METAIR INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa) ("Metair" or "the group" or "the company")

Condensed unaudited consolidated interim results for the six months ended 30 June 2020

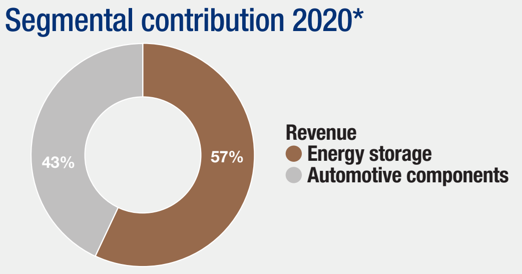
(Reg No. 1948/031013/06) • Share code: MTA • ISIN code: ZAE 000090692

automotive | industrial | retail

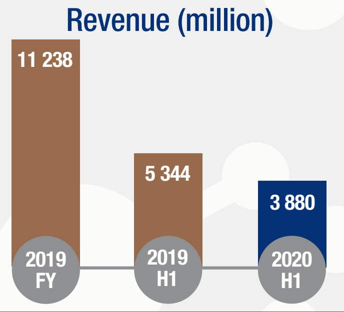
Cash generated by operations increased by **27%**

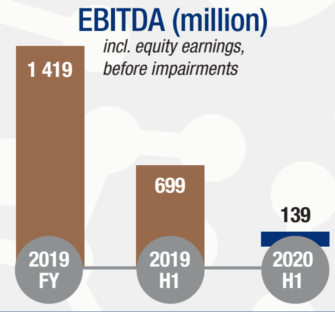
ROIC for both verticals decreased to **11%**

