

CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL RESULTS AND CASH DIVIDEND DECLARATION FOR THE HALF-YEAR ENDED 30 JUNE 2018



REVENUE

+24% to R10 473m



PROFIT FROM OPERATIONS

+35% to R911m



HEPS

+19% to 458c



EBITDA

+28% to R1 258m



ACQUISITIONS FINALISED



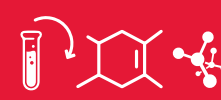
IMPROVED TO LEVEL 3

B-BBEE Contributor



INTERIM CASH DIVIDEND

+8% to 149cps



INCOME STATEMENT

R millions	Note	% change	2018	2017	2017
			First half Unaudited	First half Unaudited	Year Audited
REVENUE	2	24	10 473	8 478	18 482
Net operating costs			(9 562)	(7 801)	(16 903)
PROFIT FROM OPERATIONS		35	911	677	1 579
Share of profit of equity-accounted investees, net of tax			17	20	—
PROFIT FROM OPERATIONS AND EQUITY-ACCOUNTED INVESTEEES		33	928	697	1 579
Net finance costs			(161)	(85)	(167)
Interest expense			(171)	(98)	(202)
Interest received			10	13	35
PROFIT BEFORE TAX			767	612	1 412
Tax expense			(263)	(188)	(429)
PROFIT FOR THE PERIOD			504	424	983
Profit for the period attributable to:					
— Ordinary shareholders			483	407	950
— Preference shareholders			1	1	3
— Non-controlling interest			20	16	30
			504	424	983
HEADLINE EARNINGS ARE DERIVED FROM:					
Profit attributable to ordinary shareholders			483	407	950
Impairment of goodwill			—	—	3
Impairment of property, plant and equipment			—	—	10
Impairments recognised by equity-accounted investee			—	—	54
Loss on disposal of equity-accounted investee			—	1	2
Surplus on disposal of property, plant and equipment			—	(1)	(8)
Foreign currency translation differences reclassified on net investments in foreign operations			—	—	18
Tax effects of the above items			—	—	(17)
HEADLINE EARNINGS			483	407	1 012
PER ORDINARY SHARE (CENTS):					
Headline earnings		19	458	386	959
Diluted headline earnings			441	377	915
Basic earnings		19	458	386	900
Diluted basic earnings			441	377	859
Ordinary dividends declared		8	149	138	340
Ordinary dividends paid			340	300	438

STATEMENT OF COMPREHENSIVE INCOME

R millions	2018	2017	2017
	First half Unaudited	First half Unaudited	Year Audited
PROFIT FOR THE PERIOD	504	424	983
OTHER COMPREHENSIVE INCOME NET OF TAX			
Items that may be reclassified subsequently to profit or loss:			
— Foreign currency translation differences	294	(76)	(212)
— Effective portion of cash flow hedges	9	1	(4)
Items that may not be reclassified subsequently to profit or loss:			
— Remeasurement of defined-benefit obligations	(15)	(6)	11
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	792	343	778
Total comprehensive income attributable to:			
— Ordinary shareholders	761	329	752
— Preference shareholders	1	1	3
— Non-controlling interest	30	13	23
	792	343	778

STATEMENT OF CHANGES IN EQUITY

R millions	2018	2017	2017
	First half Unaudited	First half Unaudited	Year Audited
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	792	343	778
Dividends paid	(379)	(342)	(497)
Change in ownership percentage	—	11	—
Adjustment on adoption of IFRS 9, net of deferred tax	(42)	—	—
Share-based payment reserve	2	(14)	29
Non-controlling interest acquired	27	—	—
Equity at the beginning of the period	9 356	9 046	9 046
EQUITY AT THE END OF THE PERIOD	9 756	9 044	9 356
Made up as follows:			
Ordinary share capital	110	110	110
Reserves	1 397	1 197	1 102
— Foreign currency translation reserve	1 167	1 016	883
— Other reserves	4	—	(5)
— Share-based payment reserve	226	181	224
Retained earnings	8 073	7 591	8 022
Non-controlling interest	170	140	116
Preference share capital	6	6	6
	9 756	9 044	9 356

RECONCILIATION OF WEIGHTED AVERAGE NUMBER OF SHARES

Millions	2018	2017	2017
	First half Unaudited	First half Unaudited	Year Audited
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AT THE BEGINNING OF THE PERIOD	131,9	131,9	131,9
Weighted average number of unlisted ordinary shares held by consolidated EST	(10,1)	(10,1)	(10,1)
Weighted average number of contingently returnable ordinary shares held by CEDT	(4,4)	(4,4)	(4,4)
Weighted average number of shares held by consolidated subsidiary	(11,9)	(11,9)	(11,9)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR BASIC EARNINGS PER SHARE	105,5	105,5	105,5
Dilutive adjustment for potential ordinary shares	4,1	2,6	5,0
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	109,6	108,1	110,5

