



**FINANCIAL RESULTS
FOR THE HALF-YEAR ENDED 30 JUNE 2011**

PRESENTATION

26 AND 27 JULY 2011



EXECUTIVE TEAM



Graham Edwards

Chief Executive

Mark Kathan

Financial Director and CFO

Mark Dytor

Edwin Ludick

Schalk Venter

Chemical Executives

Tobie Louw

Managing Director, AEL Mining Services

Anthony Diepenbroek

Managing Director, Heartland

OVERVIEW



PERFORMANCE HIGHLIGHTS



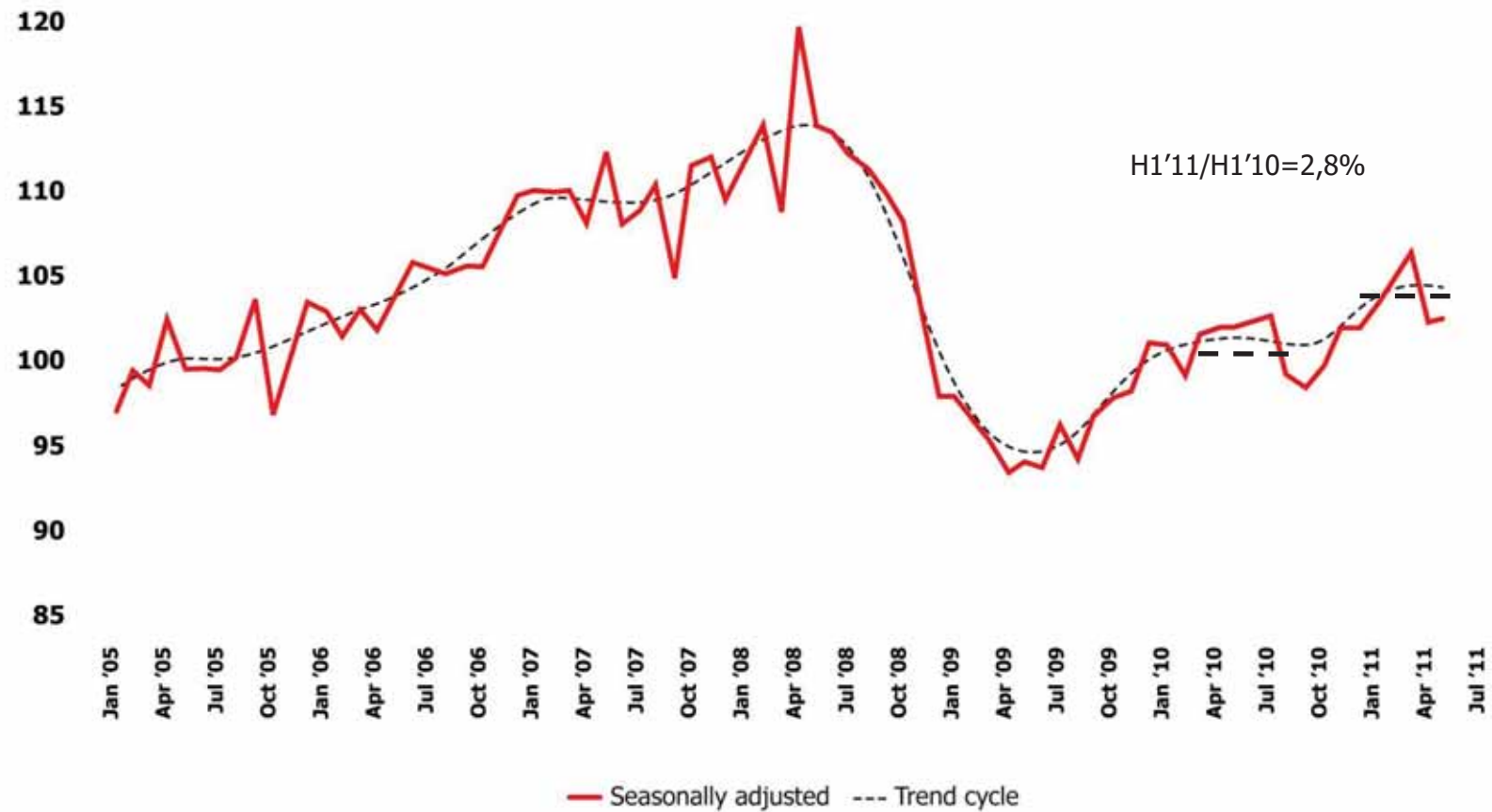
- Strong focus on safety continues
- HEPS at 265 cents +11%
- Overall volumes +2,3%
- EBITDA +16% and operating profit +13%
- Cash dividend of 78cps declared
- Ramp-up of strategic projects progressing well
- B-BBEE transactions announced

BUSINESS ENVIRONMENT SLOW VOLUME GROWTH IN MANUFACTURING



SA manufacturing volumes
January '05 – May '11

Source: StatsSA

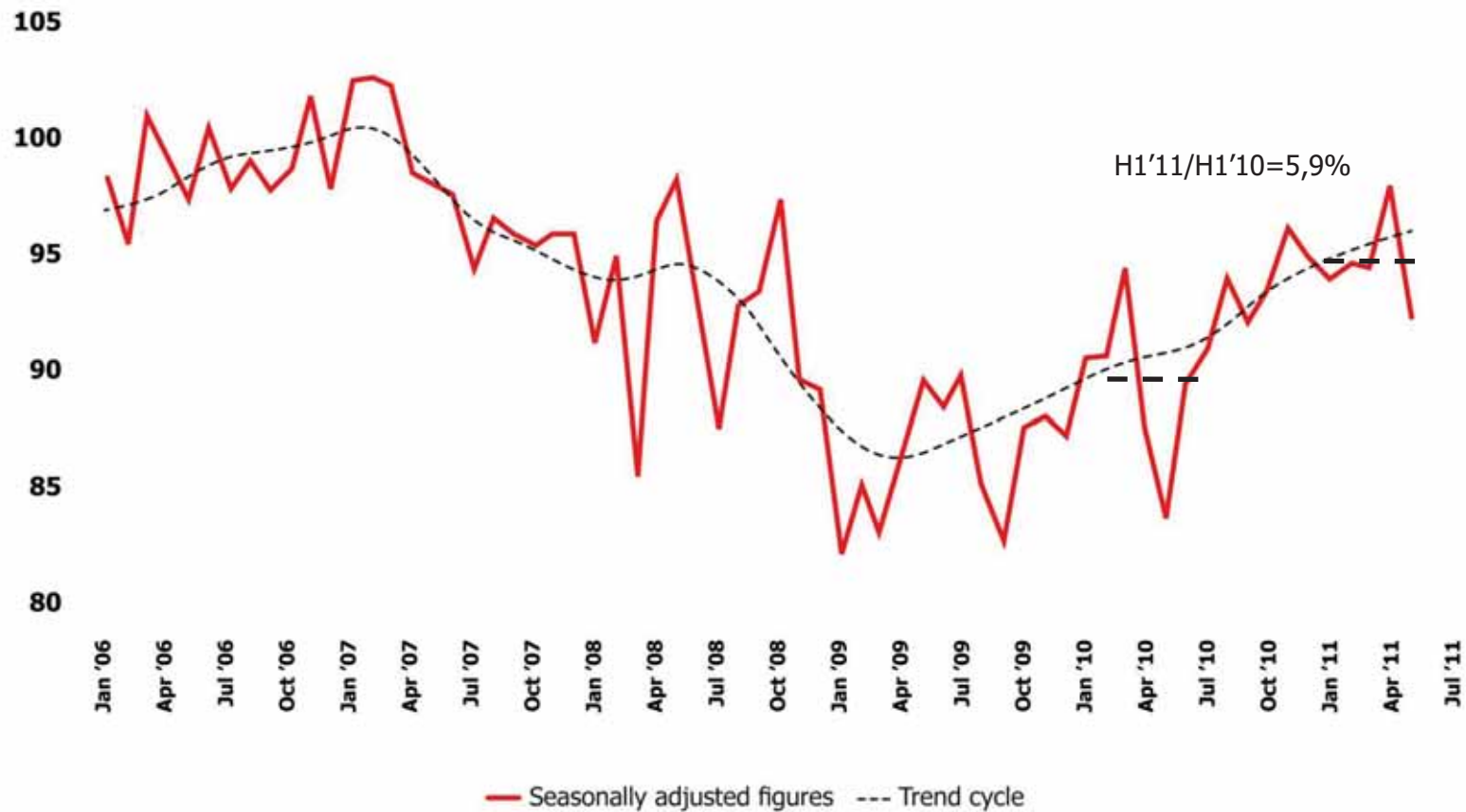


BUSINESS ENVIRONMENT MINING GROWTH STRONG BUT VOLATILE



SA mining volumes
January '06 – May '11

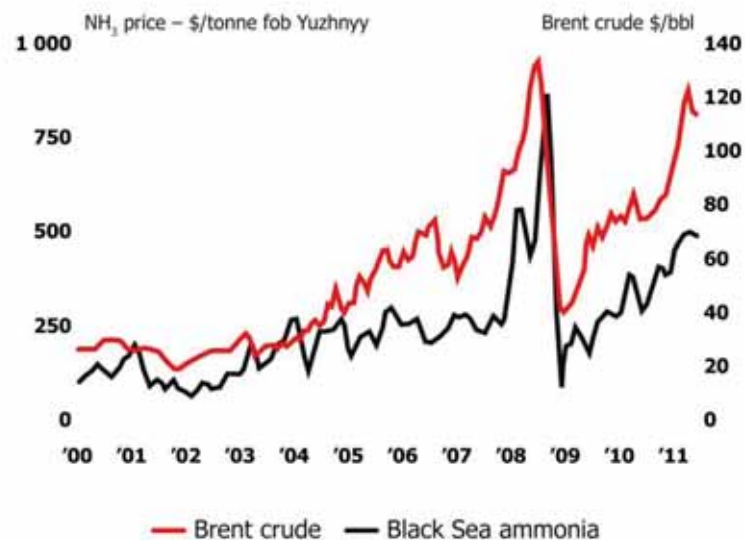
Source: StatsSA



BUSINESS ENVIRONMENT CONT.

