

Review of operations: conclusion

Business conditions in 2008 were extremely volatile, both in terms of input costs and availability on the one hand, and customer demand on the other. Added to this was the global financial crisis which started in the USA and spread to all parts of the world in the fourth quarter of the year.

The Group's positioning as a leading supplier of specialty products and services, mainly to the mining and manufacturing sectors, enabled it to not only weather the storm but to record significant growth during the year. More importantly 2008 was also a year of excellent progress in the execution of AECl's strategic objectives, especially in respect of its capital expenditure programmes.

As already reported, the Group has a demanding capital expenditure programme with major projects amounting to some R2 billion over two to three years. Both AEL and Chemserve are well advanced in the execution of their projects with beneficial use scheduled for 2009 and 2010. Even in the current economic climate, these projects are still expected to earn healthy returns on their investment and will put AEL and Chemserve in a strong strategic position in their respective market places.

In the property arena, pleasing progress was made in zoning and installing bulk infrastructure at the Group's Modderfontein and Somerset West sites. This will position Heartland Properties well for the sale of significant extents of land in the next up-cycle.

During the year, AECl continued its practice of active portfolio management with some smaller acquisitions in the Chemserve group and, regrettably, the announced closure of the Bellville operations of SANS Fibres. SANS Technical Fibres, in the USA, was a subsidiary of SANS Fibres but has now been set up as a stand-alone company in the Group.

The volatile and difficult business environment is set to continue in 2009, and AECl has focused its resources and management on maintaining the momentum on delivery of its strategy and the continued optimisation of its businesses. I am confident that the Group has the quality of management, the clarity of focus, and the resources to see it through these difficult times and that it will emerge from the current downturn as a stronger entity.

I thank our customers, shareholders and all our employees for their support during the year. AECl looks forward to strengthening its relationship with you as we face up to the current challenges together.



Graham Edwards
Chief executive
Woodmead, Sandton

23 February 2009