STATEMENT OF FINANCIAL POSITION

R millions	Note	2018	2017	2017
		At 30 Jun Unaudited	At 30 Jun Unaudited	At 31 Dec Audited
ASSETS				
Non-current assets				
		11 493	7 368	7 365
Property, plant and equipment		5 525	3 925	3 965
Investment property		187	139	216
Intangible assets		177	200	188
Goodwill	3, 4	4 139	1 534	1 524
Pension fund employer surplus accounts		454	497	487
Investments in associates		204	188	199
Investments in joint ventures		295	296	274
Other investments		122	29	117
Deferred tax		390	560	395
Current assets				
		9 733	7 754	8 606
Inventories		3 839	3 057	3 355
Accounts receivable		4 235	3 362	3 793
Other investments		164	153	155
Loans to joint ventures		55	—	—
Tax receivable		129	117	97
Cash and cash equivalents		1 311	1 065	1 206
TOTAL ASSETS		21 226	15 122	15 971
EQUITY AND LIABILITIES				
Equity				
		9 756	9 044	9 356
Ordinary share capital and reserves		9 580	8 898	9 234
Non-controlling interest	4	170	140	116
Preference share capital		6	6	6
NON-CURRENT LIABILITIES				
		1 864	2 390	1 614
Deferred tax		183	287	93
Non-current borrowings		1 100	1 601	1 100
Contingent consideration		36	60	29
Non-current provisions and employee benefits		545	442	392
CURRENT LIABILITIES				
		9 606	3 688	5 001
Accounts payable		3 805	3 096	4 272
Current borrowings	3, 4, 5	5 620	471	530
Loans from joint ventures		44	67	130
Tax payable		137	54	69
TOTAL EQUITY AND LIABILITIES		21 226	15 122	15 971

STATEMENT OF CASH FLOWS

R millions	Note	2018	2017	2017
		First half Unaudited	First half Unaudited	Year Audited
CASH GENERATED BY OPERATIONS		1 353	1 102	2 350
Dividends received		—	55	55
Interest paid		(112)	(95)	(202)
Interest received		10	13	35
Tax paid		(171)	(269)	(481)
Changes in working capital		(789)	(822)	(358)
Cash outflows relating to defined-benefit costs		(8)	(12)	(101)
Cash outflows relating to non-current provisions and employee benefits		(24)	(40)	(77)
CASH AVAILABLE FROM/(UTILISED IN) OPERATING ACTIVITIES		259	(68)	1 221
Dividends paid		(379)	(342)	(497)
CASH FLOWS FROM OPERATING ACTIVITIES		(120)	(410)	724
CASH FLOWS FROM INVESTING ACTIVITIES		(4 239)	(215)	(753)
Net investment activities	3, 4	(3 862)	27	(97)
Net capital expenditure		(377)	(242)	(656)
NET CASH UTILISED BEFORE FINANCING ACTIVITIES		(4 359)	(625)	(29)
CASH FLOWS FROM FINANCING ACTIVITIES		4 378	272	(121)
Loans with joint ventures		(140)	(8)	55
Proceeds from disposal of partial interest in a subsidiary		—	11	—
Settlement of performance shares		(46)	(43)	(44)
Borrowings raised	3, 4, 5	5 433	462	250
Borrowings repaid		(869)	(150)	(382)
NET INCREASE/(DECREASE) IN CASH		19	(353)	(150)
Cash at the beginning of the period		1 206	1 465	1 465
Translation gain/(loss) on cash		86	(47)	(109)
CASH AT THE END OF THE PERIOD		1 311	1 065	1 206

INDUSTRY SEGMENT ANALYSIS

BASIS OF SEGMENTATION

The Group's key growth pillars, which are its reportable segments, are described below. Businesses in the pillars offer differing products and services and are managed separately because they require different technology and marketing strategies.

REPORTABLE SEGMENTS	OPERATIONS
Mining Solutions	The businesses in this pillar provide a mine-to-mineral solution for the mining sector internationally. The offering includes surfactants for explosives manufacture, commercial explosives, initiating systems and blasting services right through the value chain to chemicals for ore beneficiation and tailings treatment.
Water & Process	ImproChem provides integrated water treatment solutions, process chemicals and equipment solutions for a diverse range of applications in Africa. These include, inter alia, public and industrial water, desalination and utilities.
Plant & Animal Health	Nulandis manufactures and supplies an extensive range of crop protection products, plant nutrients and services for the agricultural sector in Africa. Schirm, based in Germany, is a contract manufacturer of agrochemicals and fine chemicals with a European and US footprint. It is the largest provider of external agrochemical formulation services in Europe.
Food & Beverage	These businesses supply ingredients and commodities to the dairy, beverage, wine, meat, bakery, health and nutrition industries. The other main activity is the manufacture and distribution of a broad range of juice-based products and drinks, including formulated compounds, fruit concentrate blends and emulsions.
Chemicals	Supply of chemical raw materials and related services for use across a broad spectrum of customers in the manufacturing, infrastructure and general industrial sectors mainly in South Africa and in other Southern African countries.
Property & Corporate	Mainly property leasing and management in the office, industrial and retail sectors, and corporate centre functions including the treasury.

There are varying levels of integration between the segments. This includes transfers of raw materials and finished goods, and property management services. Inter-segment pricing is determined on terms that are no more and no less favourable than transactions with unrelated external parties.

INDUSTRY SEGMENT ANALYSIS CONTINUED

INFORMATION RELATING TO REPORTABLE SEGMENTS

Information relating to each reportable segment is set out below. Segmental profit from operations is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. The comparative figures have been restated to reflect the revised operating segments, which were first reported in the Group's annual financial statements for the year ended 31 December 2017. The restatements merely affect the classification between segments and do not change the results recognised in the prior year.

