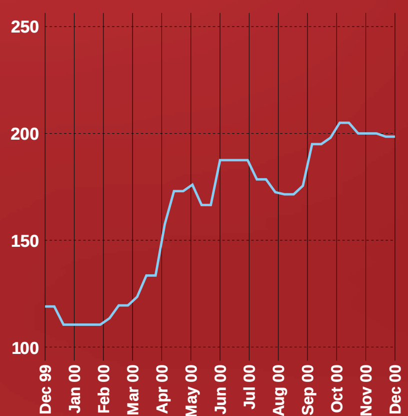
Core clusters

New contracts were won in West Africa and a **new manufacturing facility is being established** in Mali.

Product trials are under way in Chile and Peru as a prelude to a planned entry into **initiating systems markets** in these territories.

AEL has made significant progress in its quest to consolidate its position as the **world's leading supplier of electronic detonators.**

Ammonia price ($/t)



Cluster: Mining solutions (explosives)

While the year 2000 proved disappointing for African Explosives (AEL) in terms of financial results, it was marked by a number of positive strategic and operational developments. Significant progress was made on key issues related directly to AEL's stated objectives and defined growth strategy.

Graham Edwards

General Management Team:
Graham Edwards (46)
Managing Director
BSc (Eng) B Comm MBA PhD

Schalk Burger (37)
Manager: Nitrates Complex
B Eng MBA

Ross Duffy (36)
Factory Manager: Explosives
B Eng Tech

Piet Halliday (48)
Director: Products, Research and Technology
MSc PhD

Allan Ingham-Brown (50)
Manager: Human Resources
BA CPIR

Gys Landman (40)
Business Director: Narrow Reef
MSc (Eng) PhD (Eng) M Comm

Colin Rilley (49)
Business Director: Opencast and Quarry Services
B Comm MBL

Stuart Wade (43)
International Business Director
HNDT (Coal Mining)

Christopher "Tiff" Whitehouse (36)
Director: Electronic Detonators
BSc (Chem Eng) B Comm

David Whitewood (45)
Director: Finance, IT, Logistics and Site Services
BSc (Chem) CA (UK)

Penetration in Africa

With established operational assets in South Africa, Ghana, Zambia, Tanzania and Botswana, AEL continued to focus its African growth strategy on new business opportunities in other countries on the continent. It extended its market penetration in West Africa, winning new contracts with the Morilla Gold Mine in Mali and the Siguiri Gold Mine in northern Guinea. Main existing contracts in Ghana were also renewed. As a result, the company is establishing a new modular bulk emulsion manufacturing facility in Mali to service new contracts and to supply surrounding potential markets in other West African countries. The new plant, with a planned production capacity of up to 1 000 tons of emulsion per month, is scheduled to come on line towards mid-2001.

In East Africa, AEL secured new contracts with the Williamson Diamond Mine and the Bulyanhulu gold project in Tanzania. This means that the company's plant in northwestern Tanzania, originally established to meet the bulk explosives requirements of the Geita gold mining project, is expected to reach single-shift capacity early in 2001, a year after its official opening.

In Zambia, privatisation of the mining industry in mid-2000 triggered further revitalisation of the explosives business, representing new opportunities for AEL. The company is also exploring various expansions in some 20 other countries in East, West and North Africa.

International exports

AEL has been actively engaged in developing its export potential in South

America. In both Chile and Peru, product trials are under way as a prelude to a planned entry into the Chilean and Peruvian initiating systems markets. Future business resulting from these initiatives would represent a significant link between Africa's leading producer of explosives on the one hand, and the fastest growing explosives market in the world, on the other.

AEL continues to pursue other options for expansion of its products and services elsewhere in the world and alliances with other international explosives companies are being sought for this purpose. Such interaction will enable the business to become more integrated into the global explosives industry.

Development of international electronic detonator markets

Significant progress was made in AEL's quest to consolidate its position as the world's leading supplier of electronic detonators. The company's electronic detonator business has grown steadily, with volumes at end 2000 more than 60 per cent above the level at the beginning of the year.