- Moderate global economic growth expected but downside risks increasing
- Brent crude up from US\$70/bbl to US\$100-120/bbl range
- Other commodities behaving similarly
- Rand strength continues to put pressure on prices; favours imports over local manufacture
- Industrial unrest concerning

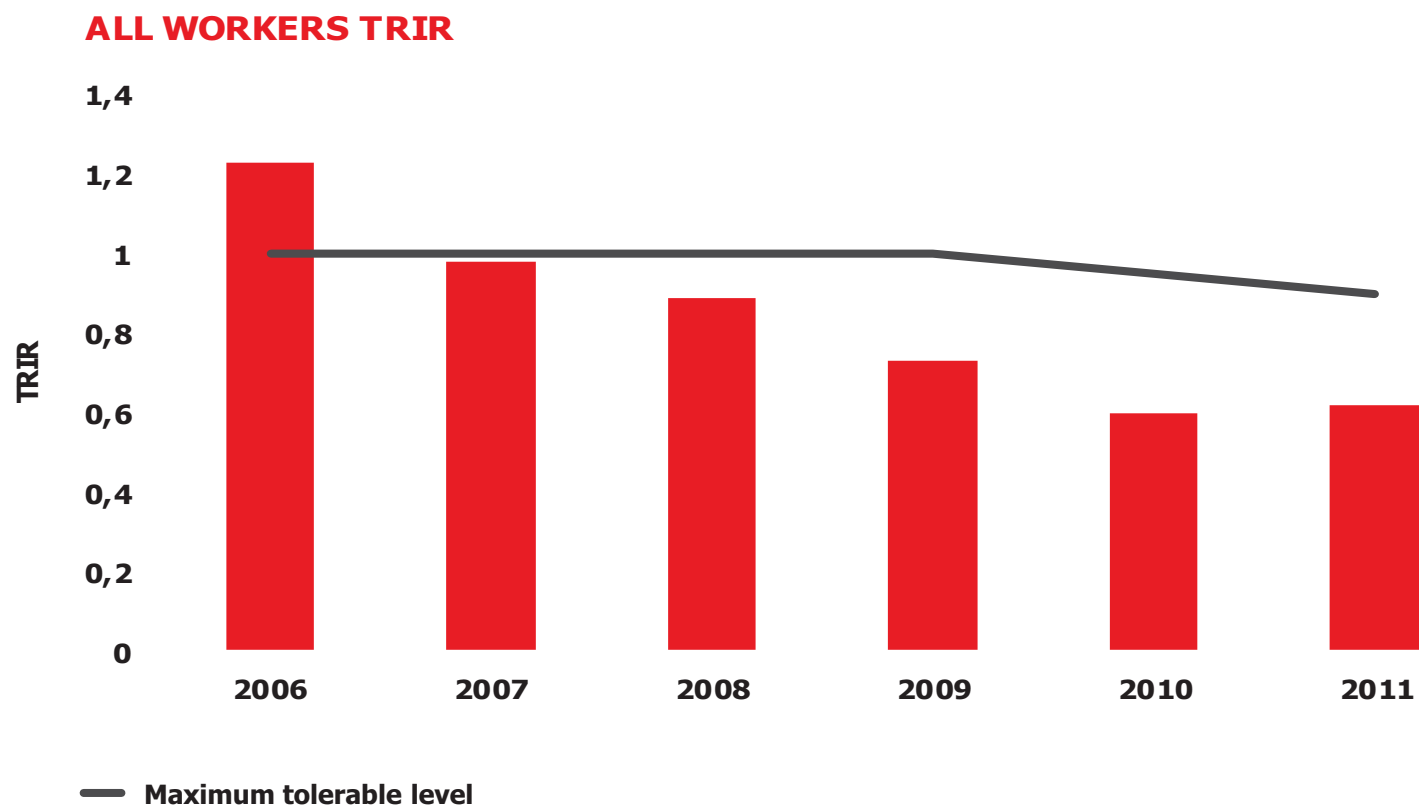
OIL AND AMMONIA PRICES



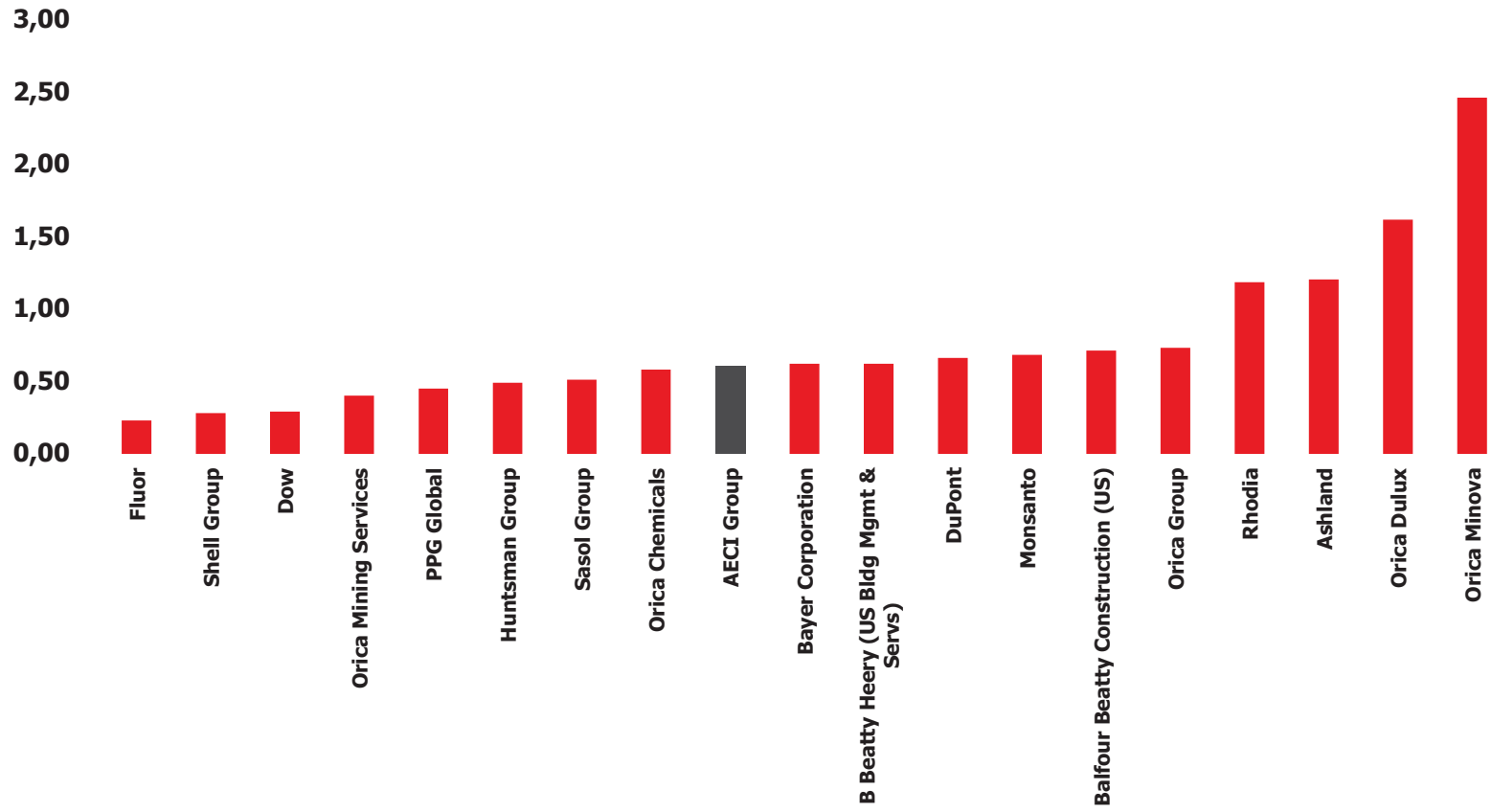


PERFORMANCE

SAFETY AND HEALTH PERFORMANCE