R millions	First half Unaudited 2018	First half Restated Unaudited 2017	First half Unaudited 2018	First half Restated Unaudited 2017	First half Unaudited 2018	First half Restated Unaudited 2017
	EXTERNAL REVENUE		INTER-SEGMENT REVENUE		TOTAL SEGMENT REVENUE	
Mining Solutions	4 987	4 544	34	30	5 021	4 574
Water & Process	652	685	26	22	678	707
Plant & Animal Health	1 859	922	23	25	1 882	947
Food & Beverage	529	535	23	3	552	538
Chemicals	2 286	1 642	53	52	2 339	1 694
Property & Corporate	160	150	51	45	211	195
Inter-segment	—	—	(210)	(177)	(210)	(177)
	10 473	8 478	—	—	10 473	8 478
	PROFIT/(LOSS) FROM OPERATIONS		DEPRECIATION AND AMORTISATION		IMPAIRMENTS	
Mining Solutions	520	477	208	216	—	—
Water & Process	80	82	22	25	—	—
Plant & Animal Health	115	29	42	6	—	—
Food & Beverage	31	25	8	8	—	—
Chemicals	241	160	51	36	—	—
Property & Corporate	(76)	(96)	16	11	—	—
	911	677	347	302	—	—
	OPERATING ASSETS		OPERATING LIABILITIES		CAPITAL EXPENDITURE	
Mining Solutions	6 936	6 423	1 516	1 466	290	164
Water & Process	1 214	1 216	250	240	6	10
Plant & Animal Health	3 646	1 180	828	415	63	30
Food & Beverage	715	728	168	160	10	5
Chemicals	4 937	2 088	885	649	53	19
Property & Corporate	655	582	157	166	14	33
	18 103	12 217	3 804	3 096	436	261

Operating assets comprise property, plant and equipment, investment property, intangible assets, goodwill, inventories, accounts receivable and assets classified as held for sale. Operating liabilities comprise accounts payable.

OTHER SALIENT FEATURES

R millions	2018	2017	2017
	First half Unaudited	First half Unaudited	Year Audited
Capital expenditure	436	261	704
— expansion	113	90	288
— replacement	323	171	416
Capital commitments	412	393	405
— contracted for	124	113	119
— not contracted for	288	280	286
Acquisitions authorised and contracted for	—	—	4 173
Future rentals on property, plant and equipment leased	456	403	367
— payable within one year	102	105	116
— payable thereafter	354	298	251
Net borrowings ¹	5 409	1 007	424
Depreciation and amortisation	347	302	597
Gearing (%) ²	55	11	5
Current assets to current liabilities	1,0	2,1	1,7
Net asset value per ordinary share (cents)	8 714	8 093	8 399
ZAR/US\$ closing exchange rate (rand)	13,72	13,05	12,31
ZAR/US\$ average exchange rate (rand)	12,30	12,90	13,31

1 Current and non-current borrowings, less cash.

2 Borrowings less cash, as a percentage of equity.

NOTES

(1) (a) Basis of preparation and accounting policies

The condensed consolidated unaudited interim financial results are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa, and contain as a minimum the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of these condensed consolidated unaudited interim financial results are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, except as described in note 6.

The preparation of these condensed consolidated unaudited interim financial results for the half-year ended 30 June 2018 was supervised by the Financial Director, Mr KM Kathan CA(SA) AMP(Harvard). The condensed consolidated financial results have not been audited or reviewed by the Company's auditor, Deloitte & Touche.

(2) Revenue includes foreign and export revenue of R4 139 million (2017: R2 893 million).

(3) Acquisition of Schirm

AECI Mauritius Limited, a wholly-owned subsidiary of AECI, acquired 100% of the share capital in Schirm GmbH and shareholder loan claims from Imperial Chemical Logistics GmbH ("ICL"), a wholly-owned subsidiary of Imperial Holdings Limited. The effective date of this transaction was 30 January 2018. As part of the acquisition, Schirm GmbH acquired the contract manufacturing service business of ICL and a property in Wolfenbüttel, Germany (collectively, "Schirm"). On 17 January 2018, all conditions precedent to the transaction had been fulfilled and the transaction became unconditional. The financial results of Schirm were consolidated from the effective date in the Group's Plant & Animal Health operating segment. However, Schirm operates as a stand-alone business.

The purchase consideration of the transaction was €128,4 million (R1 901 million), which was paid in cash on the effective date. A further payment of €6 million (R96 million) was made on 29 June 2018 following a purchase price adjustment, bringing the total consideration paid to €134,4 million (R1 997 million).

The initial accounting for the acquisition had not been provisionally determined at the reporting date. At the date of finalisation of these results, the necessary market valuations and other calculations had not been finalised.

NOTES CONTINUED

Carrying value of acquirees' net assets at the acquisition date	R millions
Property, plant and equipment	847
Inventory	244
Accounts receivable	466
Accounts payable	(231)
Cash and cash equivalents	127
Net deferred tax liability	(13)
Net current tax receivable	3
Non-current provisions	(154)
Net identifiable assets and liabilities acquired	1 289
Goodwill on acquisition	708
Gross consideration paid	1 997
Less: cash and cash equivalents	(127)
Net consideration paid	1 870

(4) Much Asphalt

The Group entered into an agreement with Capitalworks Private Equity, MIC Investment Holdings Proprietary Limited and the management team of Much Asphalt Proprietary Limited ("Much Asphalt") whereby management retained approximately 2% of the shares of Much Asphalt and AECI acquired approximately 98% of the entire issued share capital of Much Asphalt. All conditions precedent to the transaction were fulfilled on 3 April 2018. The results of Much Asphalt were consolidated in the Group's results from the effective date in the Group's Chemicals segment, with Much Asphalt operating as a stand-alone business.

The purchase consideration of R1 988 million was paid on the effective date and was subject to further adjustments pending the finalisation of the effective date accounts. Consequently, an additional amount of R59 million was paid on 20 June 2018 as a purchase price adjustment, bringing the total consideration paid to R2 047 million.

