

AECI Limited

Interim Report

For the half-year ended 30 June 2000

Transformation...clearer focus

• **Headline EPS up six per cent after payment of special dividend** •

“Pleasing progress has been made in refocusing AECI as a specialty chemicals Group.”

Tony Trahar

Operating results

Headline earnings per ordinary share at 73 cents were six per cent higher than in the first half of 1999. This result should be seen in the light of the special dividend of six rand per share paid to shareholders on 29 November 1999, which reduced the capital base and available cash resources of the Company by R1 044 million. Had these funds been retained in the Company and placed on call deposit, headline earnings for the first half would have been 97 cents per ordinary share, a 41 per cent increase on the corresponding period of 1999. An unchanged interim dividend of 30 cents per share has been declared.

Trading conditions over the period were lacklustre, reflecting little evidence of underlying growth in those sectors of the domestic economy serviced by the Group.

The improvement in earnings reflects significantly lower financing costs and the benefits of intensive cost cutting and rationalisation, and was achieved in spite of a major reduction in the contribution from African Explosives, which suffered from a number of factors, including a severe margin squeeze in ammonium nitrate-based explosives. This resulted from an unexpected surge in the global price of ammonia, the primary raw material. In addition a weak mining sector, excessive rain and the absorption of service costs following the closure of other Group operations at Modderfontein, compounded the reversal. An aggressive action plan is being implemented to address the current cost structure of the explosives business.

The Group's other core clusters, Specialty, Fine and Industrial Chemicals and Specialty Fibres, delivered most satisfactory results,

with the latter progressively recovering oil-based raw material price increases from its markets. The Group's property activities are also gathering momentum and should make a material contribution to profits in the second half of the year.

The Group's balance sheet is sound, with gearing up from four per cent to 11 per cent at mid-year. Cash spent against the provision for restructuring costs, established last year, amounted to R141 million and a change in procurement terms of raw materials at SANS Fibres accounted for an increase in borrowings of R103 million. However, working capital and capex were generally well controlled.

Transformation

The transformation of the Group is well advanced and an eventful half-year saw the closure, as scheduled, of the ammonia/urea complex at Modderfontein, the nitrates production unit at Milnerton and a feed phosphates plant at Potchefstroom. As further steps towards achieving clear focus on three core business clusters, the disposals of Alliance Peroxide and Acrylic Products were concluded. The Group increased its holding in listed subsidiary, Chemical Services, by five per cent to 68 per cent through the acquisition of shares from an institutional shareholder.

Expansion

Particularly pleasing is the strategic progress made by SANS Fibres, which has announced a R40 million project to expand industrial yarn production at its Bellville plant. This investment follows closely on the R60 million PET bottle polymer extension scheduled for commissioning in December this year.

Prospects

Trading prospects for the balance of the year appear mixed but with a gradual recovery of margins in the mining solutions cluster anticipated. As a consequence, headline earnings for the year are expected to be similar to the level achieved in 1999.

Tony Trahar
Chairman

Lex van Vught
Managing Director

Declaration of ordinary dividend No. 133

Notice is hereby given that an interim dividend of 30 cents per share, in respect of the year ending 31 December 2000, has been declared to holders of ordinary shares registered in the books of the Company at the close of business on 18 August 2000.

Payment will be made from the office of the transfer secretaries in Johannesburg on 27 September 2000. Changes of address or dividend instructions to apply to this dividend must be received not later than 18 August 2000. The transfer books and register of members will be closed from 19 August 2000 to 1 September 2000, both days inclusive.

By order of the Board

M J F Potgieter
Secretary

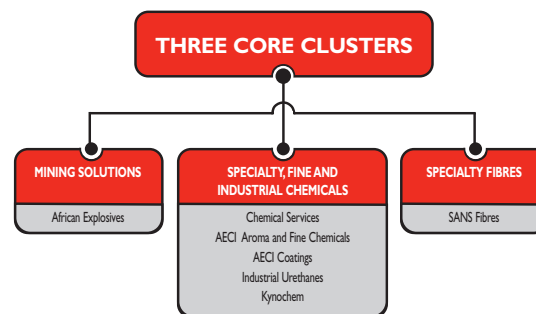
2 August 2000

Transfer secretaries:
Computershare Services Limited
41 Fox Street,
Johannesburg, 2001; and

Computershare Services PLC
PO Box 82
Caxton House
Redcliffe Way
Bristol BS 99 7 KH
England

Registered office:
1st Floor, AECI Place
24 The Woodlands
Woodlands Drive
Woodmead, Sandton

(Registration number 04/02590/06)



Income statement

	2000 First half Unaudited R millions	1999 First half Unaudited R millions	1999 Year Audited R millions
Revenue	2 913	4 047	7 311
Net trading profit	210	315	568
Financing costs	(20)	(156)	(120)
Income/(loss) from associates and investments	(7)	7	20
	183	166	468
Exceptional items	-	-	683
Amortisation of goodwill	(14)	(11)	(25)
Net profit before taxation	169	155	1 126
Taxation	(54)	(45)	(117)
Normal activities	(54)	(45)	(134)
Exceptional items	-	-	17
Net profit	115	110	1 009
Attributable to preference and outside shareholders	(16)	(14)	(35)
Net profit attributable to ordinary shareholders	99	96	974
Headline earnings are derived from:			
Net profit attributable to ordinary shareholders	99	96	974
Less: net exceptional item	-	-	(700)
Amortisation of goodwill	14	11	25
	113	107	299
Headline earnings per ordinary share (cents)	73	69	193
Attributable earnings per ordinary share (cents)	64	62	(82)
Dividend per ordinary share (cents)			
Normal	30	30	80
Special	-	-	600
Number of ordinary shares in issue (millions)	155	155	155

(1) Includes exports of R601 million (1999 - R712 million).

