AECI Limited

Presentation to Investors

25 - 27 February 2003

Presentation Team

- Lex van Vught - outgoing CE
- Schalk Engelbrecht - executive director and CE from 1 April
- Neale Axelson - CFO
- Thys Loubser - CE of SANS Fibres (Cape Town)
- Graham Edwards and Charles Betts - MDs of African Explosives and Dulux (Johannesburg)

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Brief History

- Roots go back to 1894 - a Nobel dynamite company at Modderfontein (hence the land), merged in 1924 with Kynoch and De Beers
- Evolved into a typical chemical conglomerate: ammonia, phosphates, fertilisers, cyanide, fibres, paints, specialties, chlorine, plastics, soda ash, tioxide, biochemistry and more
- Majority ownership and control by ICI and Anglo for most of its existence
- Listed since 1966

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The Eighties and Nineties

- Largest market cap share on industrials board in 1982 (larger than AMIC, SAB, Sasol)
- 28 000 employees, 9 executive directors, three aircraft, cost-plus explosives contract!
- Excellent cash flow was re-invested in fertilisers, expensive R&D, soda ash, biotechnology and others
- On SA's re-admission to the global economy in 1994, AECI was found wanting in terms of cost structure and scale

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The Sasol Bid

- Came in April 1998, at R30 per share, after a period of poor performance and escalating debt
- Sasol wanted Polifin, and to a lessor extent number 4 ammonia (to close it down), explosives and fertilisers
- Was disallowed, somewhat unexpectedly, in Sept 1998 by Competition Board
- AECI then in disarray, demotivated, share price plunged from R28.60 to R6.50 in six months

Transformation

- David Gleason: "AECI is like an elderly gentleman taking his equally tired dog for a walk at Zoo Lake"
- Company had to re-group, be re-vitalised. Shareholder value needed to be sought and unlocked
- Commenced in November 1998 with the selection of a portfolio of sustainable, specialised businesses. It was decided to exit high capital continuous process chemistry, and to fix the high debt

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New Vision

- A Group of low to medium capital market-aligned niche businesses, based on chemistry, regional and global, technical service intensive, supported by strategic partnerships, aspiring to world-class standards
- Each a leader in its field
- New portfolio: mining solutions, specialty chemicals, specialty fibres and coatings
- Plus properties

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The New AECI

- Re-invention meant exiting fertilisers, biotech, polymers, phosphates, tioxide, acrylics, etc ...
- ... closure of 6 plants, including ammonia/urea and fibres at Hammarsdale ...
- ... re-positioning of 5 specialty businesses into Chemserve ...
- ... the formation of Heartland Properties ...
- ... culling R&D, engineering, fine chemicals development, downsizing HQ and other corporate structures

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Financial Impact

- The proceeds from the 12 external disposals were R3b, which was applied as follows:
- Costs of transformation - R700m
- Growth investments in core businesses - R500m
- Share buy-back - R1b
- Reduction in borrowings
- Transformation did not destroy shareholder value: net exceptional gain over the three years was R200m

The Buy-back

- Only solution to Anglo's exit predicament
- Although fashionable, 40% was unique
- Removed massive overhang
- Inexpensive "acquisition" of more of ourselves at R14.50 per share
- Residual Anglo holding was acquired by institutions
- Buy-back provided clarity, independence, 100% free float, new energy

Culture Changes

- Early retirement of 13 senior managers
- Customer, market awareness
- Bottom-line focus
- Bias towards action, de-intellectualisation
- Improved, rapid communications
- Align management with shareholders' interests: appropriate award schemes
- Low tolerance of mediocrity
- Employee complement reduced to 8 000

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Summary of 2002

- 2002 results most pleasing
- Balance sheet strong
- Domestic trading conditions satisfactory, but still depressed abroad
- Rand strength and volatility a major challenge
- SHE performance approaching world class
- Outlook for Group remains positive, but SANS has to manage polyester feedstock spike, PET margin, Stoneville improvement

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Business Environment

- Regional demand buoyant in 02 - seems to be holding up
- World economy still in poor shape - prospects remain weak, war fears
- Stronger Rand has squeezed margins; pressure from market to reduce selling prices
- Current high energy prices (Iraq, Venezuela) of concern
- Local interest rates, inflation should moderate