The initial accounting for the acquisition had not been provisionally determined at the reporting date. At the date of finalisation of these results, the necessary market valuations and other calculations had not been finalised.

Carrying value of acquirees' net assets at the acquisition date	R millions
Property, plant and equipment	552
Investment in associates	10
Inventory	132
Accounts receivable	221
Accounts payable	(280)
Net deferred tax liability	(61)
Net current tax receivable	14
Cash and cash equivalents	33
Borrowings	(360)
Non-controlling interest	(27)
Net identifiable assets and liabilities acquired	234
Goodwill on acquisition	1 813
Gross consideration paid	2 047
Less: cash and cash equivalents	(33)
Net consideration paid	2 014

(5) Current borrowings

Current borrowings includes bridging finance loans related to the business combinations of Schirm and Much Asphalt, provided by the Standard Bank Group, as follows:

- › €128,4 million (R1 901 million) loan to AECI Mauritius Limited to acquire the shares and shareholder loan claims of Schirm. The loan bears interest at a variable rate linked to three-month EURIBOR and is repayable by 30 November 2018; and
- › R2 342 million loan to AECI Limited to acquire the shares and loan claims of Much Asphalt and to repay Much Asphalt's existing external borrowings. The loan bears interest at a variable rate linked to three-month JIBAR and is repayable by 2 April 2019.

The Company is evaluating longer-term funding options, including listed debt and institutional banking term debt. The requisite funding will be in place by the end of the current financial year.

NOTES CONTINUED

(6) Changes in significant accounting policies

The changes in accounting policies reflected below are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group adopted IFRS 15 Revenue from Contracts with Customers (see note 6(a)) and IFRS 9 Financial Instruments (see note 6(d)) from 1 January 2018. A number of other new standards and amendments to existing standards became effective from 1 January 2018, but these do not have a material effect on the Group's financial statements.

The effect of initially applying these standards is mainly as follows:

- › earlier recognition of revenue from consignment stock contracts, where control of the goods passes to the customer earlier than the risks and rewards of ownership (see note 6(a));
- › changes in the amount of revenue recognised from product sales as a result of variable considerations that affect the transaction price (see note 6(a)); and
- › an increase in impairment losses recognised on financial assets (see note 6(d)).

(6) (a) IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 Revenue from Contracts with Customers in the current year. IFRS 15 replaces the previous revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalties Programs. IFRS 15 introduces a five-step approach to revenue recognition. Far more prescriptive guidance has been added to deal with specific scenarios.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated — i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The transition to IFRS 15 for the full 2017 financial year would have resulted in an increase in revenue of R10 million, an increase in operating expenses of R12 million and a resulting decrease in profit before tax of R2 million. The impact on opening retained earnings would have resulted in a decrease of R1 million, with no impact on non-controlling interest.

Apart from providing more extensive disclosure on the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group as described above and, accordingly, no adjustment was made to opening reserves.

The Group's accounting policies for its revenue streams are disclosed in notes 6(b) and 6(c).

New significant accounting policies and changes in significant accounting policies

(6) (b) Revenue recognition

The Group recognises revenue from the following major sources:

- › sale of goods in all its operating segments;
- › sale of goods and related product application services in its Mining Solutions, Water & Process and Chemicals operating segments; and
- › rental income and related facilities management services in its Property & Corporate operating segment.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. For certain revenue categories, the Group identifies "sale of goods and services" as "not distinct" and thus combines goods and services with other promised goods or services until it identifies a "combined bundle of goods and services" as a single performance obligation.

Sale of goods in all operating segments

For sales of goods to customers, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of use or further distribution and price to sell the goods, has the primary responsibility for and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, since only the passage of time is required before payment is due.

Sale of goods and related product application services in the Mining Solutions, Water & Process and Chemicals operating segments

The Group provides product application services to customers which are performed as and when goods are delivered. These relate mainly to:

- › blasting services, where explosives are delivered directly to the point and location of usage and detonated within hours of delivery; and
- › dosing of chemicals directly into a customer's manufacturing or water treatment process, where the promise to the customer is a specific outcome to its process regardless of product volumes or service levels required to achieve that outcome.

The goods and services are delivered simultaneously or near-simultaneously and result in the product being used by the customer at that point in time. As a consequence, revenue is recognised when the product and related application service are delivered and the right to consideration becomes unconditional.

Rental income and related facilities management services in the Property & Corporate operating segment

IFRS 15 does not apply to revenue from lease contracts within the scope of IAS 17 Leases. Consequently, the Group continues to recognise revenue in respect of rentals received from leasing activities on a straight line basis over the period of the lease where fixed escalation clauses apply, and when there is a reasonable expectation that recovery of the lease rental is probable. Where no fixed escalation clauses are applicable to a lease, rental income is recognised in the period in which it is due by the lessee.

NOTES CONTINUED

Facilities management services to lessees comprise rail, environmental and laboratory services, steam generation, effluent treatment, electricity provision and storage and handling services. Revenue from these services is recognised as and when the services are provided, since these services are usage-based and are delivered at a point in time.

Critical accounting judgements and key sources of estimation uncertainty

(6) (c) Revenue recognition

Management has not made any critical judgements in the process of applying IFRS 15 Revenue from Contracts with Customers that have a significant effect on the amounts recognised in the Group's condensed consolidated unaudited interim financial results. The Group has no key sources of estimation uncertainty relating to revenue from contracts with customers.