In 2001, an intensive initiative to assess international markets will be sustained. Specific product development has been undertaken for this purpose and various product trials, specially tailored for conditions in relevant export markets, are under way.

Improved internal efficiency

This strategic leg is concentrated on such aspects as ongoing procurement of technically advanced plant, processes, products and services; higher quality and better safety levels; and greater industry rationalisation.

It is pleasing that AEL succeeded in maintaining its position as Africa's leading explosives producer, notwithstanding difficult trading conditions in the explosives and allied industries. In the process, a number of meaningful developments included:

- improvements in product quality, particularly in capped fuse;
- further improvements in safety performance with excellent safety statistics at all sites, including Ghana, Zambia and Tanzania;
- achievement of on time, in full (OTIF) delivery to customers, above 98 per cent.

2000 performance

Sales continued to grow but profits declined due to markedly higher input costs that could not be passed on in full to the market because of competitive forces. The price of ammonia, the major cost component for all explosives manufacture, more than doubled between the beginning of 1999 and the end of 2000. The second biggest input cost, that of diesel, is currently at record highs.

Overall sales rose by more than 2 per cent, helped by the increasing proportion of sales denominated in US dollars.

The new operation in Tanzania contributed a full year's sales and a break-even trading position; AEL's patience in Zambia was rewarded and during January 2001 debts outstanding since the privatisation of ZCCM were collected in full. Sales into the DRC were at a low level, but the company remains well positioned to exploit any upturn in the market. Sales were lower in Ghana and Zimbabwe, although AEL maintained market share.

Opportunities to rationalise the cost base continue to be pursued and underlying savings in excess of R30 million were realised during the year.

Solutions focus

AEL is increasingly focused on providing innovative blasting solutions for the mining, quarrying and construction industries. Divisions such as the specialist Blast Consult advisory team, together with value-adding services consultants and trainers, partner with customers to tailor-make solutions required for specific blasting problems.

Another meaningful blasting solution at an advanced stage of development is AEL's Threshold Blasting method. This technology, backed by the company's expertise and products, has the potential to revolutionise mining by providing continuous 24-hour blasting, as opposed to conventional cyclical operations.

The way forward

Against this background, AEL faces with confidence the challenges of 2001: continuing development of technical and service capabilities to deliver solutions to all customers; acceleration of the strategic thrust into electronic detonators; continuing expansion of operations – both in Africa and further afield; ongoing improvement of technology, quality and safety; and reduction of costs and non-value-adding services.

Alliances with other international explosives companies will enable AEL's business to expand and become more integrated into the global industry

Cluster: Specialty chemicals

By January 2001, all of AECI's specialty chemicals companies had been repositioned in the Chemical Services Group (Chemserve). Through its structure of niche-orientated, customer-focused, service-intensive small- to medium-sized businesses, Chemserve has an excellent track record of marketing specialty chemicals to a broad range of industries. Its diversified portfolio, coupled with the value added through dedicated customer service, continues to provide the basis for robust earnings potential. This vision, enhanced by a successful and aggressive acquisition strategy, has ensured Chemserve's success for the past decade.

Schalk Engelbrecht

Executive Committee (Chemical Services):
Schalk Engelbrecht (54)
Managing Director
BSc MBL

Frank Baker (47)
Executive Director
BSc (Chem Eng)

Mark Dytor (39)
Executive Director

Alan Roth (57)
Alternate Director and
General Manager Technology
MSc

Trevor Street (53)
Executive Director

Chemical Services Limited

Specialty chemicals have applications in a broad range of activities, either as "invisible" components of products used or consumed in everyday life, or as additives to enhance the process efficiencies of a vast array of manufacturing industries. The economic, environmental and social benefits delivered by specialty chemicals are often not understood, and possibly not well communicated by the industry. Specialty chemicals are generally added in small quantities as a relatively minor cost component, yet add significant value to the final product or process.