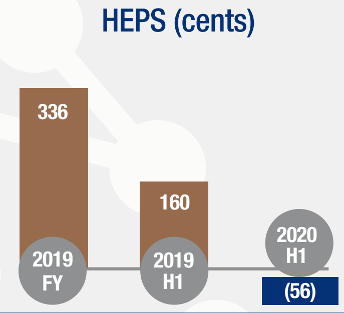
Segmental contribution 2020*

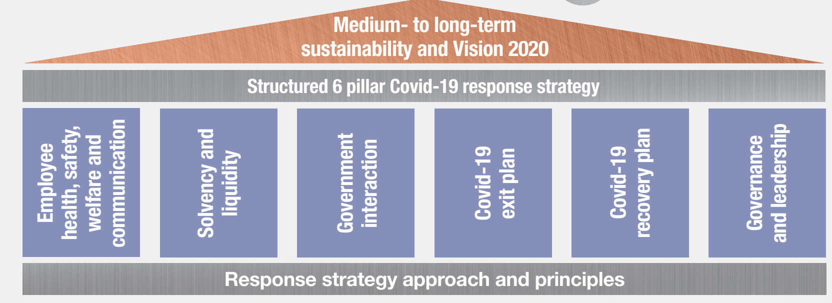


* Includes Hesto









CONDENSED CONSOLIDATED INCOME STATEMENT	Six months ended 30 June 2020 R'000 Unaudited	Six months ended 30 June 2019 R'000 Unaudited	Year ended 31 December 2019 R'000 Audited
Revenue	**3 880 043**	5 344 472	11 237 995
Cost of sales	**(3 415 856)**	(4 344 817)	(9 234 430)
Gross profit	**464 187**	999 655	2 003 565
Other operating income	**74 987**	50 094	113 775
Distribution, administrative and other operating expenses	**(557 243)**	(551 096)	(1 099 187)
Operating (loss)/profit	**(18 069)**	498 653	1 018 153
Interest income	**22 227**	11 347	32 777
Interest expense	**(113 194)**	(113 696)	(259 875)
Share of results of associates			
– equity accounted (loss)/profit	**(7 656)**	52 385	105 665
– impairment of investment	**(108 168)**		(25 351)
(Loss)/profit before taxation	**(224 860)**	448 689	871 369
Taxation	**9 068**	(118 391)	(213 576)
(Loss)/profit for the period	**(215 792)**	330 298	657 793
Attributable to:			
Equity holders of the company	**(215 679)**	308 806	624 186
Non-controlling interests	**(113)**	21 492	33 607
	(215 792)	330 298	657 793
Included in operating expenses above are:			
Depreciation and amortisation	**164 604**	148 398	295 462
Rentals on short term and low value assets	**4 710**	8 314	13 342
Impairment loss/(gain) on financial assets	**45 379**	369	(718)
Disaggregation of revenue from contracts with customers			
Primary geographical markets			
South Africa	**2 209 998**	3 372 685	6 450 490
Turkey and UK	**1 088 582**	1 375 467	3 498 391
Romania	**581 463**	596 320	1 289 114
	3 880 043	5 344 472	11 237 995
Major product and service lines			
Automotive batteries	**2 232 096**	2 726 412	6 247 555
Automotive components and parts	**1 280 675**	2 248 992	4 236 083
Automotive customer tooling and related services	**122 761**	34 358	117 822
Industrial and non-automotive products	**244 511**	334 710	636 535
	3 880 043	5 344 472	11 237 995
Timing of revenue recognition			
Products transferred at a point in time	**2 533 078**	3 486 776	7 098 531
Products and services transferred over time	**1 346 965**	1 857 696	4 139 464
	3 880 043	5 344 472	11 237 995
Earnings per share			
Basic (loss)/earnings per share (cents)	**(112)**	161	325
Headline (loss)/earnings per share (cents)	**(56)**	160	336
Diluted earnings per share			
Diluted (loss)/earnings per share (cents)	**(112)**	160	324
Diluted headline (loss)/earnings per share (cents)	**(55)**	160	335
Number of shares in issue ('000)	**198 986**	198 986	198 986
Number of shares in issue excluding treasury shares ('000)	**192 284**	191 573	191 612
Weighted average number of shares in issue ('000)	**191 942**	192 250	191 904
Adjustment for dilutive shares ('000)	**1 059**	641	549
Number of shares used for diluted earnings calculation ('000)	**193 001**	192 891	192 453
Calculation of headline earnings			
Net (loss)/profit attributable to ordinary shareholders	**(215 679)**	308 806	624 186
Gain on transfer of aftermarket business – net			(3 497)
Loss/(profit) on disposal of property, plant and equipment – net	**695**	(832)	(1 567)
Impairment of associate ("Moll")	**108 168**		25 351
Headline (loss)/earnings	**(106 816)**	307 974	644 473

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Six months ended 30 June 2020 R'000 Unaudited	Six months ended 30 June 2019 R'000 Unaudited	Year ended 31 December 2019 R'000 Audited
(Loss)/profit for the period	**(215 792)**	330 298	657 793
Other comprehensive income/(loss):			
– Actuarial losses recognised – net			(11 683)
– Foreign exchange translation movements	**349 278**	(285 433)	(373 198)
Net other comprehensive profit/(loss)	**349 278**	(285 433)	(384 881)
Total comprehensive income for the period	**133 486**	44 865	272 912
Attributable to:			
Equity holders of the company	**132 740**	23 553	239 872
Non-controlling interests	**746**	21 312	33 040
	133 486	44 865	272 912

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Six months ended 30 June 2020 R'000 Unaudited	Six months ended 30 June 2019 R'000 Unaudited	Year ended 31 December 2019 R'000 Audited
Balance at beginning of the period	**4 310 786**	4 287 721	4 287 721
Net (loss)/profit for the period	**(215 792)**	330 298	657 793
Other comprehensive profit/(loss) for the period	**349 278**	(285 433)	(384 881)
Total comprehensive income for the period	**133 486**	44 865	272 912
Share option scheme	**8 787**	12 581	23 391
Vesting of share-based payment obligation:			
– Estimated taxation effects of utilisation of treasury shares	**271**	(2 979)	(3 360)
Dividend declared*	**(238 783)**	(224 639)	(224 894)
Treasury shares acquired		(44 984)	(44 984)
Balance at end of the period	**4 214 547**	4 072 565	4 310 786