Disaggregation of revenue — unaudited

R millions	2018	2017	2017
	First half	First half	Year
Mining Solutions	5 021	4 574	9 718
Sale of goods	4 280	3 882	8 316
Sale of goods and services	741	692	1 402
Water & Process	678	707	1 454
Sale of goods	52	16	36
Sale of goods and services	626	691	1 418
Plant & Animal Health	1 882	947	2 543
Sale of goods	1 882	947	2 543
Food & Beverage	552	538	1 195
Sale of goods	552	538	1 195
Chemicals	2 339	1 694	3 564
Sale of goods	2 311	1 671	3 515
Sale of goods and services	28	23	49
Property & Corporate	149	142	297
Sale of goods	12	17	22
Sale of services	137	125	275
REVENUE RECOGNISED AT A POINT IN TIME	10 621	8 602	18 771
Property & Corporate	62	53	109
Rental income	62	53	109
Inter-segment	(210)	(177)	(398)
Total segment revenue	10 473	8 478	18 482

(6) (d) IFRS 9 Financial Instruments

The standard sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves and retained earnings as at 1 January 2018.

Impact of adopting IFRS 9 at 1 January 2018	R millions
Recognition of expected credit losses under IFRS 9	56
Related tax	(14)
Decrease in retained earnings	42

The adoption of IFRS 9 had no impact on non-controlling interest.

The table and the accompanying notes that follow explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets, as at 1 January 2018.

	Note	Original classification under IAS 9	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets					
Unlisted shares (level 3)	(i)	Available-for-sale	FVOCI — equity instrument	87	87
Forward exchange contracts (level 2)	(ii)	Fair value-hedging instrument	Fair value-hedging instrument	43	43
Money market investment in collective investment scheme (level 1)		Designated as at FVTPL	Mandatorily at FVTPL	77	77
Employer surplus accounts (level 1)		Designated as at FVTPL	Mandatorily at FVTPL	78	78
Accounts receivables	(iii)	Loans and receivables	Amortised cost	3 393	3 337
Cash		Loans and receivables	Amortised cost	1 206	1 206
Loans receivable to other investments		Loans and receivables	Amortised cost	26	26
Total financial assets				4 910	4 854

(i) Included in the unlisted shares is a R65 million investment in Origin Materials (“Origin”) which is considered to be a level 3 financial asset. The Group had applied the IAS 39 exemption (paragraph 46c) and carried the investment at cost in the prior year. These equity securities represent investments that the Group intends to hold for long-term strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at fair value through other comprehensive income (“FVOCI”). Previously, these assets were designated as available-for-sale financial assets.

(ii) The Group measures forward exchange contracts at fair value using inputs as described in level 2 of the fair value hierarchy. The fair values for forward exchange contracts are based on quotes from brokers. Similar contracts are traded in an active market and the quotes reflect the actual transactions on similar instruments. The carrying values of all other financial assets and liabilities approximate their fair values based on the nature or maturity period of the financial instrument. There were no transfers between levels 1, 2 or 3 of the fair value hierarchy during the half-year ended 30 June 2018.

(iii) Accounts receivable that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of R56 million in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9. No additional trade receivables were recognised at 1 January 2018 on the adoption of IFRS 15 and, consequently, no additional impairment was necessary.

Changes in significant accounting policies resulting from the adoption of IFRS 9 are disclosed in notes 6(e) and 6(f) and have been applied retrospectively, except as described below:

- › The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have been restated only for retrospective application of the cost of hedging approach for forward points. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- › the determination of the business model in which a financial asset is held;
- › the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss (“FVTPL”);
- › the designation of certain investments in equity instruments not held for trading as at FVOCI;
- › if an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition;
- › changes to hedge accounting policies have been applied prospectively except for the cost of hedging approach for forward points, which has been applied retrospectively to hedging relationships that existed on, or were designated after, 1 January 2017;
- › all hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and, therefore, are regarded as continuing hedging relationships.

New significant accounting policies and changes in significant accounting policies

(6) (e) Financial instruments

Changes in accounting policies

The adoption of IFRS 9 resulted in the change of classification of certain financial assets with the only significant impact being that unlisted equity instruments previously measured at cost are now measured at fair value, with changes in fair value recognised in other comprehensive income. The other significant change to the Group’s policies is the measurement of impairment of financial assets, specifically trade receivables, which is now measured using an expected credit loss model instead of an incurred loss model. The Group uses a provision matrix to calculate expected credit losses, with amounts more than 90 days past due viewed as default events. This change resulted in an increase in the loss allowance compared to the previous impairment model.

NOTES CONTINUED

New accounting policy

Financial assets

Investments

Investments in unlisted equity securities are classified as financial assets at fair value through other comprehensive income and are measured at fair value with any gains or losses, including foreign exchange, recognised in other comprehensive income, along with the associated deferred tax.

When these assets are derecognised, the gain or loss accumulated in other comprehensive income is reclassified to retained income. Dividends on these investments are recognised in the income statement as investment income when they are declared and the Group has a right to receive them.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets except for the assets at fair value through other comprehensive income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The Group recognises lifetime expected credit losses for accounts receivable and these are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions, including the time value of money where appropriate.

For all other financial assets, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If there has been no significant increase in credit risk, the loss allowance is measured at an amount equal to the 12-month expected credit losses.

The Group determines increases in credit risk by considering any change in the risk of default occurring since the date of initial recognition. The Group considers that default has occurred when a financial asset is more than 90 days past due.