Globally, specialty chemicals have not performed well in recent times. Modest growth in demand, the strong dollar and significant increases in raw material costs in the wake of oil price escalations had a highly disruptive effect on the financial performance of specialty chemical companies worldwide. Earnings were generally lower and the industry continued to pursue restructuring or refocusing through mergers and acquisitions, albeit at a slower rate than in 1999. In southern Africa, trading conditions were difficult, with subdued demand across a broad spread of manufacturing industries. The local economy performed below expectations, and foreign and domestic investment confidence was also influenced by the economic and political crises in Zimbabwe.

Chemical Services

Against this background, another successful year for Chemserve was all the more pleasing. The 25 per cent increase in headline earnings to 149.2 cents per share was the eighth consecutive year of record earnings, resulting in a compound growth rate over this period of 21 per cent per annum. This allowed for a total dividend distribution of 37 cents per share, an increase of 20 per cent compared to the prior year. The trading performance was accompanied by a strong balance sheet, with gearing and working capital ratios at all-time lows. This facilitated further growth by acquisition, an important thrust for the Chemical Services Group.

On 1 January 2000, Chemserve acquired, and successfully integrated, the businesses of Performance Masterbatch and Custom Colour, and AECI Limited's 50 per cent shareholdings in Resinkem and Specialty Minerals South Africa. AECI Coatings, Kynochem and Industrial Urethanes were acquired from AECI Limited with effect from 1 January 2001 for a consideration of R272 million. These businesses will significantly broaden and enhance Chemserve's portfolio, in line with its strategy of controlled growth.

Assuming a modest upturn in the manufacturing sector, Chemserve's current headline earnings forecast for 2001 is 167 cents per share.

AECI Coatings

AECI Coatings, formerly the Technical Division of Dulux, was established in April 2000 as an 80:20 joint venture company between AECI Limited and PPG Industries Inc. of Pittsburgh, USA. It supplies hi-tech coatings to automotive manufacturers, the automotive repair sector, automotive component manufacturers, and general industrial markets.

PPG is the largest supplier of coatings to the automotive industry in the world and operates on all continents. The establishment of AECI Coatings builds on a longstanding relationship between PPG and the AECI Group. Whereas cooperation in the past was restricted to a limited number of products for paint electrodeposition on car bodies, the joint venture agreement secures access to all PPG technology and support as required.

As a result of the new partnership, AECI Coatings relinquished its main branded product in the refinish market to replace it with the PPG brand. This complex and costly exercise is largely complete and the company is concentrating on recapturing market share lost during the brand transition. Efforts in this regard have progressed at a pleasing rate.

After the split from Dulux and its establishment as a company, AECI Coatings needed to refocus on its streamlined portfolio. The restructuring associated with this had been completed by year-end. This process, together with the transition to a new brand, impacted severely on the company's financial performance for the year. With new structures and products in place, it is expected that the joint venture will progressively deliver material benefits in 2001.

Industrial Urethanes

Weaker than expected demand had a negative effect on trading results. Business efficiency initiatives began to deliver benefits towards year-end and the positive impact of these on working capital and manufacturing will be taken forward into 2001.

Focus on new product development and commercialisation resulted in entry into new market sectors. Investigations into optimisation of the propoxylation plant at Umbogintwini have led to interesting opportunities for diversification and extension of the product range.

A restructuring of the company in the fourth quarter increased representation and service levels at clients that will set benchmarks for the urethanes industry.

Industrial Urethanes retained its ISO 9002 Quality Management listing and has done so since 1990.

Kynochem

Despite difficult conditions in ammonia and urea trading, solid performances in other business areas assured Kynochem of a successful year. Local market conditions were lacklustre but the company's performance was boosted by increased exports into Africa, notwithstanding political turmoil in the region.

Development continued with a range of specialty nitrates being produced at Modderfontein, an investigation into the construction of a sulphamic acid facility at Umbogintwini, and further advances in the operation of chemical facilities at customers' sites. After a disappointing 1999, production at the company's aluminium sulphate plant in Springs recovered to the extent that record figures were achieved. It was most pleasing that this improvement was accompanied by significant progress in the areas of safety, health, environmental and quality performance. At Umbogintwini, the positive trend in this regard culminated in the facility being awarded the ISO 14001 environmental management certification in February 2001.