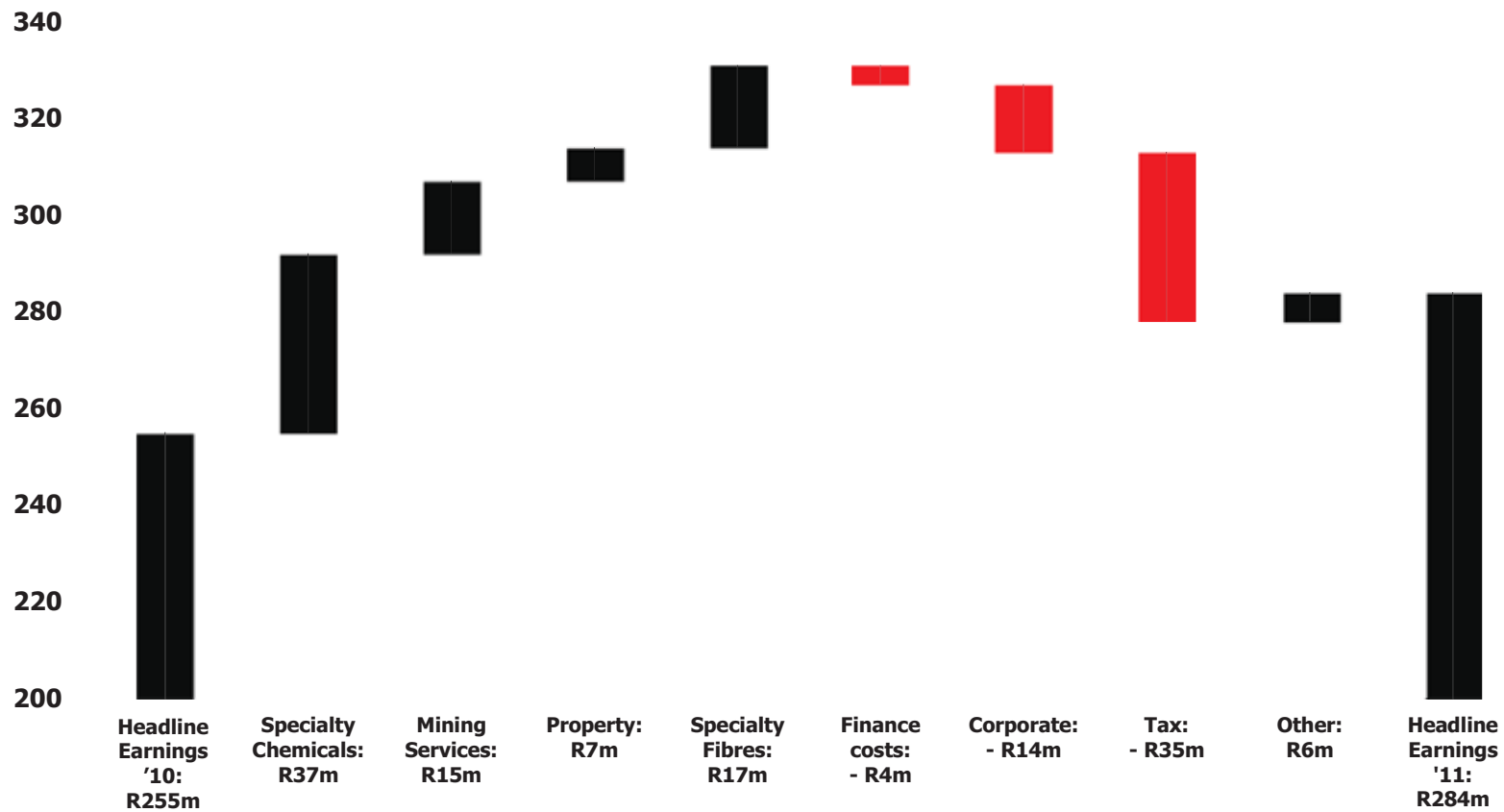


BENCHMARKED TRIR



RESULTS 1H11

HEADLINE EARNINGS (Rm)

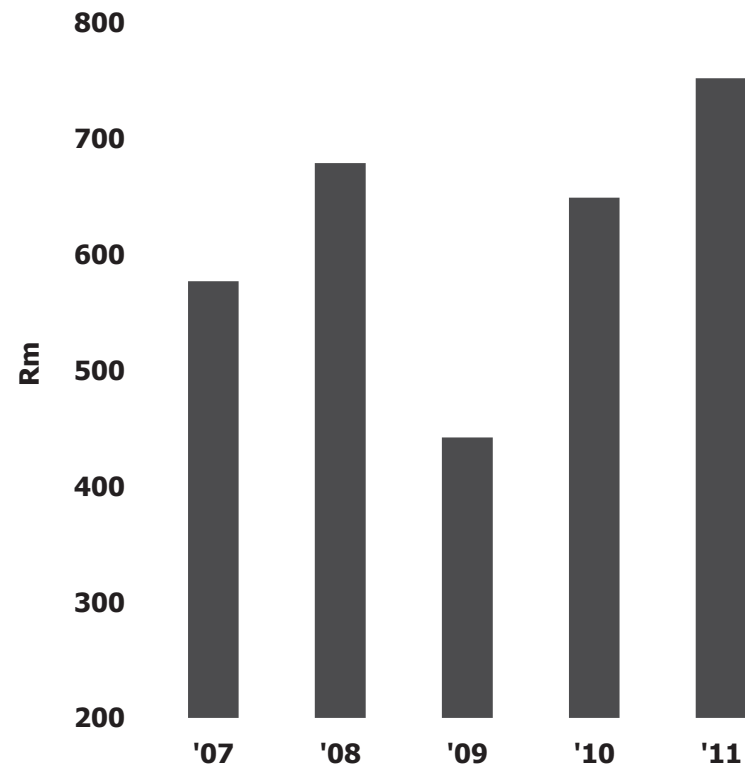


RESULTS 1H11

EBITDA, MARGINS AND VOLUMES

- EBITDA +15,9% to R752m
- Operating margin up slightly to 9,1%
- Volumes +2% overall
 - Chemicals volumes +2%
 - Manufactured volumes -5%
 - Traded volumes +11%
 - Explosives volumes +2%
- Foreign sales +14% in rand terms (24% in US\$)
- Competitor activity increased significantly.