Critical accounting judgements and key sources of estimation uncertainty

(6) (f) Financial instruments

The fair value of unlisted investments requires judgement and estimation of the key inputs into valuation techniques used to determine the fair value.

Determining expected credit losses requires assessments of general economic conditions, both current and future, and their impacts on the credit risk of financial assets, as well as using periods that amounts are past due, to indicate levels of credit loss expected. Credit losses may occur differently to these expectations, both in terms of timing and amount.

(7) Standards, interpretations and amendments to existing standards not yet effective

IFRS 16 Leases

This standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exceptions for short-term leases and leases of low-value items. Lessor accounting remains similar to current practice — i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases - Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It includes more disclosures for both lessees and lessors.

The Group will adopt this standard when it becomes effective. Management is collating and analysing all lessee arrangements across the Group and evaluating the terms and conditions of these arrangements in order to prepare the relevant calculations and system changes required to implement the new standard. Management still needs to make a decision on the transition method to be applied as well as the practical expedients to be used, if elected.

(8) The Group entered into various sale and purchase transactions with related parties in the Group in the ordinary course of business, the nature of which was consistent with those previously reported. Those transactions were concluded on terms that were no more and no less favourable than transactions with unrelated external parties. All transactions and balances with these related parties have been eliminated appropriately in the consolidated results.

(9) The condensed consolidated unaudited interim financial results do not include all of the disclosures required for full financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017.

COMMENTARY

The strong performance trend established by the Group's businesses in the last three months of 2017 continued into 2018, particularly in the first quarter. This, together with contributions from the acquisitions of Schirm and Much Asphalt effective February and April, respectively, enabled AECl to increase its revenue by 24% to R10 473 million (2017: R8 478 million) and profit from operations by 35% to R911 million (2017: R677 million). Of the total Group revenue, 40% was generated outside South Africa and mainly in US\$.

Headline earnings for the period improved from R407 million in the prior year to R483 million, in line with the 19% growth in HEPS to 458 cents (2017: 386 cents).

This pleasing growth was delivered in an environment that remained challenging. Although demand and prices in the global resources sector were buoyant overall, the strong rand exchange rate against major currencies partly offset the benefits of higher chemical input prices and also had a negative impact on earnings generated outside South Africa. In addition, conditions in the local economy, including the mining and manufacturing sectors, remained depressed. The effects of the drought in the Western Cape persisted.

The table below summarises the effects of Schirm and Much Asphalt on the Group's results for the period:

R millions	Operations excluding acquisitions	Acquisitions	2018	2017	Growth (%)		
			Total reported	Total reported	Operations excluding acquisitions	Acquisitions	Overall
Revenue	9 127	1 345	10 473	8 478	8	16	24
Profit from operations	764	147	911	677	13	22	35
Headline earnings	443	40	483	407	9	10	19
HEPS (cents per share)	420	38	458	386	9	10	19

Profit from operations excluding the acquisitions increased by 13% and headline earnings improved by 9%. The combined impact of the acquisitions on headline earnings was accretive and had a 10% positive effect. Schirm's profit from operations included a once-off net gain of R32 million.

The Board has declared an interim cash dividend of 149 cents per ordinary share, an increase of 8% from 2017's 138 cents per share. A South African dividend withholding tax of 20% will be applicable to the dividend, resulting in a net dividend of 119,20 cents per share payable to those shareholders who are not eligible for exemption or reduction.

SAFETY

The aspiration of zero harm to employees and contractors remains. The 12-month rolling Total Recordable Injury Rate ("TRIR") was 0,47 from 0,39 in June 2017. This deterioration was due mainly to the high number of Recordable Incidents at Schirm in Germany. Significant emphasis has been placed on rolling out the Group's Zero Harm safety strategy to Schirm and Much Asphalt as part of their integration into the Group. Both these businesses have committed themselves unequivocally to upholding AECl's safety, health and environmental policies and standards.

Excluding the acquisitions, the Group's TRIR improved to 0,33.

The TRIR measures the number of incidents per 200 000 hours worked.

SEGMENTAL PERFORMANCE

MINING SOLUTIONS

This segment comprises explosives (AEL Mining Services) and mining chemicals (Expense and Senmin).

Revenue increased by 10% to R5 021 million (2017: R4 574 million), largely due to good volume growth outside South Africa. Overall volumes grew by 4,2%. Because 54% of the segment's total revenue was generated by foreign operations the strong ZAR/US\$ exchange rate, particularly in the first four months of 2018, curtailed both revenue and profit from operations in rand terms. This notwithstanding, profit from operations of R520 million was 9% higher than the R477 million achieved in the first half of 2017. The operating margin was 10,3% (2017: 10,4%).

Explosives

Overall bulk explosives volumes increased by 9,9% whilst those for initiating systems declined by 12,1%.

In South Africa, bulk explosives volumes were 4,9% lower, impacted by Optimum Coal mine being placed in business rescue again as well as the loss of business at a customer in the iron ore mining sector. Reduced sales of initiating systems were a consequence of shaft closures in the underground platinum and gold mining sectors. Numerous Section 54 stoppages at customers' mines also contributed to the loss of volumes.

In the rest of Africa, explosives volumes grew by 10,6%. Strong global demand for copper and cobalt drove prices for these commodities and hence mining activity in the Central African region. The ramp-up of new contracts gained in Francophone West Africa made a positive contribution. In Ghana, the performance of the gold mining business was tempered by changes to the in-country mining plan.