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Global Chemical Industry

- In the doldrums since 1998
- Results remain poor: job cuts, private equity deals, CEO dismissals continue
- Structural problems: powerful customers and suppliers, high debt, little innovation, competition from China, commoditisation
- Relative PE ratings have improved
- Still no global upturn in sight

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Transformation

- Final touches were completed in 02:
- Agterskot of R206m paid to Anglo
- Kynoch Feeds and Tioxide disposals closed
- Aroma and Fine Chemicals sold

Group Strategy

- Five businesses
- Specialty product and service solutions, for global and regional niche markets
- Actively drive performance: superior ROIC, world-class cost base and asset utilisation
- Profitable growth within businesses, global alliances, best practice transfer, BEE
- Chemserve minorities: low priority

Financial Objectives

- Nominal ROIC>WACC of 15%
- Positive EVA of all businesses
- Real growth in NOPAT >7%
- Debt:equity ratio 25 to 40%
- Cash interest cover >5
- Dividend cover = 3.0

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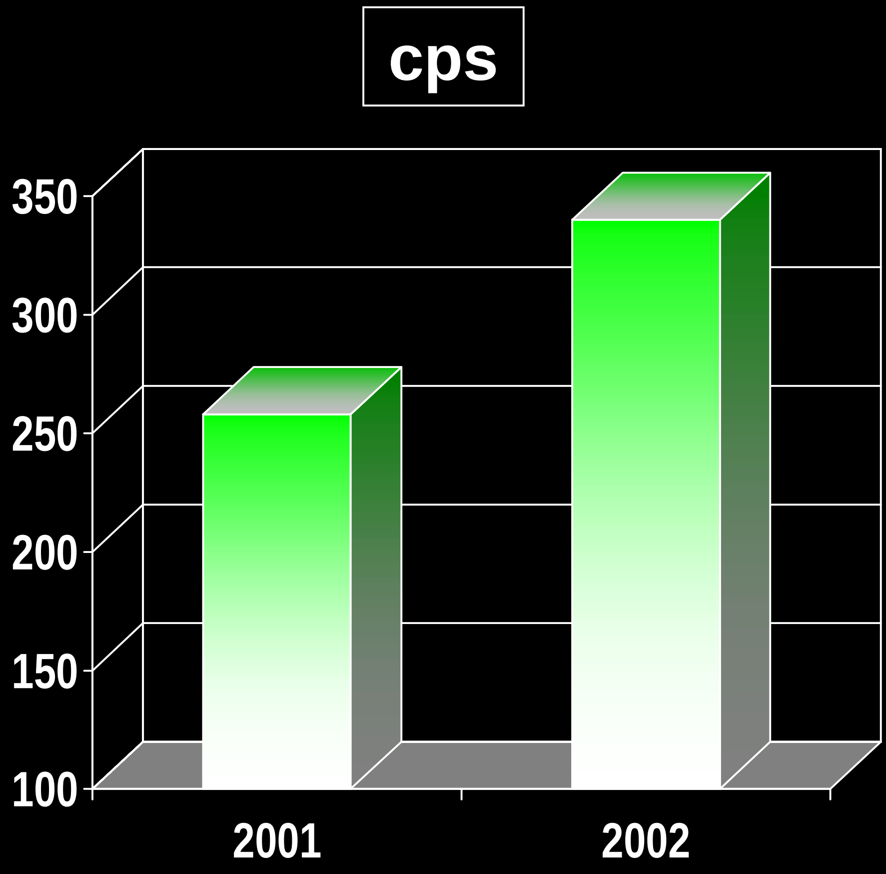
Results for 2002

- Volumes up 7%
- Revenue up 16%
- TP Margin 8.9% (7.3%)
- TP, headline eps up 42%, 32% resp
- No PEMB in heps



Rand Impact on 2002

- Positive impact on earnings over Jan-Oct, reversals in Nov and Dec
- The Group's businesses benefit from a weak Rand (Chemserve, Dulux have to manage)
- Impossible to quantify: lead-lag versus ongoing effects, complex product mix
- No foreign entity investment adjustments in income statement

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Improved results due to:

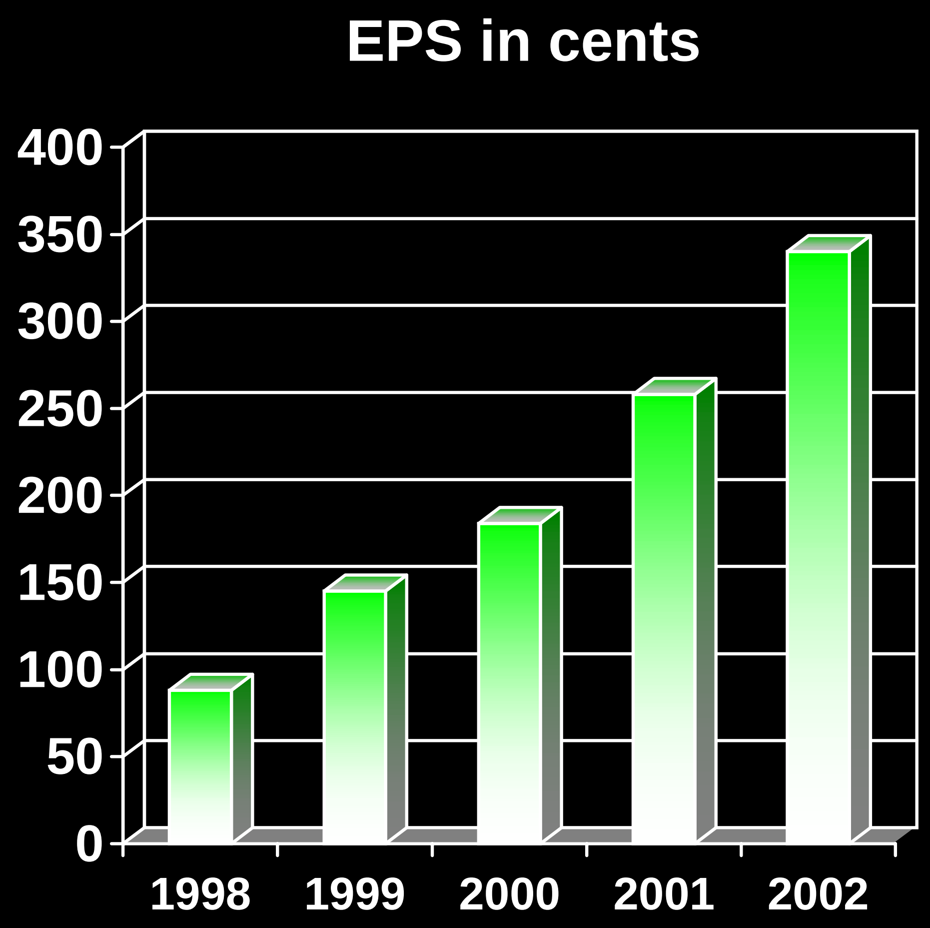
- Fruits of transformation: specialised, more robust portfolio
- Materially increased volumes: weaker Rand boosted direct and indirect exports
- Significant turnarounds of AECI Coatings, Dulux and Heartland
- Elimination of Fine Chemicals development
- Weak Rand effect: on average Rand devalued by 18% against US$