EBITDA - HALF YEAR



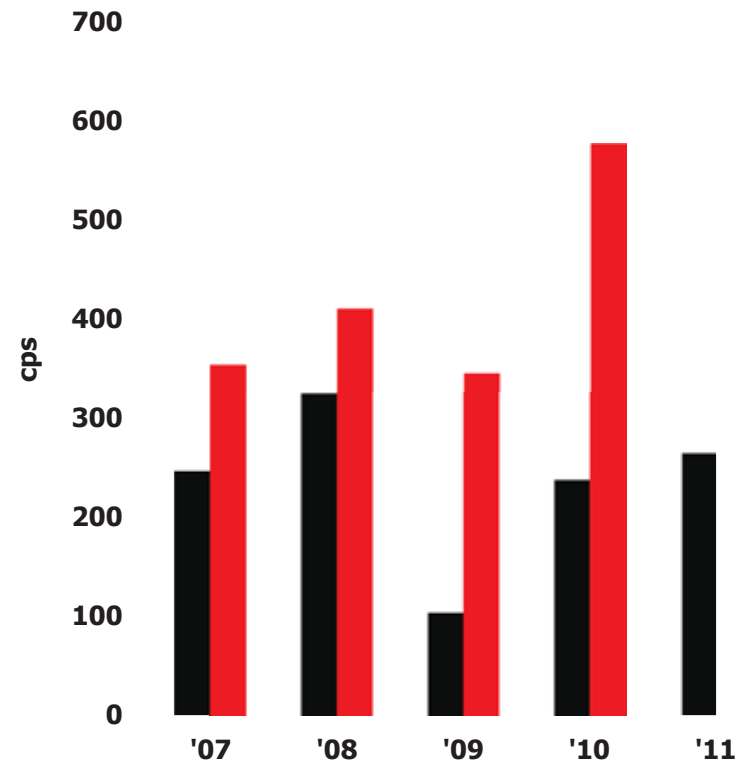
RESULTS 1H11

HEPS



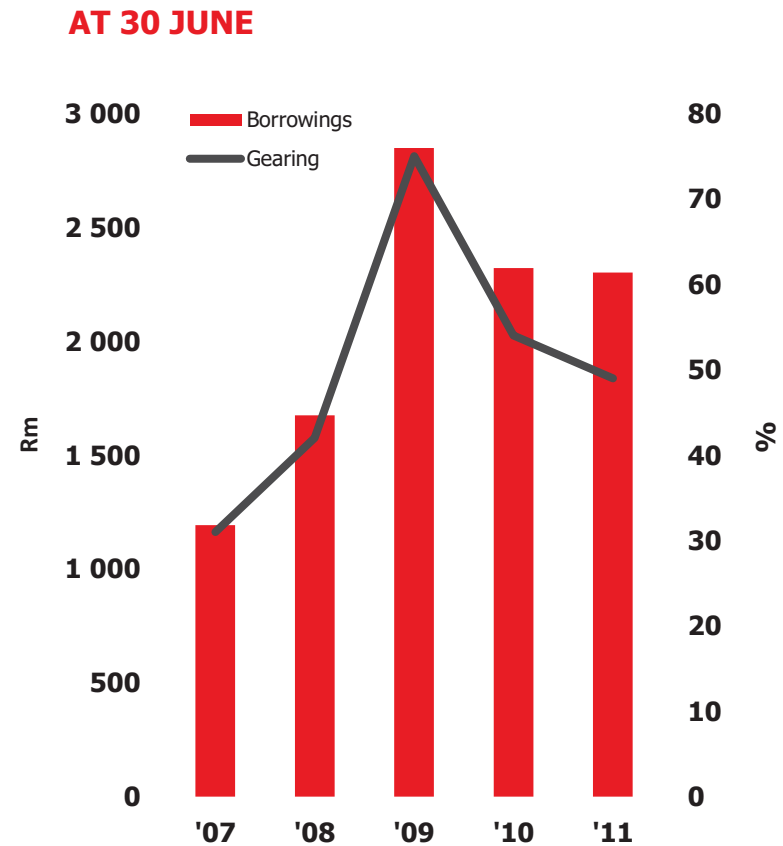
- HEPS at 265 cps up 11%
- R14m corporate increase
- Tax charge R35m higher
- Interest R4m higher but R32m less capitalised
- Operating profit up 13%

HALF- AND FULL- YEAR HEPS



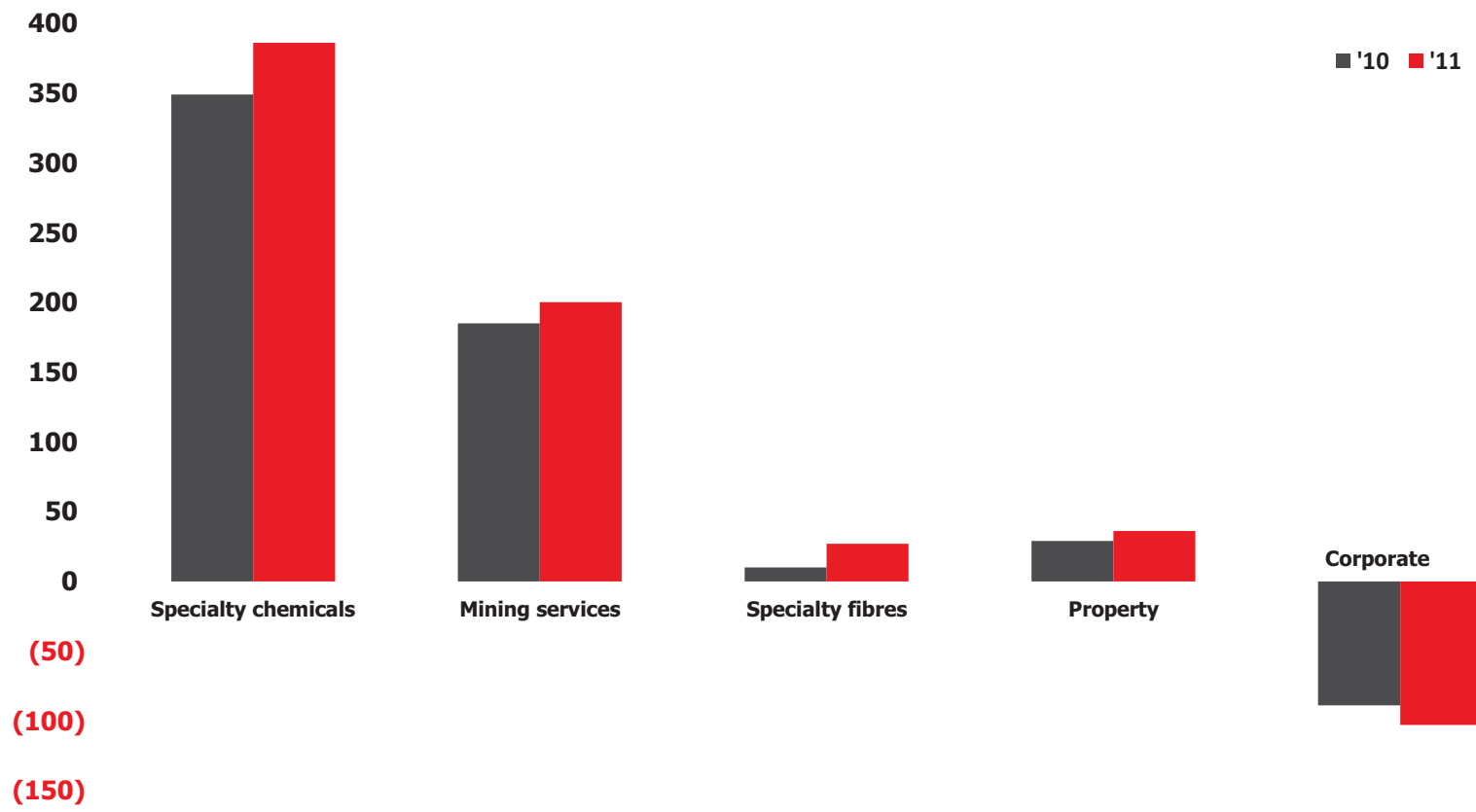
RESULTS 1H11 CONT.

- Capex R229m – incl. R109m for expansion projects
- NWC to sales at 20,2%
- Borrowings at R2 301m
- Gearing at 49%, down from 54% in 1H10 but up from year-end '10
- Cash interest cover 7,3x
- All loan covenants met
- Cash interim dividend 78 cps



RESULTS 1H11

PROFIT FROM CONTINUING OPERATIONS (Rm)



SPECIALTY CHEMICALS ENVIRONMENT



- High commodity prices in US\$ terms somewhat offset by strong ZAR
- Imports favoured over local manufacture
- Competition from global players intensifying
- Strong growth in food, mining and petrochemical sectors
- Paper industry in South Africa under pressure

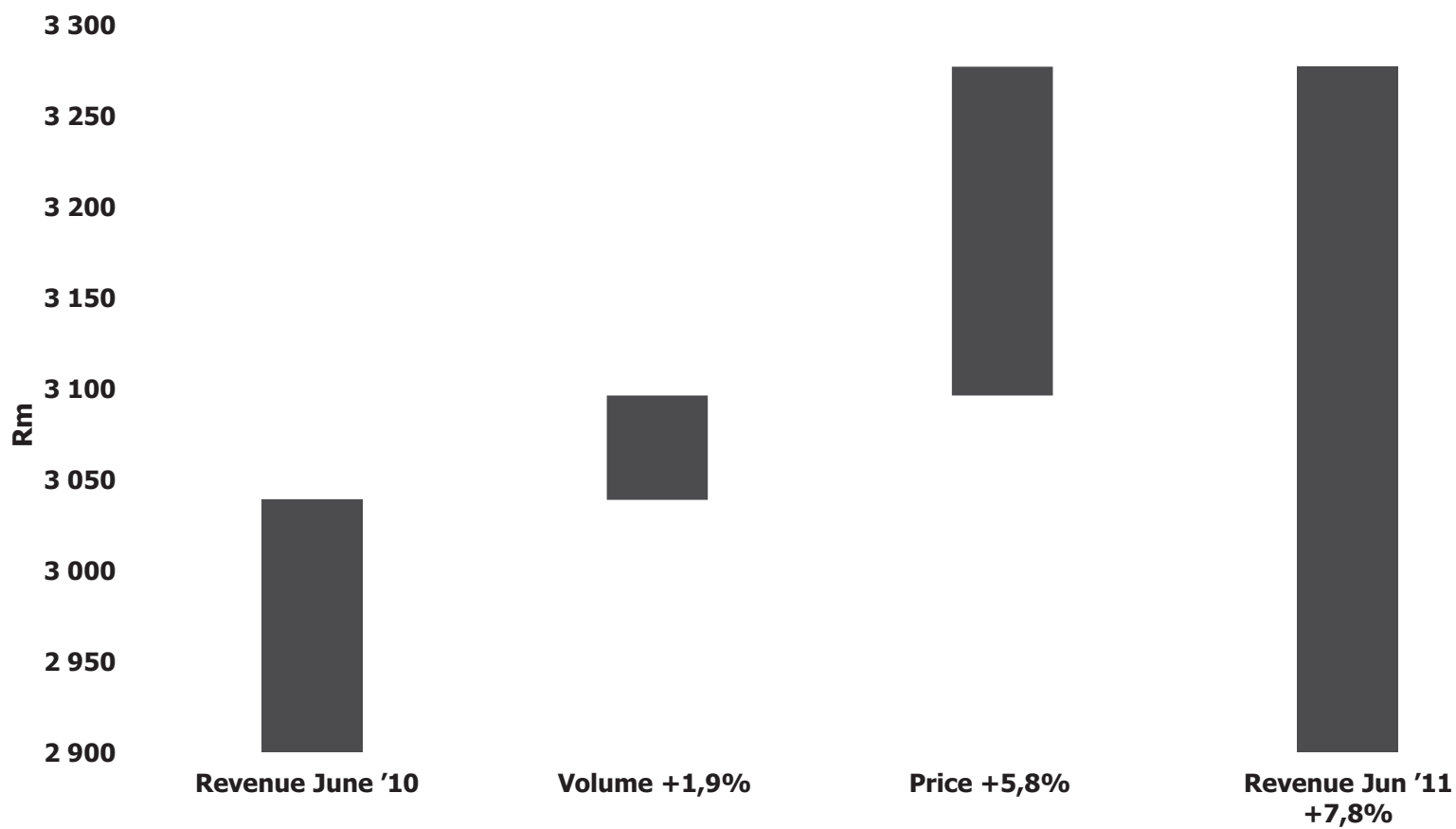
SPECIALTY CHEMICALS PERFORMANCE



- Revenue R3 277m +8%
- TP R386m +10%
- Trading margin (%) 11,8 ('10: 11,5)