CONDENSED CONSOLIDATED BALANCE SHEET	Six months ended 30 June 2020 R'000 Unaudited	Six months ended 30 June 2019 R'000 Unaudited	Year ended 31 December 2019 R'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	**2 861 488**	2 633 706	2 707 381
Intangible assets	**651 614**	625 212	605 059
Investment in associates	**622 285**	713 356	733 440
Deferred taxation	**18 673**	20 887	15 134
	4 154 060	3 993 161	4 061 014
Current assets			
Inventory	**2 033 924**	1 995 650	1 735 629
Trade and other receivables	**1 292 113**	1 753 076	1 699 884
Contract assets	**326 437**	305 355	303 725
Taxation	**44 197**	2 276	26 460
Derivative financial assets	**11 544**	2 004	552
Cash and cash equivalents	**1 279 295**	741 423	1 140 071
	4 987 510	4 799 784	4 906 321
Total assets	**9 141 570**	8 792 945	8 967 335
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	**1 497 931**	1 497 931	1 497 931
Treasury shares	**(131 322)**	(141 400)	(142 176)
Reserves	**(847 810)**	(1 166 161)	(1 193 266)
Retained earnings	**3 572 269**	3 770 935	4 025 564
Ordinary shareholders' equity	**4 091 068**	3 961 305	4 188 053
Non-controlling interests	**123 479**	111 260	122 733
Total equity	**4 214 547**	4 072 565	4 310 786
Non-current liabilities			
Borrowings	**1 589 212**	1 195 947	1 299 437
Post-employment benefits	**93 271**	73 712	85 317
Deferred taxation	**286 793**	277 450	284 727
Deferred grant income	**150 392**	183 773	134 476
Provisions for liabilities and charges	**41 852**	57 471	39 294
	2 161 520	1 788 353	1 843 251
Current liabilities			
Trade and other payables	**1 285 706**	1 293 771	1 360 535
Dividends payable	**238 783**		
Contract liabilities	**91 100**	98 313	161 133
Borrowings	**1 006 318**	1 073 953	896 974
Taxation	**5 809**	31 219	29 500
Provisions for liabilities and charges	**71 384**	78 171	87 790
Derivative financial liabilities	**5 065**	4 495	15 900
Bank overdrafts	**61 338**	352 105	261 466
	2 765 503	2 932 027	2 813 298
Total liabilities	**4 927 023**	4 720 380	4 656 549
Total equity and liabilities	**9 141 570**	8 792 945	8 967 335
Net asset value per share (cents)	**2 128**	2 068	2 186
Capital expenditure	**87 601**	268 724	495 399
Capital commitments:			
– Contracted	**49 496**	158 684	51 236
– Authorised but not contracted	**202 743**	172 447	344 949

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	Six months ended 30 June 2020 R'000 Unaudited	Six months ended 30 June 2019 R'000 Unaudited	Year ended 31 December 2019 R'000 Audited
Operating activities			
Operating (loss)/profit	**(18 069)**	498 653	1 018 153
Depreciation and amortisation	**164 604**	148 398	295 462
Share of equity (losses)/earnings	**(7 656)**	52 385	105 665
Net movement in provisions and similar items	**(40 766)**	(17 693)	(31 794)
Other items	**67 090**	(9 317)	(56 717)
Working capital changes	**56 177**	(497 610)	(100 841)
Cash generated from operations	**221 380**	174 816	1 229 928
Interest paid	**(115 732)**	(113 467)	(259 893)
Taxation paid	**(50 016)**	(119 436)	(220 468)
Dividends paid*		(224 639)	(224 894)
Dividend income from associates	**4 094**	27 628	31 168
Net cash inflow/(outflow) from operating activities	**59 726**	(255 098)	555 841
Investing activities			
Interest received	**22 227**	11 347	32 777
Acquisition of property, plant and equipment	**(82 404)**	(241 580)	(455 837)
Acquisition of associate - net		(7 987)	(2 553)
Net cash utilised in other investing activities	**(3 962)**	13 304	(9 102)
Net cash outflow from investing activities	**(64 139)**	(224 916)	(434 715)
Financing activities			
Share buy back (treasury shares acquired)		(44 984)	(44 984)
Borrowings raised – net	**363 537**	373 470	297 532
Net cash utilised in other financing activities	**(24 737)**	(18 870)	(50 817)
Net cash inflow from financing activities	**338 800**	309 616	201 731
Net increase/(decrease) in cash and cash equivalents	**334 387**	(170 398)	322 857
Cash and cash equivalents at beginning of the period	**878 605**	579 610	579 610
Exchange gain/(losses) on cash and cash equivalents	**4 965**	(19 894)	(23 862)
Cash and cash equivalents at end of the period	**1 217 957**	389 318	878 605

** An ordinary dividend of R1.20 per share was declared in 2020 in respect of the year ended 31 December 2019.*
An ordinary dividend of R1 per share was declared in 2019 in respect of the year ended 31 December 2018 and paid.