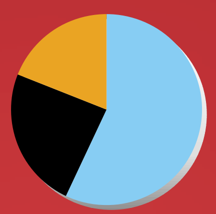
Watercare Africa, Kynochem's empowerment joint venture, completed its first full year of operation. It continued to build a reputation as a quality player in the potable water and effluent treatment sectors.

Led by Chemical Services, the specialty chemicals cluster is anticipating further growth in earnings in 2001

Core clusters

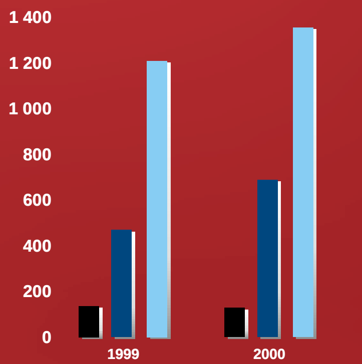
SANS Fibres continues to prosper by concentrating on global opportunities in specialty fibres. This strategy requires unwavering focus on selected niche markets where the company has developed a reputation as a world leader.

Total sales by sector



Trading profit by sector

Financial performance (Rm)



Cluster: Specialty fibres

During 2000, SANS Fibres moved aggressively to implement its core strategy of becoming a world-class manufacturer and the world leader in the supply of nylon and polyester industrial yarns. This strategy centres on strengthening the LDI (light decitex industrial) and specialty HDI (heavy decitex industrial) niches. LDI yarn is used in the manufacture of sewing threads, parachutes and timing belts. HDI end-uses include conveyor belts, tarpaulins, Colorcord™ luggage, and boat coverings.

Thys Loubser

Executive Committee:
Thys Loubser (47)
Chief Executive
B Eng M Eng Pr Eng

Barry Evans (57)
Director: Industrial Business

Jannie Hofmeyr (53)
Company Services Director
BSc (Chem Eng)

Brad Page (37)
Manufacturing Director
BSc (Chem Eng)

Adrian Reeve (40)
Technology Director
BSc (Chem Eng)

Investments

In a key strategic step, R40 million was invested at the company's Bellville site for the development of a hi-tech spinning platform. Part of the plant came on stream in January 2001, with the balance expected to be operational by April 2001. The project strengthens SANS Fibres' position as the world's largest supplier of light industrial nylon yarns for sewing thread manufacture. Resultant output is destined mainly for global markets outside the USA.

Technology identical to that installed at Bellville is also destined for the company's joint venture manufacturing facility in Stoneville, North Carolina. This joint venture was established with Unifi, a world-class fibre manufacturer listed on the New York Stock Exchange, and represents an investment of about R80 million. Simultaneously, the two-stage light industrial nylon yarn business of US-based Solutia was purchased.

A manufacturing platform in the US not only adds further strength to SANS' global position in light industrial yarns but is critical to the company's competitive position in industrial fibres in the context of aspects of the North American Free Trade Agreement which have limited SANS Fibres' ability to supply yarn from South Africa into the US market. Solutia's intent to move out of the sewing thread market, to focus on its core nylon and heavy decitex yarn business, provided an excellent opportunity for SANS to consolidate its presence in the US.

The Solutia business is being transitioned to the joint venture, which is installing a spinning and drawing plant at Stoneville. The joint venture company is trading as Unifi/SANS Technical Fibers LLC, known as UniSan, and will manufacture low-shrink, high-tenacity nylon 66 LDI yarns with an annual production capacity of 4 800 tons.

SANS Fibres provides the joint venture with a strong reputation for the development of products with superiority in high-speed industrial sewing applications, whilst Unifi provides a network of resources and expertise in quality, innovation and knowledge of specialty and value-added markets.

In a separate transaction, the purchase of the Colorcord™ business from Honeywell in the US has secured for SANS the predominant global position in coloured, high-tenacity polyester yarns and has strengthened further the focus on specialty niches.