(2) Payment of the special dividend of R6 per ordinary share in November 1999 reduced the available cash resources of the Company by R1 044 million. If these funds had been retained in the Company and placed on call deposit, headline earnings per ordinary share for the period would have been 97 cents per share.

Balance sheet

	2000 30 June Unaudited R millions	1999 30 June Unaudited R millions	1999 31 Dec Audited R millions
Assets			
Non-current assets	2 576	3 513	2 657
Property, plant, equipment and goodwill	2 302	3 373	2 319
Investments	274	140	338
Current assets	3 222	3 447	3 079
Inventory	996	1 573	939
Accounts receivable	1 252	1 603	1 251
Cash and cash equivalents	974	271	889
Total assets	5 798	6 960	5 736
Equity and liabilities			
Ordinary capital and reserves	2 900	2 967	2 843
Preference capital and outside shareholders' interest	165	136	145
Total shareholders' interest	3 065	3 103	2 988
Non-current liabilities	208	1 113	233
Deferred taxation	(194)	(43)	(215)
Long-term borrowings	50	864	95
Long-term provisions	352	292	353
Current liabilities	2 525	2 744	2 515
Accounts payable	1 104	1 465	1 193
Provision for restructuring	106	124	282
Short-term borrowings	1 249	1 135	918
Taxation	20	(26)	45
Dividend declared	46	46	77
Total equity and liabilities	5 798	6 960	5 736

Industry segment analysis

For the half-year ended June

	2000	Turnover Unaudited R millions	1999	2000	Trading profit Unaudited R millions	1999	2000	Assets Unaudited R millions	1999
Mining solutions	580		586	50		97	851		853
Specialty, fine and industrial chemicals	957		906	96		88	679		655
Specialty fibres	628		594	58		66	608		472
Property	-		-	9		6	627		625
Other businesses	827		833	25		19	640		666
Group services, development and intergroup	(131)		(262)	(29)		(32)	37		47
	2 861		2 657	209		244	3 442		3 318
Businesses sold/equity-accounted	52		1 390	1		71	-		1 766
	2 913		4 047	210		315	3 442		5 084

Assets consist of property, plant, equipment and goodwill, inventory, accounts receivable and accounts payable.

Abridged cash flow statement

	2000 First half Unaudited R millions	1999 First half Unaudited R millions	1999 Year Audited R millions
Cash generated by operations	300	487	897
Investment income	-	5	11
Financing costs	(20)	(156)	(120)
Taxes paid	(53)	(74)	(62)
Changes in working capital	(126)	(204)	(207)
Expenditure relating to long-term provisions	(1)	(8)	(36)
Expenditure relating to restructuring	(141)	(115)	(206)
Cash (absorbed by)/available from operating activities	(41)	(65)	277
Normal dividends paid	(83)	(48)	(99)
Cash (absorbed by)/retained from operating activities	(124)	(113)	178
Cash utilised in investment activities	(159)	(93)	(199)
Proceeds from disinvestment and restructuring	86	-	2 432
Special dividend and STC paid	-	-	(1 044)
Net cash (utilised)/generated	(197)	(206)	1 367
Cash effects of financing activities	282	276	(679)
Increase in liquid funds	85	70	688

Other salient features

	2000 First half Unaudited R millions	1999 First half Unaudited R millions	1999 Year Audited R millions
Capital expenditure	113	183	231
- expansion	64	92	104
- replacement	49	91	127
Capital commitments	151	372	181
- contracted for	68	289	57
- not contracted for	83	83	124
Future rentals on property, plant and equipment leased	166	222	173
- payable within one year	38	43	45
- payable thereafter	128	179	128
Contingent liabilities and guarantees	169	28	169
Net borrowings (R millions)	325	1 728	124
Gearing (%)	11	56	4
Current assets to current liabilities	1.3	1.2	1.2
Net asset value per ordinary share (cents)	1 875	1 918	1 838
Net capital expenditure (R millions)	79	93	155
Depreciation and amortisation (R millions)	117	183	311

Statement of changes in shareholders' equity

	2000 First half Unaudited R millions	1999 First half Unaudited R millions	1999 Year Audited R millions
Headline earnings for the period	113	107	299
Exceptional items net of taxation	-	-	700
Amortisation of goodwill	(14)	(11)	(25)
Dividends	(46)	(46)	(1 051)
Other	4	-	3
Net increase/(decrease) in equity for the period	57	50	(74)
Equity at the beginning of the period	2 843	2 917	2 917
Equity at the end of the period	2 900	2 967	2 843
Made up as follows:			
Share capital and share premium	228	228	228
Non-distributable reserves	581	593	596
Retained income	2 091	2 146	2 019
	2 900	2 967	2 843