CONDENSED CONSOLIDATED SEGMENT REVIEW	Revenue: Six months ended 30 June 2020 R'000 Unaudited	Revenue: Six months ended 30 June 2019 R'000 Unaudited	Revenue: Year ended 31 December 2019 R'000 Audited	Profit before interest and taxation: Six months ended 30 June 2020 R'000 Unaudited	Profit before interest and taxation: Six months ended 30 June 2019 R'000 Unaudited	Profit before interest and taxation: Year ended 31 December 2019 R'000 Audited
Energy storage						
Automotive						
Local	**1 618 053**	1 846 768	4 381 959	**62 152**	163 051	463 557
Direct export	**614 043**	879 644	1 865 595	**29 741**	92 871	171 476
	2 232 096	2 726 412	6 247 554	**91 893**	255 922	635 033
Industrial						
Local	**231 482**	309 955	589 790	**(16 919)**	33 078	31 185
Direct export	**5 909**	7 850	18 539	**(854)**	477	(18)
	237 391	317 805	608 329	**(17 773)**	33 555	31 167
Total energy storage	**2 469 487**	3 044 217	6 855 883	**74 120**	289 477	666 200
Automotive components						
Local						
Original equipment	**1 656 184**	2 662 269	5 031 676	**(48 940)**	257 755	433 296
Aftermarket	**180 202**	273 757	538 424	**9 306**	36 670	96 363
Non-auto	**7 120**	16 905	28 207	**(1 255)**	760	1 741
	1 843 506	2 952 931	5 598 307	**(40 889)**	295 185	528 400
Direct exports						
Original Equipment		2 026	5 678		819	1 692
Aftermarket	**15 674**	24 843	43 644	**(6 821)**	6 123	7 597
	15 674	26 869	49 322	**(6 821)**	6 942	9 289
Total automotive components	**1 859 180**	2 979 800	5 647 629	**(47 710)**	302 127	537 689
Total segment results	**4 328 667**	6 024 017	12 503 512	**26 410**	591 604	1 200 889
Reconciling items:						
– Share of results of associates				**(7 656)**	52 385	105 665
– Impairment of associate				**(108 168)**		(25 351)
– Managed associates *	**(448 624)**	(679 545)	(1 265 517)	**16 402**	(54 339)	(109 962)
Amortisation of intangible assets arising from business acquisitions				**(11 780)**	(11 428)	(22 963
Other reconciling items **				**(49 101)**	(27 184)	(52 811)
Total	**3 880 043**	5 344 472	11 237 995	**(133 893)**	551 038	1 098 467
Net interest expense				**(90 967)**	(102 349)	(227 098)
(Loss)/profit before taxation				**(224 860)**	448 689	871 369

** Although the results of Hesto Harnesses Proprietary Limited ("Hesto") does 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 CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

The condensed consolidated interim results for the six months ended 30 June 2020 have been prepared in accordance with 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 Standards Council. These condensed consolidated results should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the JSE Limited Listings Requirements and the requirements of the Companies Act, 71 of 2008 applicable to summary financial statements.

Accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim results are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the 31 December 2019 consolidated annual financial statements. The group considers that the carrying amounts of financial assets and financial liabilities are a reasonable approximation of their fair values. The interim results have not been reviewed or audited by the group's auditors.

Forecasts

Shareholders are advised that the forecast financial information contained in this announcement has not been reviewed or reported on by the company's auditors and is the responsibility of the directors of the company. The most relevant exchange rate assumptions used in financial projections are as follows: USD/ZAR: ZAR16.90, ZAR/YEN: ZAR6.20, EUR/ZAR: ZAR19.10, ZAR/THB: ZAR1.85, EUR/RON: RON4.84, RON/ZAR: ZAR3.90, TRY/ZAR: ZAR2.50, USD/TRY: TRY6.90, EUR/TRY: TRY4.84.

Contingencies

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

Borrowings

During the period the group repaid borrowings of R29.3 million (2019: R104.5 million) and raised borrowings of R392.8 million (2019: R478 million).

