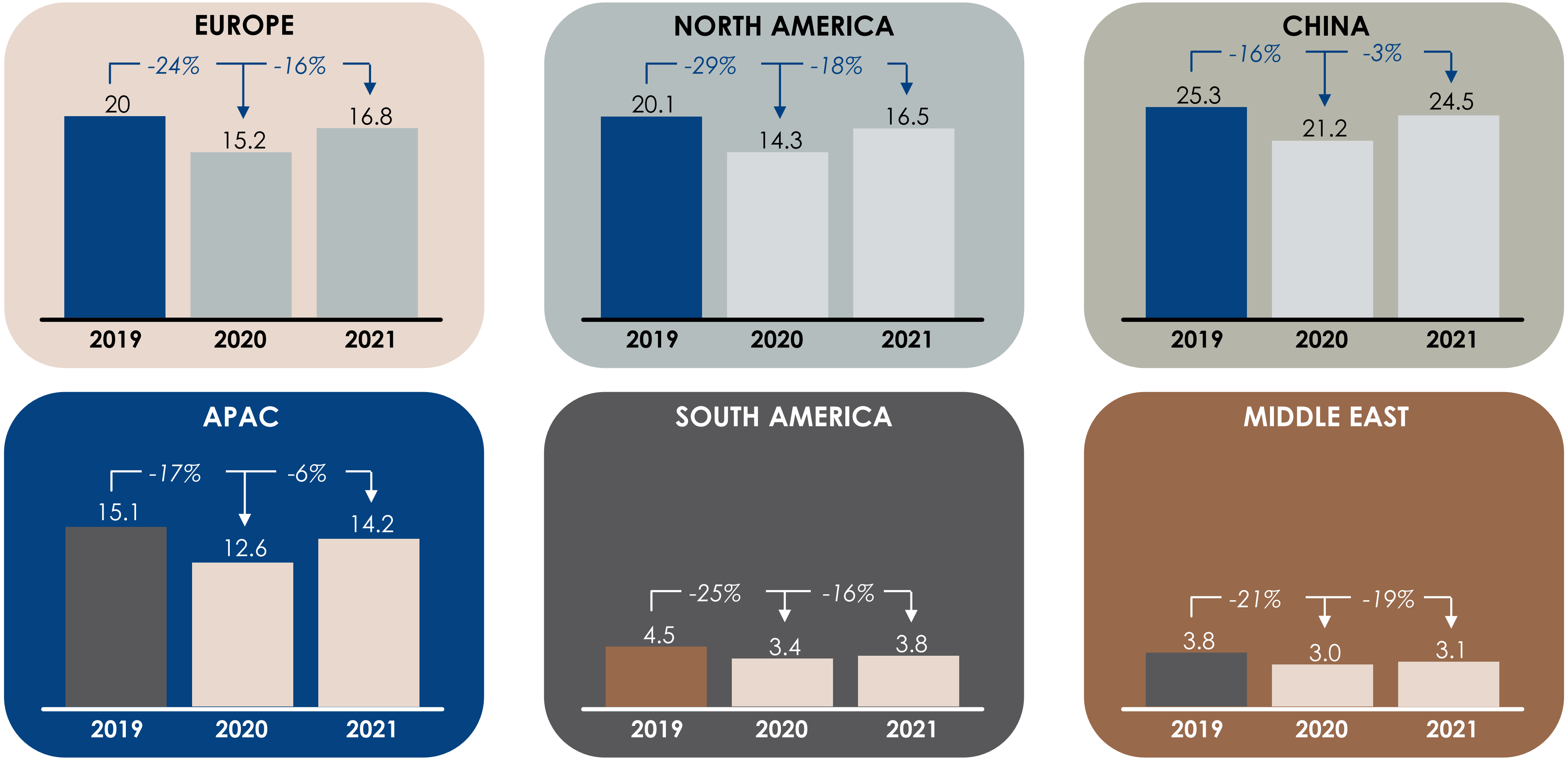
Longer period of downturn results in market decline of up to -29% in North America and -24% in Europe in 2020 – volume decline vs. 2019 expected for 2021 as well



Source: Kearney

Key priorities in the automotive industry recovery

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Ensuring health, ramping-up operations and demand acceleration are key priorities in the automotive industry recovery