PET 2, the company's second polyester resin plant, came on stream in November 2000 about two months ahead of schedule. The R60 million facility at the Bellville site has increased PET production capacity from 72 to 180 tons per day. About 70 per cent of PET produced is supplied to customers in South Africa and Africa, with the remainder exported to offshore markets. The local market for PET continues to grow in excess of 20 per cent per annum. PET is used in a number of packaging applications, most notably 500ml and 2l carbonated soft drink bottles. Trends continue to show a swing away from PVC, glass and cans towards more environmentally- and consumer-friendly materials such as recyclable PET.

The ongoing focus on skills development led to significant gains in the manufacturing area where about 60 per cent of employees were trained to identify, on an ongoing basis, ways to improve operations and reduce costs. This training is a key component of SANS Fibres' core strategy to be a world-class manufacturer and efforts will continue in 2001.

Financial performance

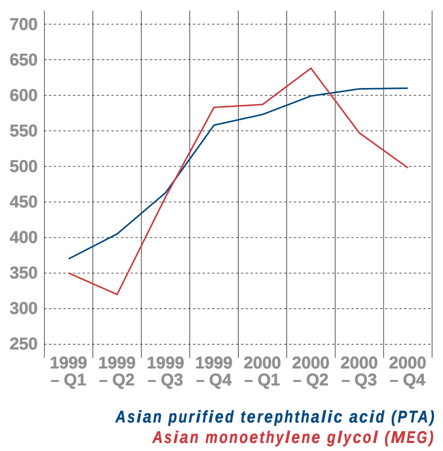
Trading profit of R128 million under difficult circumstances was pleasing, especially when compared with the performance of other global players in specialty fibres. Raw material prices increased appreciably during the year, driven by world prices for crude oil and intermediates. The profitability of SANS Fibres' exports into Europe was particularly pressured due to the weakness of the euro.

The local apparel market also suffered from weakness at the retail level and continued to be adversely affected by illegal imports. However, with exports representing just over 50 per cent of sales in 2000 and given its growth in specialty industrial yarns, the company is becoming less sensitive to the apparel industry.

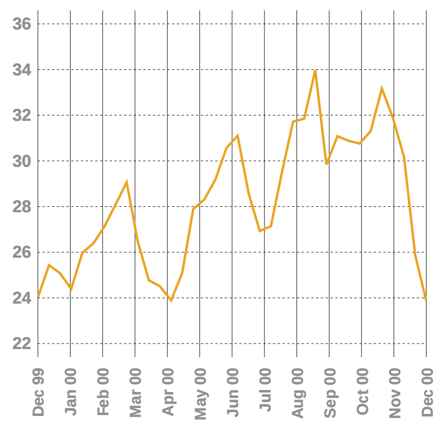
Negative factors were offset by growth in the company's strategic business sectors. The purchase of the Honeywell Fibrebrite/Colorcord™ business added significantly to profits for the year. Growth in the sewing thread sector continued and was particularly evident in the Far East. That additional PET capacity came on stream earlier than scheduled was also of benefit since it coincided with the summer season when demand is greatest from customers in the carbonated soft drink market.

The outlook for greater profitability in 2001 is promising. Increased PET output will satisfy local growth and any potential surplus capacity will be exported to Europe. Further growth in specialty sewing thread markets is anticipated, particularly in Asia Pacific and in North America as the new plant, in the joint venture, comes on line. Relative to 2000, raw material prices are expected to be more stable. Furthermore, indications are that the euro will recover or at least stabilise, allowing SANS Fibres to recover margins in Europe.

Polyester raw material prices ($/Mt)



Oil price ($/bl)



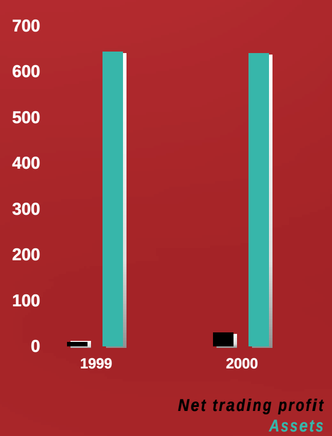
Property

Heartland Properties' spectrum of products ensures its ability to maximise growth opportunities.

It is expected that 2001 will present better opportunities and these will continue to be pursued vigorously by Heartland Properties.

