

**AECI LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration number 1924/002590/06)  
JSE ordinary share code: AFE  
JSE preference share code: AFEP  
JSE ordinary share ISIN: ZAE000000220  
JSE preference share ISIN: ZAE000000238  
("AECI" or "the Company")

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**UPDATE ON THE PROPOSED B-BBEE TRANSACTION AND WITHDRAWAL OF  
CAUTIONARY ANNOUNCEMENT**

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## **1. Introduction**

AECI shareholders ("Shareholders") are referred to the detailed terms announcement released on the Securities Exchange News Service ("SENS") on Thursday, 13 October 2011 and published in the press on Friday, 14 October 2011 relating to the proposed Broad-based Black Economic Empowerment ("B-BBEE") transaction ("the proposed B-BBEE Transaction") and the results of the general meeting and the cautionary announcement released on SENS on Thursday, 24 November 2011 and published in the press on Friday, 25 November 2011 ("the 24 November Announcement").

Shareholders are further referred to the circular to Shareholders containing the full terms of the proposed B-BBEE Transaction ("the Circular"), posted to Shareholders on Wednesday, 26 October 2011.

## **2. Mechanics of the proposed B-BBEE Transaction**

As set out in the Circular, the proposed B-BBEE Transaction will be implemented through:

- the creation and the specific issue of 10 117 951 unlisted redeemable convertible B ordinary shares ("AECI B Ordinary Shares") to the AECI Employees Share Trust ("the EST"), constituting 8% of the Net Enlarged Issued Share Capital (as defined in the Circular); and

- the specific issue of 4 426 604 AECI ordinary shares to the AECI Community Education and Development Trust (“the CST”) (“CST Ordinary Shares”), constituting 3,5% of the Net Enlarged Issued Share Capital.

### **3. Changes to the proposed B-BBEE Transaction**

In the 24 November 2011 Announcement, Shareholders were advised that following feedback from key Shareholders on the terms of the proposed B-BBEE Transaction, the Company was giving further consideration to these and was engaging with Shareholders in this regard.

Shareholders are hereby advised that, following discussions with key Shareholders, the transaction term relating to the EST (“the EST Term”) has been amended from seven years to 10 years.

Accordingly, the notional loan provided by AECI to the EST to fund the subscription by the EST of the 10 117 951 AECI B Ordinary Shares will now be settled at the end of a period of 10 years, as extended or anticipated in terms of the EST trust deed .

No other material changes have been made to the terms of the proposed B-BBEE Transaction.

The amendment to the EST Term will allow AECI to maintain the B-BBEE benefits derived from the EST for a further three years and, at the same time, will increase the potential for eligible employees to unlock greater value from the proposed B-BBEE Transaction.

### **4. Economic cost**

AECI had previously estimated the economic cost of implementing the proposed B-BBEE Transaction to be approximately R257 million. Based on the revised EST Term, this figure has been revised upwards to approximately R260 million, calculated in accordance with International Financial Reporting Standards (“IFRS”), specifically IFRS 2 - Share-based Payments.

## 5. Unaudited pro forma financial effects

Based on the revised EST Term, the unaudited pro forma financial effects set out below have been prepared to assist Shareholders to assess the impact of the proposed B-BBEE Transaction on the earnings per share ("EPS"), headline earnings per share ("HEPS"), net asset value per share ("NAV") and tangible net asset value per share ("TNAV").

The unaudited pro forma financial effects are presented for illustrative purposes only and because of their nature may not fairly present AECI's financial position, changes in equity, results of operations or cash flows after the proposed B-BBEE Transaction.

It has been assumed for purposes of the pro forma financial effects that the proposed B-BBEE Transaction took place with effect from 1 January 2011 for statement of comprehensive income purposes and at 30 June 2011 for statement of financial position purposes.

The Board is responsible for the preparation of the unaudited pro forma financial effects.