	Ensure health protection	**Ramp-up production and logistics**	**Promote vehicle sales**
Political support	Development of standards	Support exemptions for production stops Support employee availability Support cross-country transport	Facilitate contactless car registration Allow dealership operation Initiate stimulation scheme **Deep-dive 2**
OEMs and suppliers	Development of guidelines and recommendations Central point of information on current status	**Deep-dive 1** Coordinated E2E ramp-up supply chain	Define “rescue” measures for important dealers
Accompanying measures (by others)	Ensure health care resources	Ensure operational logistics	Ensure dealership readiness

Comprehensive risk management and hedging

Information collection and sharing

Provide information on available liquidity measures

Efficiency tracking of measures

Deep-dive 1: Objectives of supply side readiness task force

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Temporary and lasting supply risks induced by Covid-19 need to be identified and mitigated systematically

PLAN | SOURCE | MAKE

- Default risk of material and component suppliers
- Severe 'near-term' labor shortages leading to missing production targets
- Manufacturing processes affected by restrictions
- Limited flow of goods across borders
- No physical supplier interaction
- Severe volatility of demand volumes
- Rapid inventory depletion

MITIGATION STRATEGIES

- **Increase supplier transparency** including primary, secondary & tertiary suppliers; secure **alternate suppliers**
- Re-examine **manufacturing setup** (e.g. asset / workforce rightsizing, repurposing of assets, agile methods)
- **Product re-specification** to avoid supply bottlenecks of critical parts
- **Consider nearshoring** for supplier / manufacturer networks
- Ensure efficient **supplier interaction** e.g. virtual supplier days
- **Agile** production and supply planning
- **Raise inventory** and elevate safety stock levels by at least 10%

Deep-dive 2: Assessment of vehicle purchasing stimulus schemes

Various stimulus schemes are discussed between governmental and automotive decision makers – individual measures per country likely

Scheme	Description	Assessment			
		Vehicle sales	Economic growth	Climate protection	Cost[1]
2-component bonus	Lump-sum base + “CO_2 component”	++	++	+	- -
Scrapping subsidy	Subsidy for scrapping of an old vehicle	++	++	+	--
Lump-sum subsidy	Subsidy with no conditions attached	+++	++	o / -	---
Innovation premium	CO_2 / pollution emission-based incentive	+	+	++	--
Environmental bonus	Expansion of the current subsidies, e.g. to € 10k/ € 7k for BEV/ PHEV	o	o	++	-
Waiver of value added tax	Subsidy based on the purchase price	++	++	o / +	--
One-time depreciation	Early reduction of the tax burden for commercial customers	++	++	o	-

1. Indicative, exemplary – depending on the specific design

Stimulation measures example: China (not exhaustive)

Government and industry associations are trying to limit the negative impact of Covid-19 with stimulation measures

Stimulation of car sales: PRC

15.02.2020

To **keep the economy running**, we need to stabilise **private consumption**. Therefore, spending on **cars** must be **actively promoted**.

Speech of Mr. Jinping Xi, President

19.03.2020

In order to stabilise car consumption, all regional economic authorities should actively promote the **introduction of subsidies** for the purchase of new cars, subsidies for the trade-in of cars, [...]. Further **sales promotions and a relaxation of the registration restrictions** should be organised by the competent authorities.

Publication of Ministry of Commerce

31.03.2020

On 31st March the State Council of the People's Republic of China **adopted three measures to promote consumption in the automobile industry: [...]**
The above measures are intended to benefit the stable development of the automotive market after the epidemic.