- Volumes +1,9%: manufactured -4,9%; traded +10,8%
- Prices +5,8%
- Good cash generation on the back of strong profitability
- Excellent performances from ImproChem, IOP, Lake, Resitec
- Solid performances from the rest
- Merger of Infigro and SAPC
- Current ZAR/US\$ exchange rate challenging

SPECIALTY CHEMICALS 1H11 PRICE AND VOLUME ANALYSIS



MINING SERVICES ENVIRONMENT



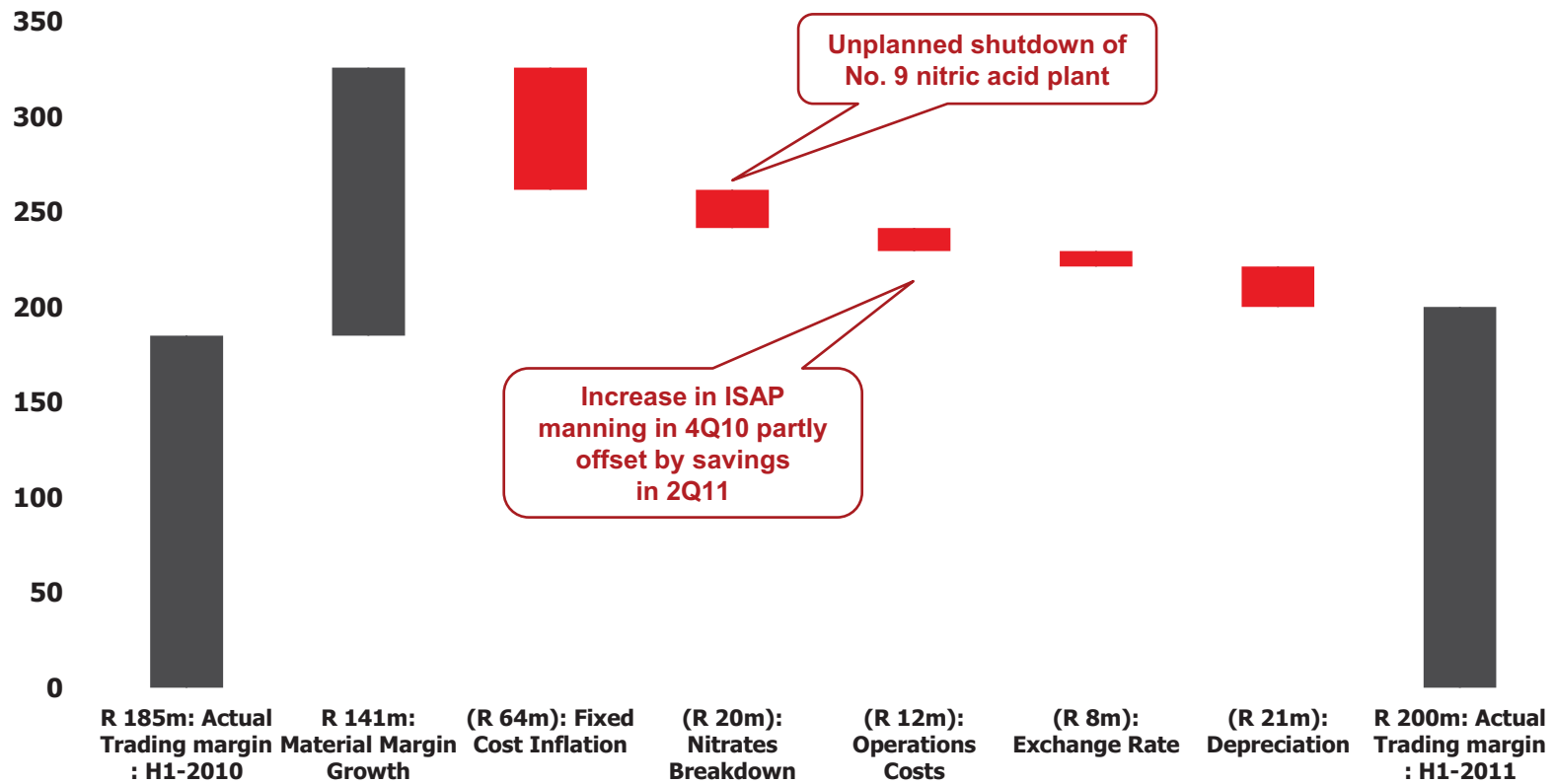
- Global mining – general growth across all regions
- Global infrastructure – developed countries depressed; selected high growth nodes
- Commodity demand remains sound in both industrial and investment sectors
- US\$-based earnings diluted by ZAR strength
- Key input costs higher – ammonia and fuel
- Africa more competitive
- Continued volume decline in SA deep level mining

MINING SERVICES 1H11 PERFORMANCE



- | | | |
|----------------------|---------|-------------|
| • Revenue | R2 542m | +11% |
| • TP | R200m | +8% |
| • Trading margin (%) | 7,9% | ('10: 8,1%) |
- Year-on-year weighted volume growth of 2,1%; price pressures
 - WC at 19,6% (1H10:19,1%)
 - Difficult start to the year – SA nitrates plant production constraints
 - SA and Indonesian volumes soft; market share changes did not impact 1H11 earnings
 - Retrenchment process underway, but running later than expected due to:
 - higher shock tube demand
 - fire on conventional plant
 - building inventories

MINING SERVICES 1H11 PERFORMANCE CONT.