Volumes in the Asia Pacific region increased by 47% compared to the first half of last year. This improvement was enabled by opportunistic sales in Australia and the successful deployment of reactive ground technology at a large mine. The service offering to potential customers in that country has been enhanced and further additions to the offering will be pursued over the next six months. Volumes and business operations in Indonesia remained solid in the period.

Mining chemicals

Overall volumes increased by 1,9%. Senmin's volumes were 3,6% higher on the back of strong demand for collectors in the Central African region. Exports of flocculants remained pedestrian due to an international customer having lost market share.

Commissioning of the R90 million xanthates expansion project, in Sasolburg, has commenced and it is anticipated that volumes in the second half-year will be in line with management's guidance.

WATER & PROCESS (ImproChem)

Revenue was R678 million (2017: R707 million), profit from operations was R80 million (2017: R82 million) and volumes were 15,4% lower. This was due to softer demand for water treatment chemicals as a consequence of the drought in the Western Cape. Also, a customer in the oil refining sector experienced an unplanned extended shutdown. Some exports to other African countries were delayed to the second half of the year, owing to credit management processes.

The trading margin at 11,8% was slightly higher than the prior year's 11,6%.

Four desalination plants for customers in the fisheries and food processing industries in the Western Cape were commissioned successfully and long-term service and chemical supply agreements are in place to support the infrastructure.

Business in the rest of Africa remains key to ImproChem's growth strategy. Accordingly, discussions are underway with financial institutions to underwrite some of the risk associated with the public water sector on the continent.

PLANT & ANIMAL HEALTH (Nulandis and Schirm)

Revenue increased by 98,8% to R1 882 million (2017: R947 million), profit from operations improved to R115 million (2017: R29 million) and the trading margin was 6,1% (2017: 3,1%), primarily as a result of the inclusion of Schirm's results for the five months after the acquisition closed.

Although Nulandis' results continued to be impacted by drought conditions in the Western Cape, rainfall in the most affected areas in recent months has improved the outlook for the business.

In respect of Biocult, distributor agreements are being finalised in both the US and Canada. Investment in expansion is planned, subject to the successful finalisation of requisite approvals in North America.

Schirm in Germany and the US generates approximately 70% of its revenue in the first six months of the year, during the European and US planting season. Between February and June, the business' performance was curtailed by the delay in starting up the new synthesis operating facility in Schönebeck, Germany. As a result, the registration of the new facility in respect of customer products was similarly delayed and costs incurred were not recovered.

Results were boosted by a once-off net gain of R32 million, mainly foreign exchange, after the US\$ strengthened against the euro in the latter months of the half-year. Excluding this gain, Schirm was nonetheless accretive for the five months and added 21 cents in HEPS.

Historically, the business' returns have been marginal in the second half of the year owing to seasonality.

FOOD & BEVERAGE (Lake Foods and Southern Canned Products ("SCP"))

Revenue of R552 million was 2,6% higher than 2017's R538 million. Profit from operations was R31 million (2017: R25 million), a 24% increase. Overall volumes were 4% lower, reflecting SCP's strategy to grow its value-added formulated juice business and focus less on trading activities. The trading margin was slightly better at 5,5% (2017: 4,7%) and further improvement continues to be pursued.

CHEMICALS (Chemfit, Chemical Initiatives, ChemSystems, Industrial Oleochemical Products, Much Asphalt and SANS Technical Fibers)

Revenue increased by 38,1% to R2 339 million (2017: R1 694 million) and profit from operations was 50,9% higher at R241 million (2017: R160 million), inclusive of Much Asphalt from April. The trading margin improved to 10,3% (2017: 9,4%).

Excluding Much Asphalt, operating businesses in the segment maintained the strong overall growth trend evident in the last quarter of 2017. Very pleasing were the higher levels of exports achieved, particularly in sales of sulphuric acid to meet demand from the mining sector in the Central African region, and a significant improvement in trading conditions in the poultry farming sector.

Much Asphalt's performance for the three months since acquisition was below expectations as state-owned entities and local government delayed infrastructure contract awards and conditions in the overall construction sector remained difficult. The execution of projects in the Western Cape, where Much Asphalt has a solid order book, was delayed by the onset of the rainy season. The business' results were not accretive to HEPS for the period and had a negative 14 cents impact.

PROPERTY & CORPORATE

The revenue streams of the Group's remaining property activities comprise mainly the leasing of buildings at Modderfontein (Gauteng) and Umbogintwini (KwaZulu-Natal), and the provision of utilities and services at the multi-user Umbogintwini Industrial Complex. Revenue from these activities increased by 8,2% to R211 million (2017: R195 million) and profit from operations was 31% higher at R55 million (2017: R42 million).

Corporate costs were well controlled, resulting in a 5% year-on-year decrease. The net operating expense of the segment was R76 million (2017: R96 million).

CASH UTILISATION

The cash outflow in respect of the acquisitions, both of which closed and were settled during the period, amounted to R3,9 billion (R1,9 billion for Schirm and R2,0 billion for Much Asphalt). Short-term borrowings increased to R5,6 billion primarily as a consequence of this.

Fixed capital expenditure was R436 million (2017: R261 million), with R113 million being for expansion. Key capital projects included Senmin's xanthates expansion; the statutory shutdown of the boiler at AEL's Nitrates facility, Modderfontein; mobile manufacturing unit replacements for AEL; air emission abatement projects at AEL Nitrates; and investments in support of business expansion in Francophone Africa.

The significant cash outflow relating to working capital was disappointing. Main contributors were extensions of customers' credit terms and the acquisitions. Trade working capital was at 20,8% of revenue (2017: 18,5%).