Post-balance sheet events

There have been no material events since period-end.

Changes to the board of directors and committees of Metair

Mr CT Loock has decided to take early retirement and will accordingly step down as CEO of Metair and Chairman of all local and international Metair subsidiaries and associated companies with effect from 31 December 2020, save for remaining a non-executive director of Hesto Harnesses Proprietary Limited, as further set out in the announcement published on SENS on 28 May 2020.

The interim results presentation will be available on the company's website (www.metair.co.za) and an investor and analyst audio webcast of the presentation will be broadcast on Wednesday, 19 August 2020 at 14h00 (SAST). The audio webcast can be accessed through https://attendee.gotowebinar.com/register/1105001898048984846.

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Signed on behalf the board of directors of Metair in Johannesburg on 18 August 2020.

SG Pretorius - Chairman

CT Loock - Managing Director

The condensed unaudited consolidated interim results was produced under the supervision of Mr S Douwenga (Finance Director) BCom (Hons), CA(SA).

EXECUTIVE DIRECTORS: CT Loock (Managing); S Douwenga (Finance)
INDEPENDENT NON-EXECUTIVE DIRECTORS: SG Pretorius (Chairman); TN Mgoduso; HG Motau; B Mawasha; CMD Flemming; S Sithole; MH Muell; NL Mkhondo
COMPANY SECRETARY: SM Vermaak

2020 INTERIM RESULTS COMMENTARY

Globally, companies' results commentaries for any period of 2020 are going to be dominated by the impact of the Covid-19 pandemic as the world faces unprecedented disruptions to business. These disruptions, brought on by governments' measures to contain the virus such as extended lockdowns which were aimed at protecting the health and safety of citizens, unintentionally disconnected businesses from their employees, markets, and customers. Our experiences will forever change the way we operate, which in turn will present novel opportunities and challenges as we adjust to the new normal with altered trends, demand patterns, regulations, and operating protocols. We will have to offer new products and services by means of accelerated digitalisation as well as agile and more automated manufacturing, operating and distribution systems.

From the onset of the pandemic, Metair took the threat very seriously and designed a specific Covid-19 response strategy, consisting of six major focus areas:

- Employee health, safety, welfare and communication;
- Results, solvency, liquidity and dividend distribution;
- High level government interaction and best possible economic participation;
- Covid-19 exit plan;
- Covid-19 recovery plan ("Vision 2022"); and
- Increased governance and leadership.

Employee health, safety, welfare, and communication

The welfare, health and safety of our employees is both a priority and a key concern. Following the South African government's declaration of a national lockdown effective 26 March 2020 ("lockdown"), we ensured that our factories were shut down in accordance with our standardised procedures, that our employees got home safely and that we had the required mass communication systems via SMS and Human Resources emergency lines in place.

The lockdown periods in our various countries of operation temporarily suspended the normal employer-employee relationship and we had to enter into new employment arrangements with the aim being to protect the most vulnerable, to be just and fair. We took the view that government support should be forthcoming due to government-imposed lockdowns and risk adjusted exit strategies, and most employees sacrificed half of their earnings during the hard lockdown.

We immediately registered for government employee support programmes. Company welfare payments for the period amounted to R61 million.

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 No. 85 of 1993, as well as other regulations in their specific jurisdictions. The policies have specific provisions to address employees who show symptoms for Covid-19 during on-site screening. There are on-site isolation facilities and transportation arrangements to transfer employees suspected of having the virus to designated Covid-19 healthcare facilities for further testing.

To date, Metair has tragically had three employees succumb to Covid-19 and we extend our heartfelt condolences to their families and working colleagues. 287 employees have tested positive for the virus, 1 029 employees have had to self-quarantine and 225 employees are currently booked off due to comorbidities.

Metair's results for the period, solvency, liquidity and dividend distribution

Our business design proved to be robust as we own all our major factories and have few rental obligations. We deferred all major capital and project expenses, including dividend payments, and set out to effectively preserve cash.

Consequently, the operating loss was limited to R18 million for the period which is testament to the excellent cost containment measures taken and the combined sacrifices made by all, as turnover declined by 27% to R3 880 million. Net interest expenses compared with the prior period were down 11% at R91 million as interest rates declined in all territories.