The company has access to 3 000 hectares of strategically located land for development over the next 10 years.

Financial performance (Rm)



Property: Heartland Properties

Heartland Properties was established early in 1999 when, as part of its Transformation Programme, AECI Limited increased its emphasis on realising value from land and property assets surplus to the Group's operational requirements. In its second full year of operation, the company made pleasing progress towards achieving this strategic objective.

Wayne Holder

Executive Committee:
Wayne Holder (38)
Managing Director
Dip Project Management

Ralph Gruenbaum (58)
Finance Director
CA (SA)

Len Larson (57)
Operations Director
NDT (Chem)

Pierre Rossouw (48)
General Manager Asset Management
B Comm

Kevin Thomas (47)
General Manager Property Development
BA (Hons) Econ

Efforts continued to be concentrated on AECI's three largest, traditional sites: Modderfontein in Gauteng, Somerset West in the Western Cape, and Umbogintwini in KwaZulu-Natal. With a broad range of property products being made available to the market, development activities at all three sites made pleasing contributions to Heartland Properties' overall performance in 2000. Heartland has access to 3 000 hectares of strategically located land for development over the next 10 years.

Overall 2000 was a difficult year for the property sector, and developers and the building industry operated in an extremely flat market. As the year progressed some signs of growth began to emerge, first in the residential and industrial sectors and then in retail and office space. Heartland's spectrum of products ensured its ability to maximise growth opportunities in all sectors. The company is confident that, in the context of the government's disciplined fiscal policy, 2001 will present better opportunities and these will continue to be pursued vigorously.

With the closure of several AECI manufacturing operations in 1999 and 2000 additional buildings and land, previously occupied by and in support of manufacturing activities, became available. This led to the establishment of an Asset Management division, within Heartland Properties, tasked with optimising returns on relevant assets. This had the effect of reducing holding costs for the AECI Group whilst

HEARTLAND PROPERTIES

still maintaining properties at acceptable standards. At Modderfontein, in excess of 90 000 m^2 suitable for commercial and retail use has been freed and more than 20 000 m^2 of industrial space is available. In January 2001, Heartland extended this service to the Somerset West site where 60 000 m^2 of space is now under management of its Asset Management division.

Modderfontein

This site now offers industrial, commercial, retail and several residential opportunities. Longmeadow Business Estate, dubbed by the property industry as Gauteng's "Property Hot Spot", recorded exceptionally pleasing returns and is expected to make a significant contribution for some years to come. Thornhill and Lakeside, two residential estates, have been well received by the market. The projects comprise refurbished homes in well-established areas. They have contributed to the re-establishment of Modderfontein as a desirable residential node offering a desirable lifestyle.

The 230-hectare Greenstone Hill and Park development, between Modderfontein and Edenvale, was approved and work is scheduled to commence in the second quarter of 2001. Of the 200 hectares available for residential development, 30 hectares are already sold and tenants have been secured for 40 per cent of the 30-hectare commercial and retail sections.

Somerset West

Redevelopment of this site attracted significant interest and all four of the key projects being promoted by Heartland Properties recorded an increase in activity in 2000.

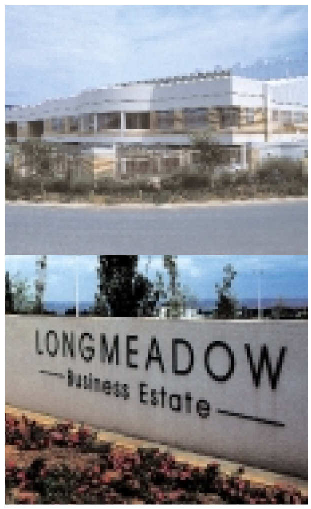
Somerset Ridge Residential Estate, with 720 sites, was sold by year-end. The balance of land available for this estate has been released and is expected to be sold out by mid-2001.