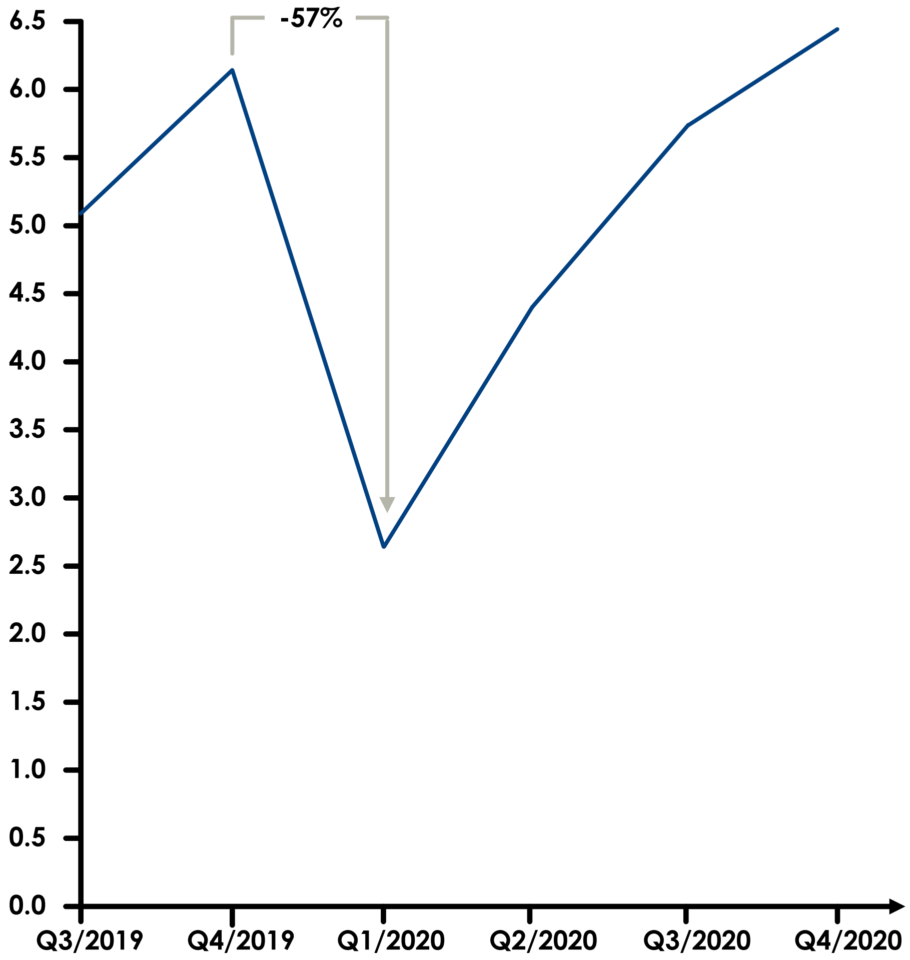
Publication of Chinese State Council

28.04.2020

The implementation of the CHINA6 emission standard will be adjusted. For passenger cars (<3.5t) the **CHINA6 introduction will be postponed** from July 1st, 2020 to January 1st, 2021