In Germany, businesses were already dealing with the market effect caused by the pandemic during the reporting period. Metair's 25% associate investment, Akkumulatorenfabrik Moll ("Moll"), applied for liquidation as shareholders decided not to inject more capital into the business given the extended outlook for recovery of the business. Metair has therefore impaired the remaining R108 million investment in Moll based largely on the liquidator's final business review and recommendations.

This write down, combined with interest expenses, resulted in a loss for the period of R215,7 million, and a headline loss per share of 56 cents and basic loss per share of 112 cents.

This is a good result in difficult circumstances supported by various cost containment measures. Focused cash management resulted in R221 million cash generated from operations and net cash inflow of R59.7 million after payment of interest and taxes.

Net debt increased by only R60 million from 31 December 2019, to R1 378 million. Although net debt levels have been well managed, the reduction in the last twelve-months EBITDA levels has resulted in a net debt to EBITDA ratio of just below two times. Although we are currently compliant with lending covenants, any significant outflows or a slower than expected recovery will most likely result in a breach of covenants.

Metair declared a full year dividend of 120cps in March 2020. Although solvent and liquid, Metair is currently likely to breach incurrence covenants on its debt facilities if the dividend is paid. This puts Metair's access to liquidity and recovery strategy at risk, and therefore the Board has decided to defer the payment of the dividend until such time that the Board has reasonable certainty, in line with the requirements of the Companies Act, that solvency and liquidity requirements will be met after paying the dividend.

Segmental Performance

Automotive Components

Revenue decreased by 38% to R1 859 million (2019: 2 980 million). This vertical derives most of its revenue from Original Equipment Manufacturers (OEMs) within South Africa and was directly impacted by the national lockdown and subsequent phased reopening. The vertical recorded an operating loss of R48 million (2019: R302 million profit), but still achieved a positive EBITDA of R21 million (2019: R367 million) as South African OEM production volumes declined by 42%. In addition, first quarter volumes were negatively impacted by a 10-day strike at a major OEM, as well as some OEMs opening late in 2020. Covid-19 lockdowns eliminated any possibility to catch-back on lost production from the first quarter, which would normally be the case. The lockdown measures imposed restricted both our and our customers' ability to produce, and most of this decline in production is due to zero production during April, below 50% limited production in May and improved production levels above 50% in June. All efforts were employed in conserving cash and the vertical consumed free cash of R344 million (2019: consumed R81 million) in the period. Working capital was tied up due to the long lead times on imported materials combined with the lack of production. We expect this position to normalise in the third quarter, as OEMs get closer to planned vehicle build plans. We maintained our supply levels according to our customer requests, and this has limited supply chain risks.

Energy Storage

Revenue decreased by 19% to R2 469 million (2019: R3 044 million). This vertical derives its sales from four distinct channels being OEMs, the local automotive after-market, automotive after-market exports and industrial energy storage. Aided by the fact that both Mutlu Akü (Turkey) and Rombat (Romania) were able to trade throughout the period, albeit at a much reduced level, the vertical achieved an operating profit of R74 million (2019: R289 million) and EBITDA of R178 million (2019: R379 million). This vertical's local aftermarket and export sales were able to offset the loss of OEM sales. First half automotive volumes declined by 27%, with the major contraction being OEM across all territories as well as reduced export sales volumes out of Turkey. OEM volumes were impacted by European and Turkish OEMs shutting down operations from mid-March through to mid-May. Turkish exports were disrupted by export country lockdown actions including the closure of borders and economies, affecting the movement of goods. Industrial sales in South Africa and Turkey were particularly impacted by weak demand, and volumes reduced by 35%. Cash generation in the business, despite lower EBITDA was pleasing and the vertical generated R339 million (2019: consumed R341 million) free cash flow in the period, as we managed to control our working capital cycle. Mutlu debtors receipting was excellent. Inventory levels are being built up ahead of the third and fourth quarter peak cycle in Europe and as markets are anticipated to open up. Our ability to secure inventory supply and maintain production, despite the operating challenges, is a strength.