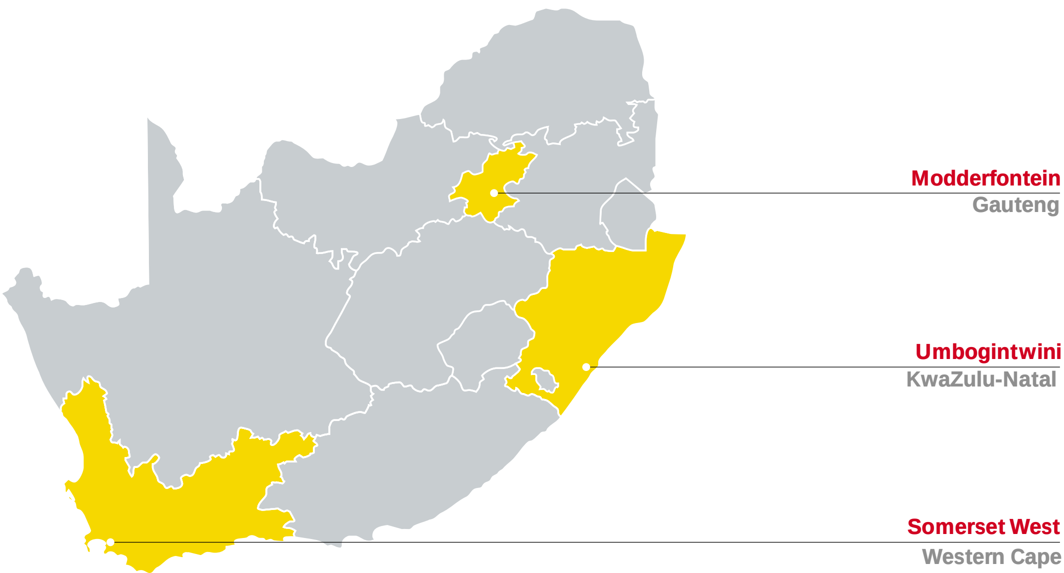
The Interchange, aimed at the light industrial market, attracted pre-sales in excess of 50 per cent of the total development, scheduled for 2001.

Demand for office space in the Helderberg Basin led to the establishment of The Links Office Park and 30 per cent of available space was taken up between the project's launch in October and year-end. Retail developments released in the last quarter had also been sold by year-end and additional, similar projects are being evaluated.

Umbogintwini

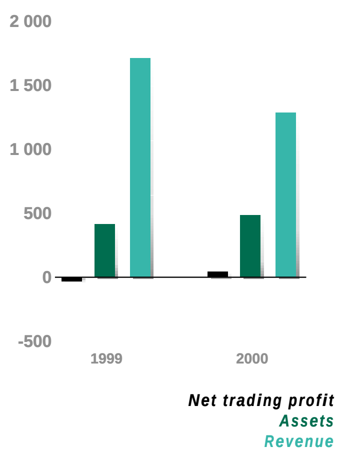
Activities at Southgate Industrial Park, where performance has been very disappointing in the past few years, showed some improvement. The property market in the greater Durban area, however, remains depressed and no major turnaround is expected in the short-term.





Other businesses and major associated companies

Financial performance (Rm)



AECI Aroma and Fine Chemicals

The performance of this small fine chemicals operation, based at Richards Bay, continued to improve with revenue increasing by 14 per cent and profit more than doubling compared with 1999. The company continues to be a world-scale producer of Tertiary Butyl Hydroquinone, an antioxidant used to retard the oxidative degradation of edible oils and fats. The downward trend in world prices, resulting from globalisation of the industry, is expected to stabilise in 2001 as a better demand/supply balance develops.

AECI Bioproducts (60%)

Poor lysine prices characterised most of the year but, from the fourth quarter, prices began to recover strongly. Business booked through to the middle of 2001 has been done at prices at, and above, long-term averages. Furthermore, production in the last quarter began to reflect the benefits of a plant installed at the Huletts sugar refinery to improve the quality of the high test molasses used as a raw material by AECI Bioproducts. In December, the company's plant ran at a rate close to 20 per cent above design. This, together with improving prices, resulted in the business recording a profit for the first time and modest profits are anticipated in 2001.

Discussions have commenced which could lead to the sale of a shareholding in AECI Bioproducts to a major international nutrition company.