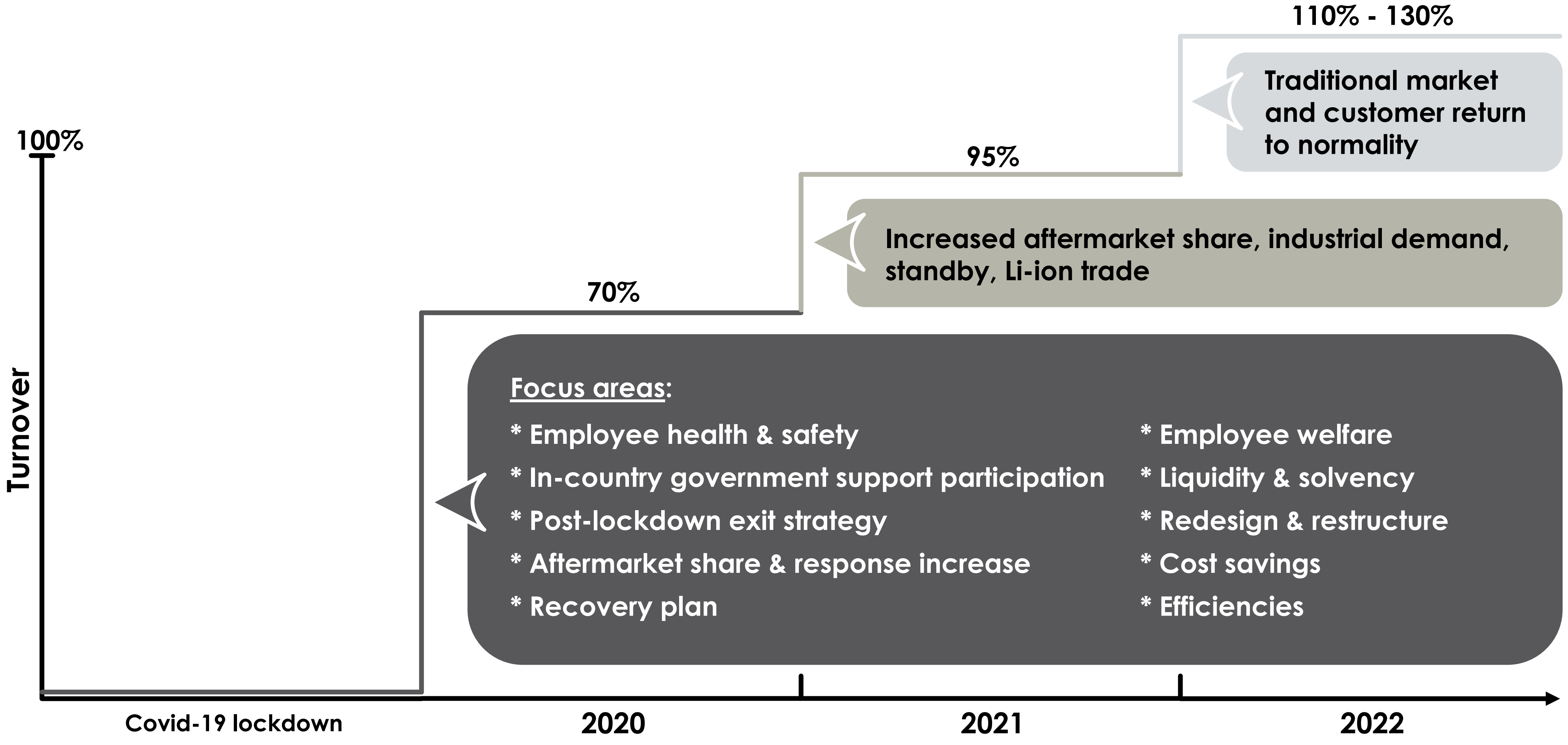
Publication of State Commission for Development and Reform

Stimulus leading to a V-shape



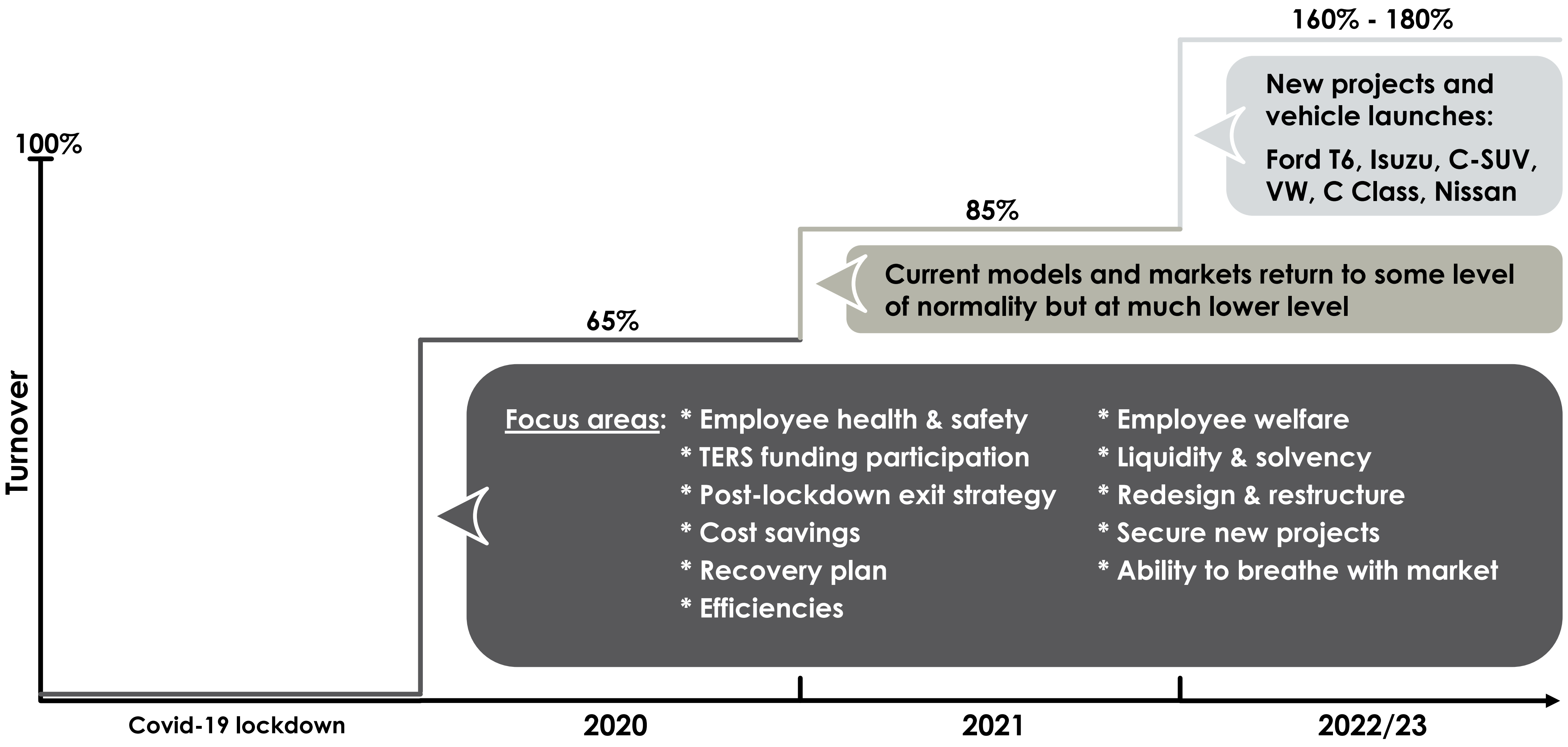
Energy Vertical: Potential U-shaped recovery