Cash interest cover was robust at 15,5 times (2017: 14,6 times) and net cash interest paid was R102 million (2017: R82 million). The primary difference between the latter and net finance costs of R161 million reflected in the income statement related to an interest cost accrual at the end of the period.

ACQUISITIONS: INTEGRATION, FUNDING AND PURCHASE PRICE ALLOCATION

Teams across all of the Group's disciplines have been active in closing the acquisitions and integrating them into AECl in terms of systems, culture, and policies and standards. This complex process has required the sustained input of all parties concerned and is expected to be largely completed by the end of the current financial year. Although synergies with existing businesses were not the overriding drivers for the transactions, opportunities have been identified in this regard and are being pursued.

Currently, both acquisitions are being funded through bridging finance from the Standard Bank Group. A process to raise term finance from banks and, potentially, from debt capital markets is in place and will be finalised before year-end.

The Purchase Price Allocation ("PPA") process underway for both acquisitions is also expected to be completed by year-end. Any non-cash adjustments resulting from the PPA process will be applied retrospectively to the effective dates of the transactions.

OUTLOOK

From a global perspective, the outlook is positive overall although recent shifts in world trade relations have created a level of uncertainty. Nonetheless, demand for commodities is still robust.

In South Africa, the positive changes in the political environment at the end of 2017 have not yet translated into accelerated economic growth and a step-change in the short term appears unlikely.

The expansion and maintenance of infrastructure is fundamental to South Africa's economic growth. It is of concern that the timing of contract awards in this sector remains unclear, although there have been some recent indications that investment could accelerate in the foreseeable future.

The terms of the Mining Charter are still under discussion and investment for future growth in this sector should accelerate when the matter has been finalised to the satisfaction of all stakeholders. The sustainability of the local underground gold and platinum mining sectors remains of concern.

The rand strengthened significantly against the US\$ at the end of 2017 and into 2018 and, although there was some weakening in the last months of the half-year, a level of volatility in the exchange rate persists. The oil price has remained stable and has driven higher chemical input prices. The Group's ability to benefit from this price trend will depend on the foreign exchange rate going forward.

Rainfall in the Western Cape has been encouraging in the early part of season. Good rains in the coming months, as well as normal weather patterns country-wide and in other SADC countries, will have a strong influence on the agricultural sector's prospects.

FOCUS

To maintain the growth trend achieved in the first six months of 2018, the Company's focus to year-end will be on cash generation and the diligent management of this cash, with a claw-back in trade working capital being a priority; finalising the integration of its acquisitions and extracting the value expected from them; and capitalising on opportunities for synergies within and across its businesses.

Any forecast information included in this announcement has not been reviewed and reported on by the Company's auditor.

CHANGES TO THE BOARD

Philisiwe Sibiyi and Jonathan Molapo were appointed to the Board as Non-executive Directors with effect from 27 February 2018 and 1 June 2018, respectively. The Board looks forward to their contribution to the affairs of the Company.

Khotso Mokhele
Chairman

Mark Dytor
Chief Executive

Woodmead, Sandton
25 July 2018

Directors: KDK Mokhele (Chairman), GW Dempster, MA Dytor (Chief Executive), Z Fuphe, G Gomwe*, KM Kathan (Executive), J Molapo, AJ Morgan, R Ramashia, PG Sibiyi.

* Zimbabwean

Group Company Secretary: EN Rapoo

NOTICE TO SHAREHOLDERS

DECLARATION OF INTERIM ORDINARY CASH DIVIDEND NO. 169

NOTICE IS HEREBY GIVEN that on Tuesday, 24 July 2018, the Directors of AECI declared a gross interim cash dividend of 149 cents per share, in respect of the six month period ended 30 June 2018. The dividend is payable on Monday, 3 September 2018 to holders of ordinary shares recorded in the register of the Company at the close of business on the record date, being Friday, 31 August 2018.

The last day to trade "cum" dividend will be Tuesday, 28 August 2018 and shares will commence trading "ex" dividend as from the commencement of business on Wednesday, 29 August 2018.

A South African dividend withholding tax of 20% will be applicable to all shareholders who are not either exempt or entitled to a reduction of the withholding tax rate in terms of a relevant Double Taxation Agreement, resulting in a net dividend of 119,20 cents per share to those shareholders who are not eligible for exemption or reduction. Application forms for exemption or reduction may be obtained from the Transfer Secretaries and must be returned to them on or before Tuesday, 28 August 2018.

The issued share capital at the declaration date is 121 829 083 listed ordinary shares, 10 117 951 unlisted redeemable convertible B ordinary shares and 3 000 000 listed cumulative preference shares. The dividend has been declared from the income reserves of the Company.

Any change of address or dividend instruction must be received on or before Tuesday, 28 August 2018.

Share certificates may not be dematerialised or rematerialised from Wednesday, 29 August 2018 to Friday, 31 August 2018, both days inclusive.

By order of the Board

EN Rapoo
Group Company Secretary

Woodmead, Sandton
25 July 2018

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

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and

Computershare Investor Services PLC

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SPONSOR

Rand Merchant Bank (A division of FirstRand Bank Limited)

1 Merchant Place, Cnr Fredman Drive and Rivonia Road, Sandton, 2196

AECI LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 1924/002590/06

Tax reference number: 9000008608

Share code: AFE

ISIN: ZAE000000220

Share code: AFEP

ISIN: ZAE000000238

JSE Bond company code: AECI

("AECI" or "the Company")