New business development

Development of technology in the fields of antioxidants and aroma chemicals has progressed to a stage where investment proposals are ready for submission to principals. Discussions with potential equity partners, to provide international expertise and to share the costs of these investments, have been initiated.

Dulux

The planned restructuring of Dulux into a predominantly decorative paint company was completed during the year. Customers saw this as a positive development and no market position was lost.

Decorative paint sales showed encouraging growth despite relatively flat market conditions. Sales and marketing efforts focused on the branded lines and the business benefited from improved volumes and margins. Market research again confirmed the value of the Dulux™ brand in the South African market.

The year saw the launch of the Matchmaker 3™ point of sale tinting system that provides a number of technical and marketing advantages to retail stores. It was well received by retailers and consumers and the rollout to all stores will be completed during 2001.

Customer service remains a key area of attention for the business. General service levels improved and additional measures to monitor customer satisfaction were introduced. Further gains are expected from a new customer relationship management system that was commissioned at the end of the year.

Kynoch Feeds

The company's new bulk handling system was commissioned and proved to be well justified in terms of cost savings, increased bagging ability and in-house product containerisation.

Plant output exceeded previous records, pleasing reductions in working capital were achieved and trading profit improved substantially, notwithstanding the difficult trading conditions that prevailed both locally and internationally in the first six months. In the second half-year, international sales recovered appreciably and record-level exports had been achieved by year-end.

The weakening of the rand against foreign currencies resulted in a sharp escalation in input costs. Difficult conditions in the local market are expected to continue in 2001, as local manufacturers' price cutting strategies continue to pressurise profit margins. Export sales, however, are expected to escalate appreciably and an overall improvement in performance is anticipated.

Associated companies

Huntsman Tioxide Southern Africa (40%)

In an excellent year for this business, global demand for titanium dioxide pigment continued to grow and prices reached their highest levels in some time. Export sales were particularly pleasing and domestic demand met expectations. In addition, several production and product quality records were broken.

The company's manufacturing capability and competitiveness improved further and the ongoing focus on uptime, quality and cost controls was sustained. Two major maintenance shutdowns were completed and, simultaneously, numerous improvement projects were implemented. These efforts culminated in the facility being judged the most improved pigment manufacturer, in terms of quality, in the worldwide Huntsman Tioxide group.

Achieving world-class safety, health and environmental performance standards remains the company's first priority. In this regard, the benefits of a high profile proactive programme began to emerge in 2000.

Another good performance is expected in 2001.

Kynoch Fertilizer (50%)

The international fertilizer market experienced sharp increases in nitrogen prices throughout the world during the second half of the year. On the back of substantial increases in gas prices, primarily in the US, production and procurement costs of ammonia escalated to new heights. Price movements in urea followed this trend but at a much slower pace, creating a two-tier market scenario between the USA and the rest of the world. Phosphate prices started to recover from the low levels experienced in 1999 but lack of demand, particularly in India and Pakistan, led to an unsatisfactory price erosion despite indefinite cutbacks of production in the US.

Kynoch Fertilizer, after the conclusion of the joint venture in 1999, continued to reposition its market focus on margins rather than market share. Operational performance showed some significant improvement due to stringent cost control and better sales conditions during the second half of 2000.

Higher costs of nitrogen, as a consequence of global events, impacted on performance and led to a significant increase in fertilizer prices for the farming sector. Cost improvement programmes were launched to further reduce the fixed cost level, the full effect of which will only be reflected in the 2001 financial year. Restructuring of the entire supply chain and a significant reduction in the product range will further contribute to enhanced performance in the year ahead.

The company suffered from exceptional, non-recurring costs related to stock write-offs and retrenchments that outweighed the positive operational performance achieved during 2000.

Conclusion

The year 2000 saw further considerable progress towards the reinvention of AECI as a performance chemicals group. I wish to thank all my colleagues for their ongoing commitment to change, and for their dedicated efforts in what was a difficult business environment. I am also most grateful to all our customers, suppliers and other associates for their continued support.

Lex van Vught
Chief Executive

As in 1999, the year 2000 saw considerable progress being made towards the reinvention of AECI