A full recovery for the Automotive Components Vertical is anticipated to be achieved step-by-step by 2022



Automotive Components Vertical: Potential U-shaped recovery

A full recovery for the Energy Vertical is anticipated to be achieved step-by-step by 2022/23



New Ford contracts: Investment and production planning

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Metair companies have been awarded new Ford contracts, with production planned to start in June 2022
The investment will be the largest to date, in a single customer, with **total funding requirements estimated at c. R1.3bn**

- Model life revenue is estimated at R25 – R28bn, of which 95% is new/incremental revenue. Model life is 7 years
- Total group capital investment in property, plant and equipment is estimated at R900m, including R234m for building construction at Hesto. Initial working capital investment is c. R350m for the group. Capital investment is over a 24-month period
- The project will be debt funded at the underlying operating companies
- Project volumes are estimated to be between 170k units and 180k units, almost doubling Ford production in SA
- Planned project returns all in excess of Metair return targets
- The new Ranger is earmarked to be one of the top models for Ford globally. Both the Ranger and Amarok will be produced in South Africa at Ford’s expanded facility in Silverton, Pretoria. Majority of vehicles produced will be for export markets

Strategic review

Strategic review: Current strategy

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Metair's strategy has always been customer, market and technology driven.

In line with the automotive industry principle of continuous improvement, we always review and confirm the strategy on an annual basis.

- Strategy can be challenging but it doesn't need to be complicated
- It should **connect the dots between how we define winning, the tough choices required to differentiate ourselves from the competition…**
- **And then about how we enable that strategy as an organisation.**