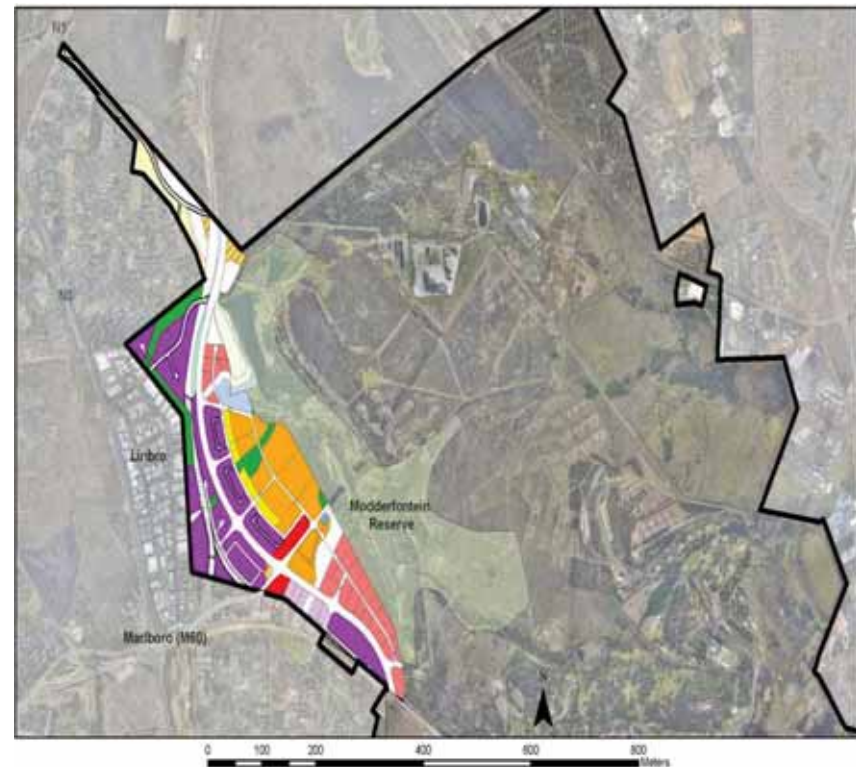
SANS TECHNICAL FIBERS



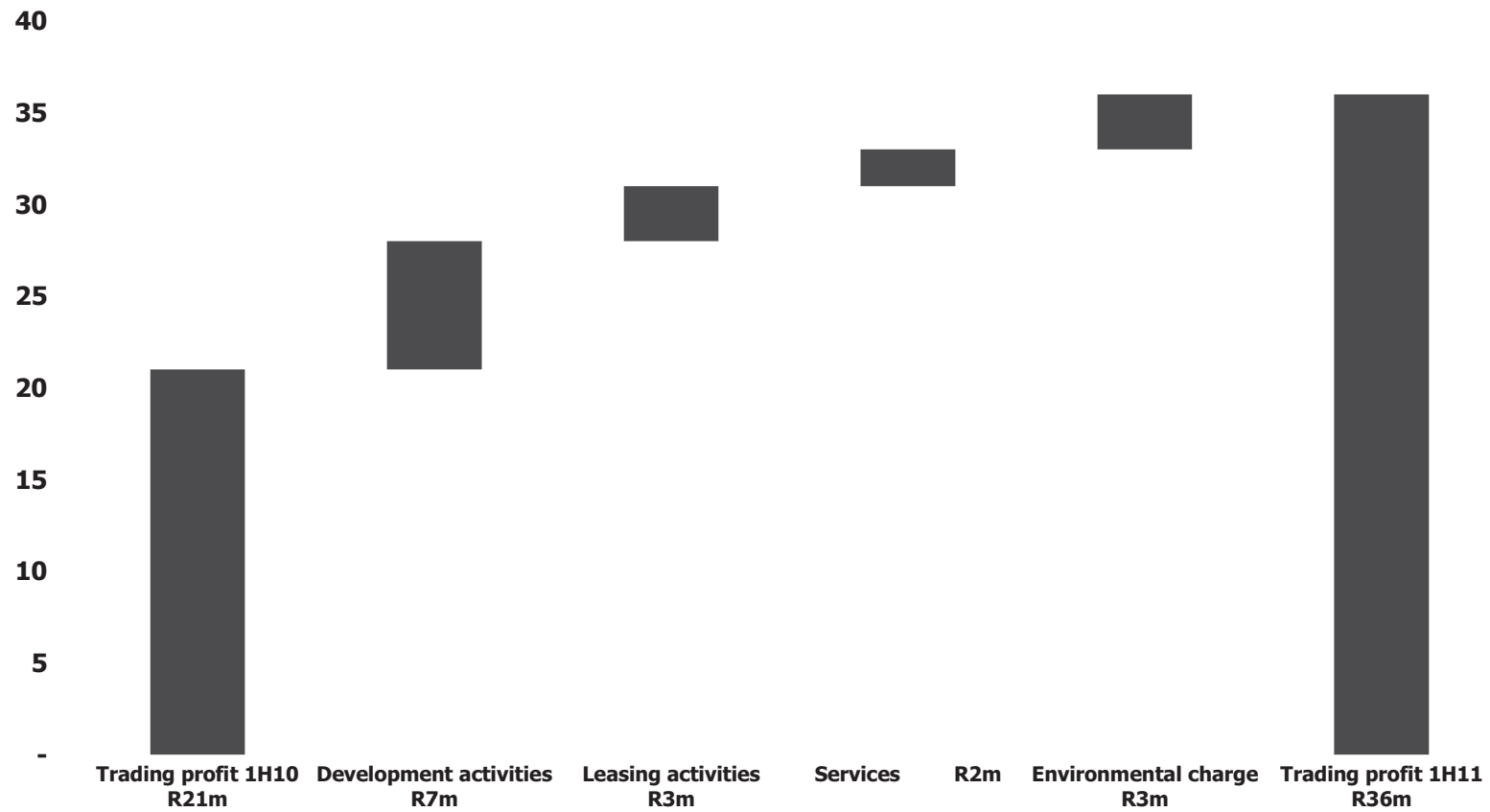
- | | | |
|----------------------|-----------|------------|
| • Revenue | US\$23,9m | +33% |
| • TP | US\$3,9m | +100% |
| • Trading margin (%) | 16 | ('10: 7,5) |
- Volumes sold +14%
 - Volumes produced +30% – new capacity
 - Strong global automotive demand
 - Expected margin pressure in 2H11 – raw material price increases
 - Long-term portfolio strategy to be reviewed going forward

PROPERTY ENVIRONMENT

- Property market still subdued
 - Development in prime locations seeing activity
 - Industrial enquiries remain buoyant
- Longlake development approved (220ha)
 - Commencing phased infrastructure spend to meet market demand
- Leasing portfolio still under pressure
 - Downward pressure on rentals, increasing vacancies
 - Reduced tenant retention

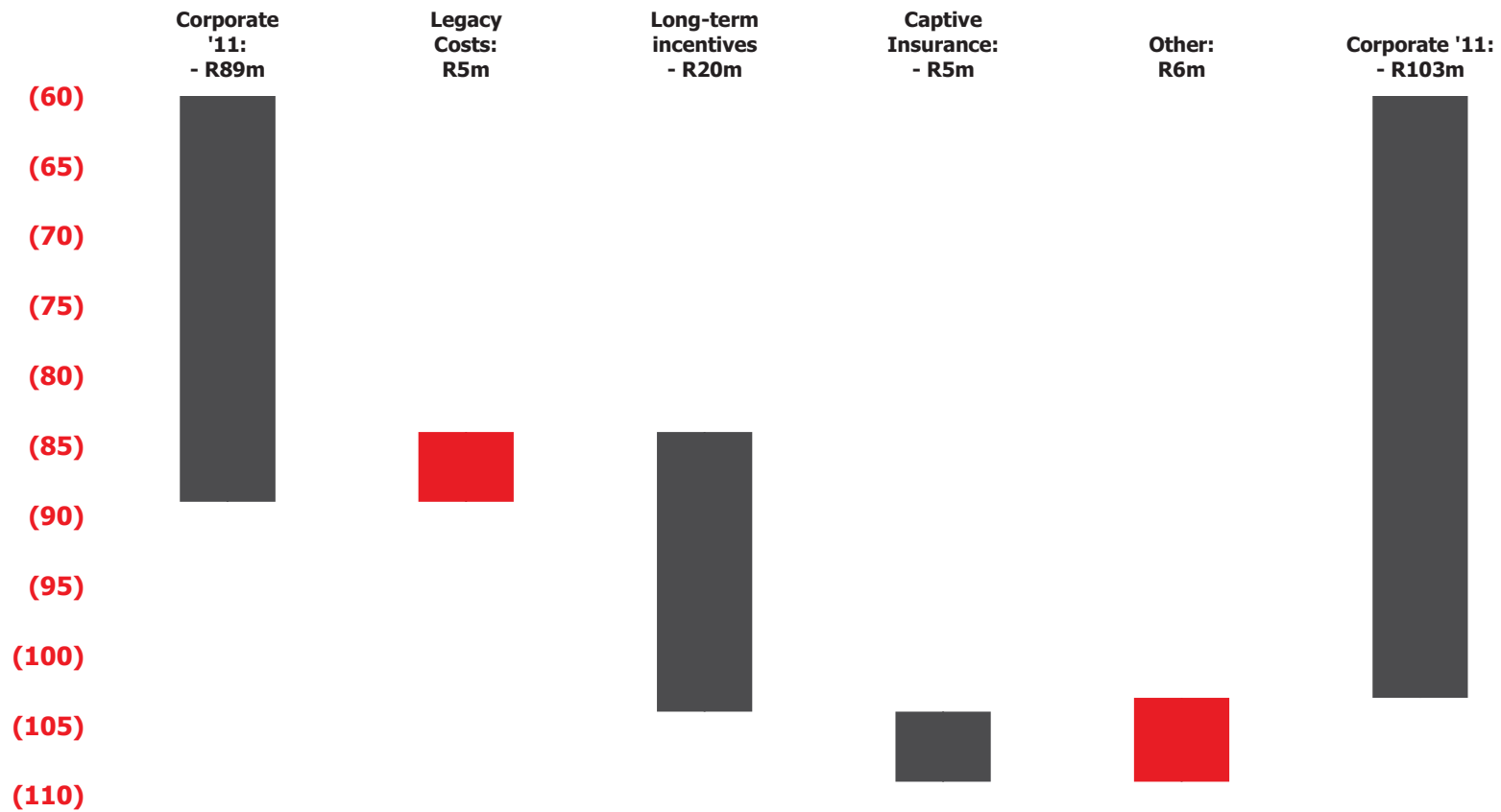


PROPERTY PERFORMANCE

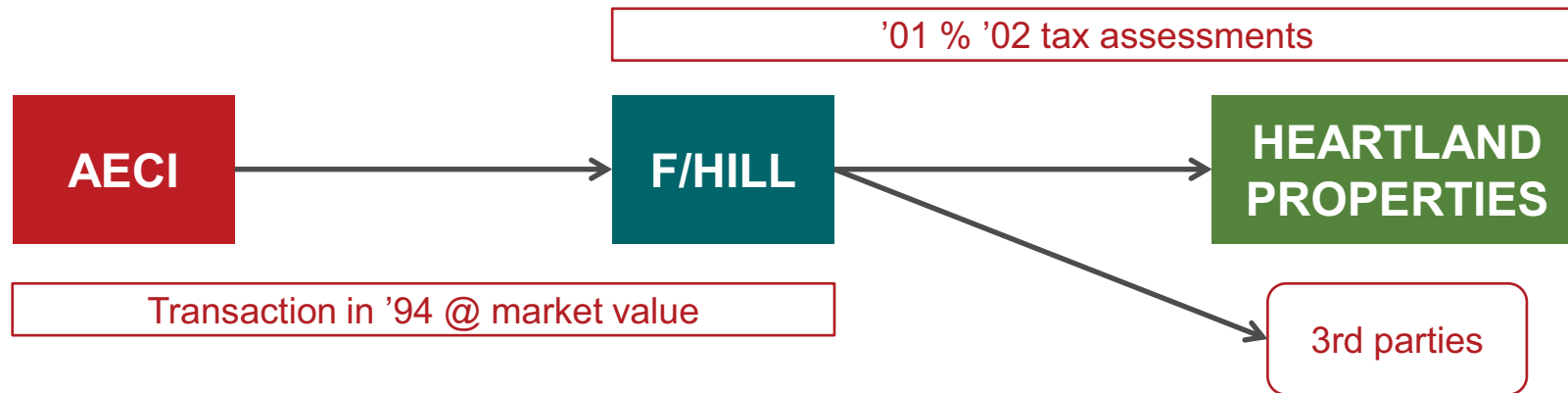


RESULTS 1H11

CORPORATE COSTS



FOUNDERS' HILL TAX RULING



- Land held by AECI for many years
- Created F/Hill based on advice
- Tax return disclosed as capital profit
- Ruling
 - Acquired to sell from day one, therefore trading stock
 - Realisation company concept did not apply
 - Normal tax not capital profit
 - Interest waived
- AECI appealed to Constitutional Court