Financial impact of Covid-19

The Covid-19 pandemic has developed rapidly since the government implemented lockdown in March 2020, and steps taken to contain the virus have negatively affected the automotive environment and the group's results in the reporting period. The known material impacts of Covid-19 on the group's results for the period are:

- A decline in revenues for the first six months of 2020 compared with the same period in 2019 of 27%, approximately R1.5 billion.
- Impairments of receivables for R45 million, mainly Moll related, and increases in expected credit loss rates due to economic and Covid-19 overlays on future recovery assumptions.
- Impairment of our investment in associate Moll of R108 million.
- Welfare (salary) support to employees during hard lockdown and direct Covid-19 related costs of R61 million and R7 million respectively, totalling R68 million.
- Our business interruption claims for dreaded disease and pandemics is currently in progress with our insurers and should be finalised in the second half of the 2020 calendar year.
- We revisited our impairment testing on material cash generating units (CGUs) including goodwill, and have determined that headroom still exists based on our expectations of the market recovery, revised forecast volumes from major customers and subsidiary adjusted business plans.

Going concern, cash and debt covenants

Despite the Covid-19 impact and much lower EBITDA, the company's financial position in terms of cash and liquidity has remained strong. Net cash on hand amounted to R1.2 billion. The position was assisted by deferring the payment of the 2019 financial year dividend of R239 million, lower capital expenditure and overall improved working capital management. Unutilised and available finance facilities were R832 million in South Africa, R1 662 million combined equivalent at Rombat and Mutlu, and in addition, R345 million is still available through the RCF 2 South African facility. The extension of the RCF 1 repayment due in August 2020, for R750 million, was finalised post period end and is now repayable in August 2021 with no change in margin. Net debt at 30 June 2020 was R1.4 billion compared to R1.3 billion at 31 December 2019. All covenant requirements were met in the period and the leverage ratio increased to 1.88 times compared to a limit of 2.5 times net debt to EBITDA. Management continues to closely monitor the group's financial position and remains focused on effective cash management, specifically in the areas of working capital in conjunction with customer requirements, cost control and capital expenditures, taking into account planned investments required in new or upcoming customer models and facelifts.

Management has considered the consequences of Covid-19 and other events and conditions, and has determined that they do not create a material uncertainty or significant doubt upon the group's ability to continue as a going concern.

High level government interaction and achieving the best possible economic participation

Presuming the Covid-19 challenge could be with us for a long time and that we are going to oscillate between various risk levels over the next 18 months, it was very important to structurally achieve the best economic participation for each level of government risk adjusted national disaster response.

Initially, our business was classified as a Level 3 economic participant in South Africa. After extensive lobbying and interaction with industry bodies such as the National Association of Automobile Manufacturers of South Africa, the National Association of Automotive Component and Allied Manufacturers, Trade and Industrial Policy Strategies and Retail Motor Industry, we managed to achieve a Level 4 economic participation classification.

We would like to thank the Department of Trade and Industry, Minister Patel, and the CEOs of the above-mentioned industry bodies for their accommodation and approachability during this period.

In addition, First National Batteries managed to be classified as an essential service provider.

Covid-19 exit plan

We realised very early on that we would need a well-structured Covid-19 exit plan and set out to design best practice return to work standard operating manuals and training programmes, combined with concluding internal start up readiness self-assessments. In South Africa, as of 4 May 2020, our employees started returning to work except for those with comorbidities. They were supplied with the required personal protective equipment and training, and we began implementing the new standard operating procedures.

The return to work processes have run smoothly with only a few minor labour incidents as businesses dealt with the difficulty of selecting, allocating and rotating employees according to the government imposed 50% employee participation rate during lockdown level 4. We believe the labour relationship environment will remain challenging and fragile, even during level 3 of the lockdown despite being permitted to operate at 100%, as we adapt to current lower market demand.
To date, the extraordinary start-up cost required under our return to work policies, regulations and procedures is estimated at R6.5 million for the interim period, with a full year estimate of R14 million.

Covid-19 recovery plan (Vision 2022) and outlook

In addition to executing all the activities required to manage the Covid-19 risks, we also focused on creating our future vision: Vision 2022, which will shape our designed recovery post the pandemic.

Our focus was to design a multi-stepped U-shaped recovery and to avoid an L-shaped recovery curve. The automotive components vertical recovery is a project-based recovery that can potentially alter the L-shaped recovery to a U-shaped recovery as we anticipate an initial full-year decline of 30% in South African production volumes in 2020.