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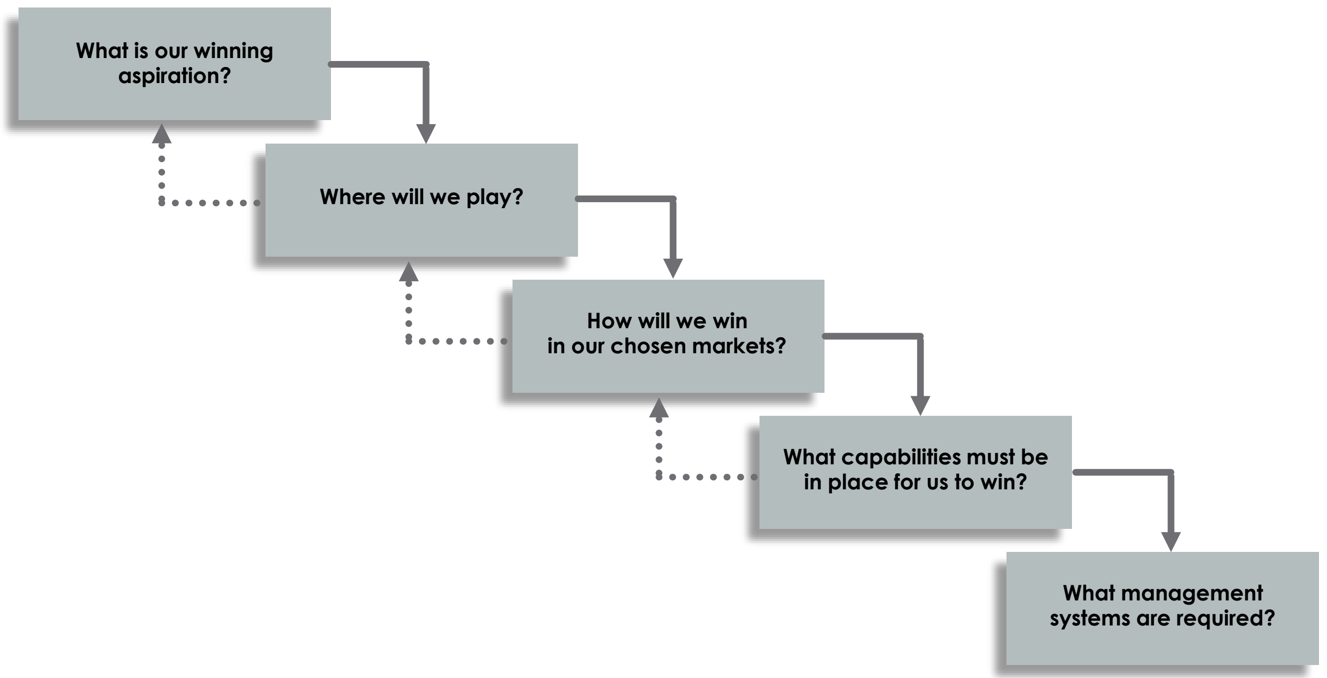
We use the "Cascading Choices" model to design and cascade strategy.

The approach was developed by Dr Roger Martin and is today acknowledged as global best practice.

The Integrated Cascade of Strategic Choices

Going through a process that integrated these 5 strategic choices within a single system led to a higher level of intellectual integrity among the leaders of Procter & Gamble in the 2000s.



Source: *Playing to Win: How Strategy Really Works*

Strategic review: Current strategy

The strategy depends on the level of change expected, and our relative internal strength which enables us to lead the change.

External Trends (slow → fast)

Redefine the game

Pressure is high, but we lack resources and capabilities: act fast and radical.

Redefine the playground

The market is rapidly changing? For us, that's a crest of opportunity!

STRATEGIC RESPONSE

Redefine cost structure and operations

There's a lot of homework to do, but we still have time. However, change is on the horizon, so better get ready.

Redefine the business model

We are in a comfortable position, but don't rest – use our position to prepare for the future.

weak — Internal Context — strong

Strategic review: Automotive components vertical

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External Trends (slow → fast)
Internal Context (weak → strong)

STRATEGIC RESPONSE

Internal Context: weak	Internal Context: strong
Redefine the game Pressure is high, but we lack resources and capabilities: act fast and radical. **Stop the bleeding and reinvent our core.**	**Redefine the playground** The market is changing rapidly? For us, that's a crest of opportunity! **Leverage our strengths to design the future.**
Redefine cost structure and operations There's a lot of homework to do, but we still have time. However, change is on the horizon, so better get ready. **Improve the performance of our current business model.**	**Redefine the business model** We are in a comfortable position, but don't rest – use our position to prepare for the future. **We care about the current business model whilst exploring new business models.**

Strategic review: Energy storage vertical

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External Trends: fast ↑ slow

Redefine the game

Pressure is high, but we lack resources and capabilities: act fast and radical. **Stop the bleeding and reinvent our core.**

Redefine the playground

The market is changing rapidly? For us, that's a crest of opportunity! **Leverage our strengths to design the future.**

STRATEGIC RESPONSE

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There's a lot of homework to do, but we still have time. However, change is on the horizon, so better get ready. **Improve the performance of our current business model.**

Redefine the business model

We are in a comfortable position, but don't rest – use our position to prepare for the future. **We care about the current business model whilst exploring new ones.**

weak — Internal Context → strong

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Energy storage vertical

Move towards redefining the playground

Our aspiration is to become a significant player in the Li-ion market

We play in the EMEA region with the main focus on European OEMs

In order to win, we need to:

- Move from energy storage to energy solutions
- Secure commitment from OEMs
- Secure access to Li-ion technology and resources
- Organically grow into a Li-ion GIGA factory to compete on cost
- Build a strong distribution network
- Secure funding for growth (higher risk appetite)

Exponential growth and higher risk

Automotive components vertical

Move towards redefining the operating model

Our aspiration is to become the preferred OEM partner in Africa and to grow with OEMs into other export destinations

We play in South Africa and we grow with SA-based OEMs into Africa

In order to win, we need to:

- Move from automotive parts to mobility parts
- Strengthen our BEE credentials
- Strengthen relationships with OEMs and grow business
- Further improve quality / price / delivery performance
- Drive synergies within the automotive components business
- Nurture partnerships

Medium growth and lower risk

Our winning aspirations for the group can be classified into four major themes

Being an **ethical, value-driven and responsible organisation**

Operating at the highest standards when it comes to people, health and safety

Delivering **above-average, balanced and sustainable returns** to our shareholders

Sustaining relevance and competitiveness in a fast-changing world

How to achieve our winning aspirations

- Investigate separating the two verticals
- Shareholder presentation, decision and choice
- 6 stage valuation process:

Stage 1	Market teaser testing interest (*Stage-Gate*)	Completed
Stage 2	Information Memorandum (IM)	In progress
Stage 3	Vendor due diligence	In progress
Stage 4	Value indication (*Stage-Gate*)	3rd quarter
Stage 5	Shareholder interaction (*Stage-Gate*)	4th quarter
Stage 6	Implementation of shareholder selection	4th quarter

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The project is still in progress

TIMING

We have moved out our internal timing for the completion of the Information Memorandum (IM) but it still falls within the timing we provided to the market at the year end results and the stage exit gates still apply

INTEREST

Covid-19 has affected the approach and the attention of interested parties

- Some have shown an increased interest and urgency. Those are the ones with good cash positions and good balance sheets and have expressed their desire to enter into one on one process
- Some are pleased with the communicated 6 to 8 weeks longer process timing as we all deal with the Covid-19 effect on our businesses

BUSINESS MODEL

The challenge with the IM is how to model the Covid-19 effect into the business model, and we are in the process of concluding in line with our recovery plans

Financial and operational review

Vertical performance at a glance

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	Energy Storage vertical 2018		Energy Storage vertical 2019	Automotive Components vertical 2018		Automotive Components vertical 2019	METAIR 2018		METAIR 2019
Revenue	R6,4bn 56% contribution	▲ 7%	R6,9bn 55% contribution	R5,1bn 44% contribution	▲ 11%	R5,6bn 45% contribution	R10,3bn	▲ 9%	R11,2bn
Operating profit	R692m 58% contribution	▼ 4%	R666m 55% contribution	R509m 42% contribution	▲ 6%	R538m 45% contribution	R1 009m	▲ 1%	R1 018m
Return metrics	PBIT : 10.8% ROIC: 19.0%*		PBIT : 9.7% ROIC: 16.5%*	PBIT : 10.0% ROIC:32.9%*		PBIT : 9.5% ROIC: 33.4%*	PBIT : 9.8% ROIC: 13.0%		PBIT : 9.1% ROIC: 13.0%

* Based on operating level, opening invested capital. Excludes goodwill, intangibles etc. on acquisition
Amounts are rounded

2019 results at a glance

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Vertical EBITDA **AC: R669m (+ 8%)** **ES: R846m (+ 1%)**	**PBIT** **+ 1%** **R1 018m**	**HEPS** **+ 3%** **336cps**
Free cash flow **AC: R400 (+ R68m)** **ES: R167m (-R34m)** **Group: R544m (+ R66m)**	**PBIT %** **- 0.7ppt** **9.1%**	**ROIC** **0ppt** **13.0%**

- Group turnover increase of 9% to R11.2bn, supported by Energy Storage volume growth and Automotive Components business volume and market share growth
- Headline earnings of R644m, marginally down R2m from 2018 of R646m
- 3% HEPS improvement from 327cps to 336 cps, as a result of lower weighted average number of shares due to buy-back program
- Group operating profit improved slightly by 1%, but margins declined to 9.1% from 9.8% in prior year