PROJECTS & STRATEGY

SPECIALTY CHEMICALS PROJECTS UPDATE



- Solid xanthate pellet plant technology proved
 - Production rates limited by dryer operation
 - New dryer designed and fabricated (cost approx. R20m)
 - Currently being installed and commissioned
 - All other capital expenditure on this project is complete
- PAM plant
 - Process guarantees signed off
 - Key raw material supply shortages experienced
 - Production ramp-up as per plan
 - All capital expenditure complete



SPECIALTY CHEMICALS STRATEGIC OBJECTIVES



Southern Africa & Africa

- Optimise current business
 - Sales, margins, costs
 - Cash generation
 - Organic growth, agencies and bolt-on acquisitions
 - Sell new project capacities (PAM, xanthates, surfactant)
 - Acquire new businesses
 - T&C Chemicals
 - Qwemico: Agricultural chemical distribution
 - Croxton: Bulk caustic soda business
 - Mine/effluent water technology:
 - Cobito remaining 20%
- ImproChem/SAPC (complete)
Plaaskem (complete)
Crest (Competition Commission)
ImproChem (rejected)
Lake (complete)

SPECIALTY CHEMICALS STRATEGIC OBJECTIVES CONT.



- Expand appropriate businesses into Africa
 - Senmin mining chemicals
 - Chemicals cluster (Nigeria study)
- Markets of interest
 - Mining chemicals
 - Water, energy, oil, gas
 - Food additives
 - Agriculture
 - Green chemistry
- International expansion: Brazil being evaluated

MINING SERVICES CAPITAL PROJECTS



- **Total major capital project spend** R65m (1H10: R96m)
- **Sustenance capital** R73m
- **ISAP** Final estimate remains R695m
R54m (or 8%) spend remains
- **Indonesia** All five plants running
- **Africa continent infrastructure capital** Deployed and in full use
- **Environmental compliance capital spend** R100m for '11 and '12



All key technology design issues to enable full ramp-up resolved

- **Plant 1 – Tubing Plant:** run at above-required design output rates; signed off
- **Plant 2 – Detonator Plant:**
 - June record 8,2m detonators; 10m/month by year-end; 12m in 1H12
 - Reaching high levels of timing accuracy and reliability – introduced new products
 - Conversion and material costs reducing continually
- **Plant 3 Auto-Assembly Plant:**
 - Targeted output = 5m per month; currently 2m+; consistent increase
 - High product quality and performance achieved
- Targeted R10m/month ISAP-related saving moved to 2H11; remain confident

MINING SERVICES OUTLOOK



- Selected markets expected to do well
- Competitive environment to remain challenging; pricing to remain soft
- Counter with continued drive on value, volume and unit cost improvements
- SA deep level mining volumes to remain under pressure
- Ending a period of high capital deployment; focus on asset returns
- Increased sustenance capital spend focus at Modderfontein nitrates for 3 years
- Focus on:
 - Africa commodity growth
 - SE Asian coal and other growth
 - Latam shock tube and underground partnerships



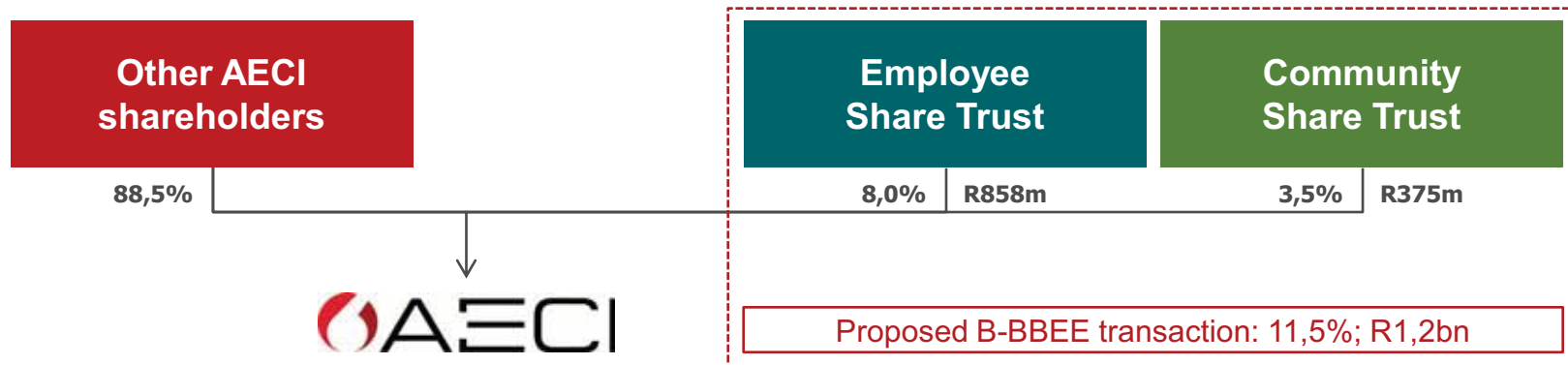
CORPORATE ISSUES

B-BBEE KAGISO TISO HOLDINGS (KTH) TRANSACTION



- 25,1% holding of the KTH consortium in AEL swapped for 4,18% in AECI
- “Tiso Community Development Trust” retained as a shareholder in AECI
- Value of the transaction is about R397m
- Earliest exit date for KTH is 31 December 2015
- Classified as a “small related party” transaction
- Subject to positive fairness opinion from Independent Expert

NEW B-BBEE TRANSACTION PROPOSED EST AND CST



- Transaction size about R1,2bn; 11,5% post issuance of equity share capital
- Employee and community trust components
- Maximum 10 year term
- Employee component through AECI Employee Share Trust (“EST”), consolidated
- Community trust component through AECI Community Education and Development Trust (“CST”), not consolidated
- Indicative economic cost, based on estimated IFRS2 charge, about R348m or 28,2% of transaction size

B-BBEE SCORECARD EFFECTS



- Effective B-BBEE equity ownership: 27,4% in terms of DTI codes
 - KTH 6,2%
 - EST/CST 21,2%
- EST/CST transaction subject to shareholder approval

B-BBEE TIMING AND FOR FORMALITIES



- KTH transaction
 - Independent Expert fairness opinion sought immediate
 - Opinion submitted to JSE end Aug.
 - Transaction unconditional, implemented early Sept.
- EST/CST
- Detailed terms announcement, shareholder circular end Sept.
- Shareholder meeting end Oct.
- Followed by issue of shares Nov.