	<b>Before</b>	<b>Effects of the B-BBEE Transaction</b>	<b>After the B-BBEE Transaction</b>	<b>Percentage change (%)</b>
EPS (cents)	275	(129)	146	(47)
HEPS (cents)	265	(130)	135	(49)
NAV (cents)	4 186	0	4 186	0
TNAV per share (cents)	3 184	0	3 184	0

### Notes:

1. The "Before" column has been extracted without adjustment from the condensed consolidated unaudited interim financial results for the half-year ended 30 June 2011.
2. The "After the B-BBEE Transaction" EPS and HEPS have been adjusted to include the IFRS2 charge of the EST (R14,9 million) and the CST (R122,1 million), as well as implementation expenses of R2,0 million. The charge relating to the EST is spread over the vesting period and varies from year to year whilst the charge relating to the CST is recognised immediately. The weighted average number of shares in issue has been adjusted to exclude the 10,1 million shares issued to the EST as these shares are treasury shares and have not been issued to external parties. The weighted average

number of shares in issue has been adjusted further to exclude the 4,4 million shares relating to the CST as these shares are contingently returnable and are treated as not outstanding until the date they are no longer subject to cancellation.

3. The "After the B-BBEE Transaction" NAV and TNAV have been adjusted to include the IFRS2 charge of the CST, though this has no effect on the NAV or TNAV. The weighted average number of shares in issue has been adjusted to exclude the 10,1 million shares issued to the EST as these shares are treasury shares and have not been issued to external parties. The weighted average number of shares in issue has been adjusted further to exclude the 4,4 million shares relating to the CST as these shares are contingently returnable and are treated as not outstanding until the date they are no longer subject to cancellation.

## **6. Conditions precedent**

The proposed B-BBEE Transaction is subject, inter alia, to the fulfillment of the following conditions precedent:

- the passing of all requisite special and ordinary resolutions by the requisite majority of votes at a general meeting of AECI ordinary shareholders;
- the filing of any special resolution with the Companies and Intellectual Property Commission, to the extent required; and
- the lodging of the amendments to the trust deeds with the Master of the High Court.

## **7. Fairness opinion**

As set out in the Circular, Ernst & Young Advisory Services Limited ("E&Y"), the independent professional expert appointed by the AECI board of directors ("the Board") in terms of the Listings Requirements of the JSE Limited ("JSE"), has considered the terms and conditions of the AECI B Ordinary Shares and is of the opinion that such terms and conditions are fair to Shareholders. E&Y has considered the revised EST Term and has informed the Board that its opinion, as set out in the Circular, remains unchanged.

## 8. Supplementary circular and salient dates and times

A supplementary circular setting out the revised terms of the EST (“the Supplementary Circular”) will be posted to Shareholders on or about Wednesday, 21 December 2011.

A general meeting (“the General Meeting”) of AECI ordinary shareholders will be convened in terms of the notice of General Meeting attached to and forming part of the Supplementary Circular, on Wednesday, 25 January 2012 at 13h30 at AECI Place, Ground Floor, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton whereat AECI ordinary shareholders will be requested to consider and, if deemed fit, pass with or without modification the resolutions required to implement the proposed B-BBEE Transaction.

Salient dates and times:

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Record date, as determined by the Board, in accordance with Section 59 of the Companies Act, for AECI ordinary shareholders to be eligible to receive the Supplementary Circular and notice of General Meeting	Thursday, 15 December 2011
Last day to trade AECI ordinary shares on the JSE in order to be recorded in the share register on the record date to be eligible to vote at the General Meeting	Friday, 13 January 2012
Record date to be eligible to vote at the General Meeting	Friday, 20 January 2012
Last day to lodge forms of proxy for the General Meeting by 13h30 on	Monday, 23 January 2012
General Meeting of AECI ordinary shareholders to be held at 13h30 on	Wednesday, 25 January 2012
Results of General Meeting released on SENS	Wednesday, 25 January 2012
Results of General Meeting published in the South African press	Thursday, 26 January 2012
Expected listing of the new AECI ordinary shares on the JSE on or about	Friday, 3 February 2012

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**Notes:**

- All times shown are South African local times.
- These salient dates and times are subject to change. Any material changes will be released on SENS and published in the South African press.

**9. Withdrawal of cautionary announcement**

Shareholders are advised that as the revised EST Term has now been announced, Shareholders no longer need to exercise caution when dealing in their AECI Securities in this regard.

Woodmead

19 December 2011

<b>Investment bank and transaction sponsor</b>  The Standard Bank of South Africa Limited	<b>Attorneys and tax advisers</b>  Webber Wentzel	<b>Reporting accountants and auditors</b>  KPMG Inc.
<b>Accounting advisers</b>  Deloitte	<b>Programme and implementation managers</b>  Barnstone Corporate Services Proprietary Limited	<b>Independent expert</b>  Ernst & Young Advisory Services Limited
	<b>Corporate sponsor</b>  Rand Merchant Bank (a division of FirstRand Bank Limited)	