- Free cash flow generation (including expansionary capex) increased by R66m to R544m. Despite the 9% increase in revenue, further working capital investment was limited to R100m (after adjusting for foreign exchange translations)
- Return on invested capital was stable at 13.0%
- Group EBITDA improvement of 5% to R1.4bn, supported by Automotive business growth

Financial highlights: Balance sheet

Item	2018 R'million	2019 R'million
Non-current assets	**3 929**	**4 061**
Property, plant and equipment	2 538	2 707
Intangible assets	707	605
Other non-current assets	684	749
Current assets	**4 493**	**4 906**
Inventory	1 849	1 736
Trade and other receivables	1 668	1 700
Contract assets	289	304
Cash and cash equivalents	672	1 140
Other current assets	15	26
Total assets	**8 422**	**8 967**

- Non-current assets overall increase mainly due to combination of:
  - Capital investments by Rombat (lithium-ion) and Lumotech (LEDs)
  - IFRS 16 impact - 'Right of use' lease assets capitalised for R103m
  - Spot currency devaluation in Mutlu (13% drop) and normal depreciation charge
- Inventory management improved at Mutlu
- Higher aftermarket sales at Mutlu in Q4, contributed to higher trade receivables
- Net cash position up R300m, mainly due to R1.2bn cash generation and improved working capital efficiency

Financial highlights: Balance sheet

Item	2018 R'million	2019 R'million
Total equity	4 288	4 311
Non-current liabilities	1 587	1 843
Borrowings	984	1 299
Post employment benefits	77	85
Deferred taxation	281	285
Deferred grant income	187	135
Provision for liabilities	58	39
Current liabilities	2 547	2 813
Trade and other payables	1 444	1 361
Contract liabilities	1	161
Borrowings	858	897
Provision for liabilities	106	88
Bank overdrafts	92	261
Other current liabilities	46	45
Total liabilities	4 134	4 656

- Total borrowings up due to:
  - Ongoing investment into new projects for auto components
  - Rombat lithium-ion line for Euro 11m
  - R45m further cash utilised for share buyback since Dec 18
- Capitalised operating lease commitments of circ. R103m, due to IFRS 16
- Good cash advance recoveries from customers on tooling and future projects
- Rombat repaid R26m of grant income

Financial highlights: Balance sheet

Item	2018 R'million	2019 R'million
Inventory	1 849	1 736
Trade and other receivables	1 668	1 700
Trade and other payables	(1 444)	(1 361)
Contract assets/liabilities - net	288	143
Total net working capital	2 361	2 218

Days	2018	2019
Inventory	66	56
Trade and other receivables	59	55
Trade and other payables	(51)	(44)
Contract assets/liabilities - net	10	5
Total days	84	72

All days calculations based on turnover

- Spot working capital decreased by c. R143m due to:
  - Lower inventory levels at Mutlu, net working capital at 26% of sales
  - Higher tooling advances from customers
  - General improvement in cash recovery from customers
  - Working capital days and cash "lock-up" cycle improved, structural working capital improvement

Financial highlights: Capital and debt structure

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Item	2018	2019
Debt* : Equity	44%	**52%**
Net debt** : Equity	30%	**31%**

Item	2018	2019
Net debt (R'm)**	1 262	**1 318**
Net debt** : EBITDA	0,9	**0,9**

* Interest bearing borrowings

** Includes overdrafts and cash equivalents

	Financial covenant ratio	Covenant level	Compliance	2016	2017	2018	2019
1	Dividend and interest cover ratio	Not less than 3 times	Y	7,12	7,31	7,30	**6,19**
2	Total net borrowings to adjusted EBITDA ratio	Not more than 2.5 times	Y	1,55	1,14	1,10	**1,12**
3	Priority Debt covenant	Not more than 1 times	Y	(0,16)	(0,16)	(0,16)	**(0,19)**

- Our debt levels not to exceed 2 or 2.5 X EBITDA
- Comfortable headroom in covenants
- Our net debt levels are consistent at 0.9 times EBITDA
- Debt levels slightly up, but net debt still relatively stable at 31% of equity (29% of market cap at year end)

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Q & A

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Provision of this data does not obviate the need to make further appropriate enquiries and inspections.

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