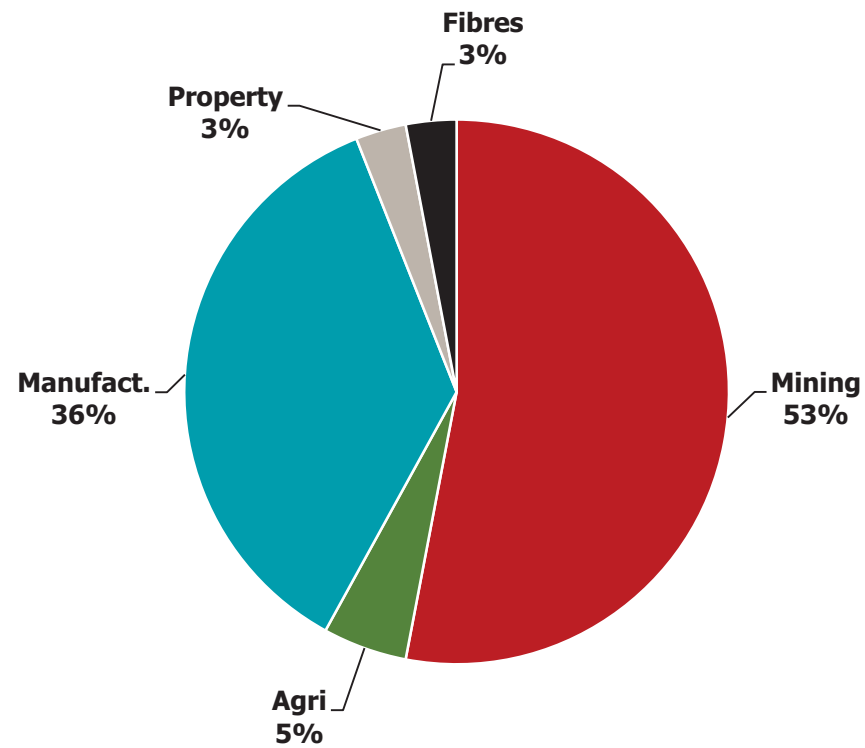


OUTLOOK

AECI 1H11 REVENUE SPLIT

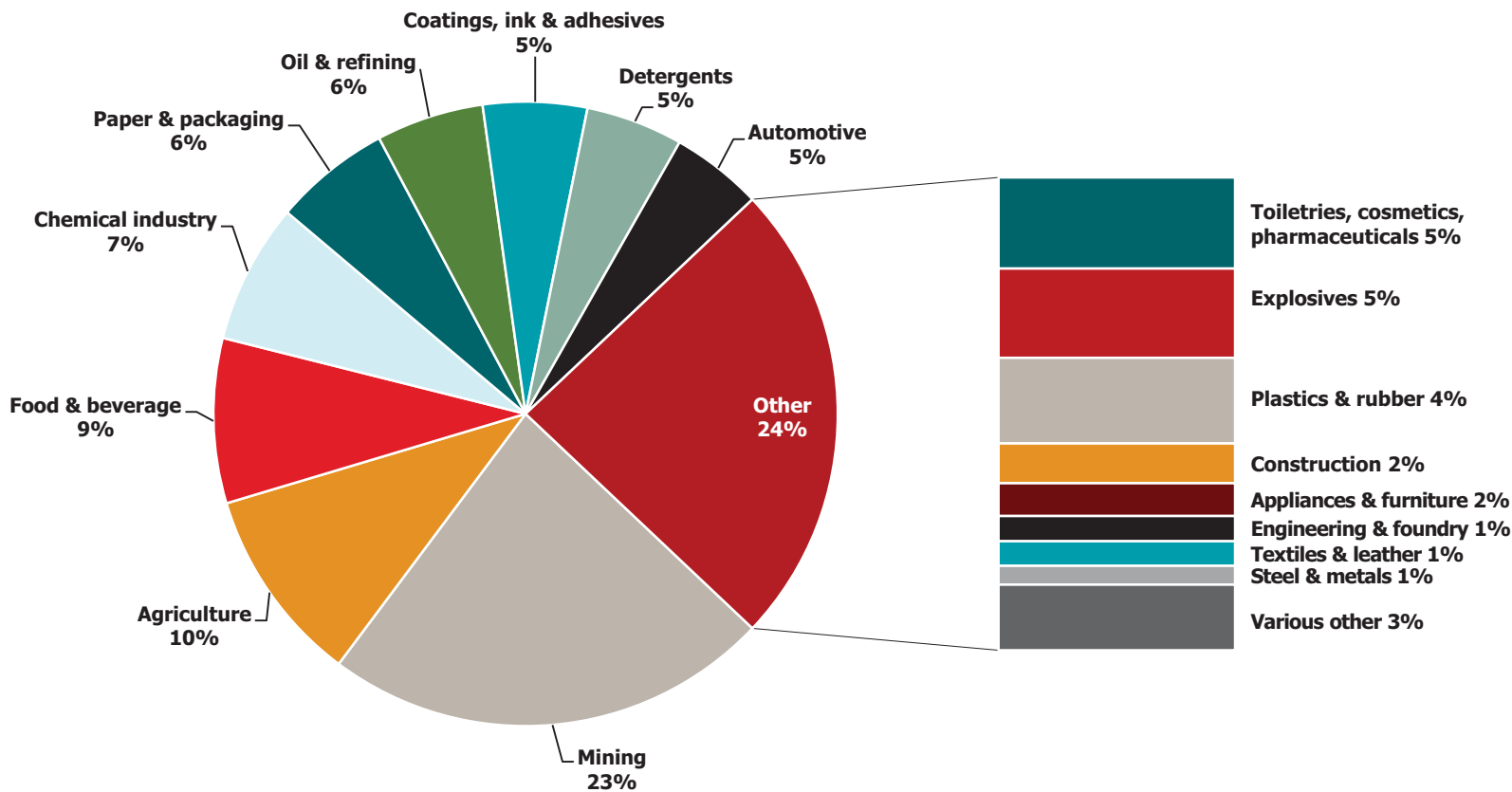


1H11 Revenue R5,96bn



SPECIALTY CHEMICALS REVENUE BY MARKET SECTOR

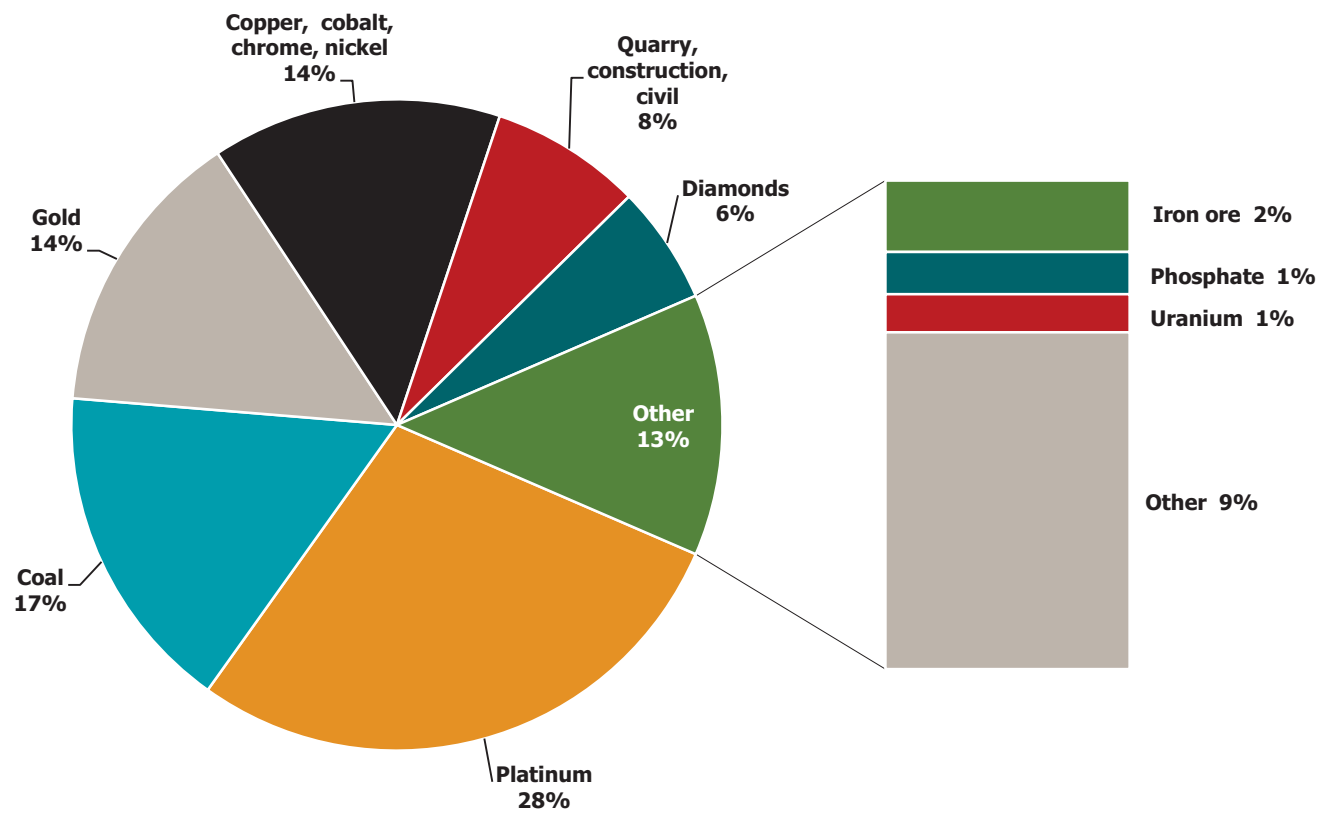
1H11 Revenue R3,3bn



MARKETS

1H11 MINING SALES SPLIT

1H11 Revenue R3,3bn



OUTLOOK



- Expecting growth in mining volumes to continue throughout Africa
- Manufacturing sector in South Africa: growth still sluggish but positive
- H2 operational performance historically better than H1
- This is likely to be dampened by:
 - Current labour unrest
 - Tightening market conditions
- But helped by the positive effect of:
 - Continued ramp-up of new plants
 - Acquisition of Qwemico, Cobito and Croxton taking effect
 - Seasonal effects

INVESTORS' CALENDAR



- **Investors' visit to Heartland, Modderfontein** October
- **General meeting of shareholders (B-BBEE)** ± end October
- **Financial year-end** 31 December
- **Results release and presentation** February 2012



THANK YOU