Metair focused on new model launch projects as well as the most sustainable projects, customers, models, and markets, and approved a R1,3 billion investment to support new projects that can deliver between R25 billion and R28 billion of turnover over a 7 year period from the middle of 2022, depending on the final project volumes and product designs.

Fortunately, there are also other model launches and planned model facelifts that could have a positive effect even in the short term. Although first half production volumes in South Africa were down 42%, we look forward to an improved second half performance from the automotive components business with an anticipated increase in export demand from Europe. We still expect production volumes to remain suppressed for the remainder of the year, but with improved manufacturing stability. As such, we expect full year revenues to be between 25% to 30% lower than 2019 (at prevailing exchange rates) with full year operating margins between 1% and 3%, barring any manufacturing disruptions. This is based on an expected second half improvement in local automotive manufacturing of approximately 60 - 70 thousand units (35% - 40%) from the first 6 months of 2020, driven by exports demand and new facelifts, and achievement of full year volumes of between 400 thousand units to 440 thousand units. Although Metair's internal manufacturing confidence level is high, the current general manufacturing operating environment is affected by port delays, a renewed wave of load shedding and reduced levels of employee attendance due to the pandemic.

The energy vertical recovery is based on an aftermarket demand, market share, brand positioning, economic range expansion and OEM projects. We are currently improving our insight into aftermarket demand, which has returned strongly in the short term, and will look to structurally adapt our cost base and business activities to increase agility. We have therefore increased our interaction, transparency, communication and customer engagements as we aim to continue to gain greater insight into the new market conditions. Although the outlook remains positive, we do acknowledge that it will take some time for absolute clarity to be achieved as we move into the traditionally higher aftermarket demand period normally associated with the second half. Our ability to serve and reach our export customers and markets remains a key requirement for good performance, and current lockdown regulations limit us in this regard. Barring any setbacks, the second half of 2020 could be on par or deliver an improvement to the second half of 2019. Based on our current visibility, we expect full year revenues to be between 10% and 15% lower than the prior year, with full year margins of between 5% and 8%. This outlook is based on prevailing exchange rates and an average virgin lead price of $1,700 per tonne, combined with an overall positive outlook for volumes. We expect total automotive battery volumes to improve by 1.3 - 1.5 million units (between 46% and 54%) from the first six months of 2020, to 7.0 - 7.4 million units for the full year.

Increased governance and leadership

We believe it is important to lead and set an example during this period. We would like to thank the Metair team, executives and leadership teams across subsidiaries for their presence, availability and focus during this period. Further thanks are extended to the Board, with a special thank you to Mr Brand Pretorius, our Chairman, for his guidance, positive encouragement, and support during this period.

Update on the strategic review process

The Board's review of the company's strategy, policies and processes which enable the execution of the company's core purpose and alignment with our values, as set out in the integrated report for the year ended 31 December 2019, is still in progress ("Strategic Review").

Metair remains committed to its communicated strategy and principle of unlocking value. However due to Covid-19 and the near-term focus on operational efficiency and implementation of Covid-19 recovery strategy, we have moved out the execution timeline to be re-evaluated in early 2021. We will be monitoring the developments around Covid-19 closely and continue our preparations in the background. Market interest in both verticals remains high and the Board continually evaluates the best way forward, taking into consideration the Covid-19 effect not only on the group, but also on interested parties and their desire to see some delivery against the Covid-19 recovery strategy.

Recruitment and appointment of new CEO for Metair

During the period, the Board approved the request for early retirement by Mr Theo Loock, the current CEO, with effect from 31 December 2020. The Board is pleased to announce that all formalities in respect of the retirement have been concluded, including reaching formal separation, restraint of trade and consultancy agreements. The Board has appointed Heidrick & Struggles as its professional recruitment agency for the selection and appointment of a replacement CEO before the end of December 2020. The recruitment process is progressing well.

Appreciation

We would like to express our appreciation and gratitude to all employees who made enormous sacrifices during this challenging period as we faced the Covid-19 pandemic. A special thank you goes out to all human resource personnel, and key medical facility practitioners and clinic staff whose key focus during this period was our employees' health, safety and welfare, and maintaining communication with them.