A Track Record Forms

Adjusted for Polifin (or special dividend) in 1998 and 1999

- >40% compound earnings growth achieved since 1998

- Long term target >15% compound growth



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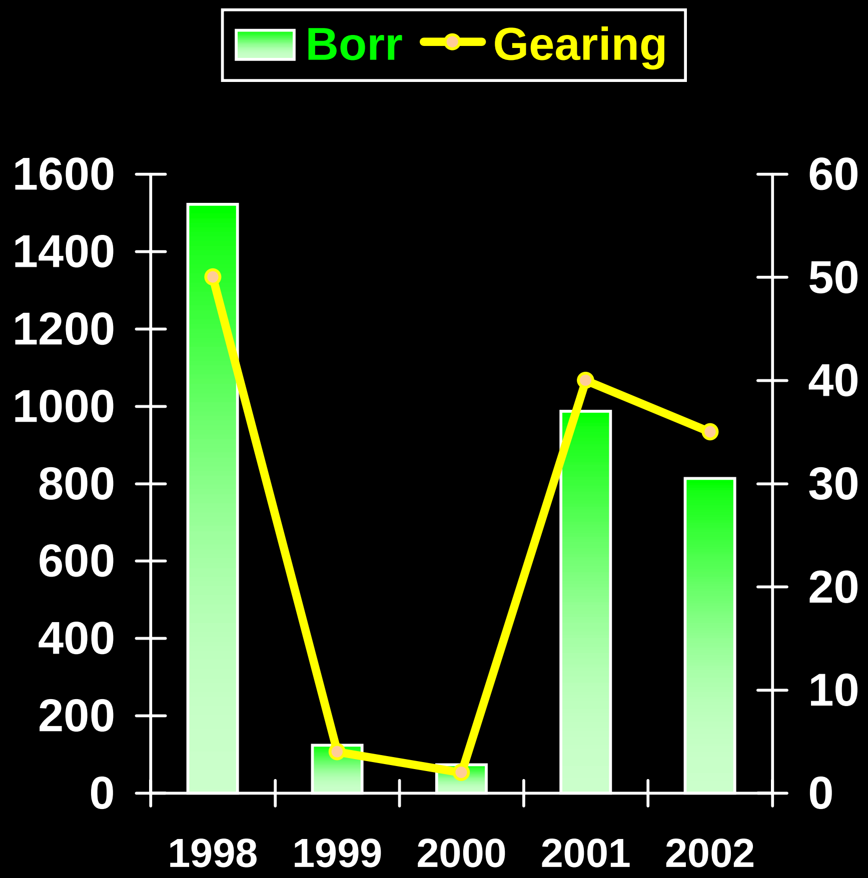
Balance Sheet

- Net borrowings R814m
- Capex/Investments R170m net
- WC 14.4% (ratio down 3%), trade WC only up R13m on Dec 2001
- Cash interest cover 5.6



Other Salient Information

- Final dividend of 72 cents, total up 29% on 2001. Dividend cover 3.04 - on target
- ROIC* 17%, exceeding long-term WACC, highest in a decade
- ROSE 15.2% (10.6% for 2001)
- R18m net exceptional charge (other than amortisation of goodwill)

*** Excl land revaluation**

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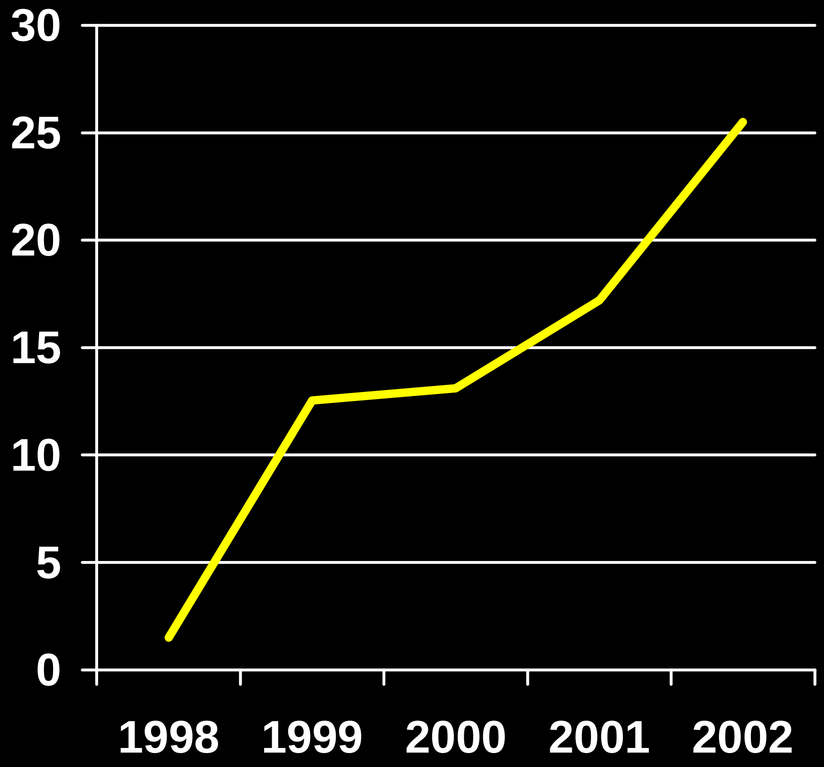
Share Price

Year-end in rand



- Relative to Industrials 40% up on Sasol bid peak and 300% up on Jan 99

Graph adjusted for R6 special dividend (November 1999)

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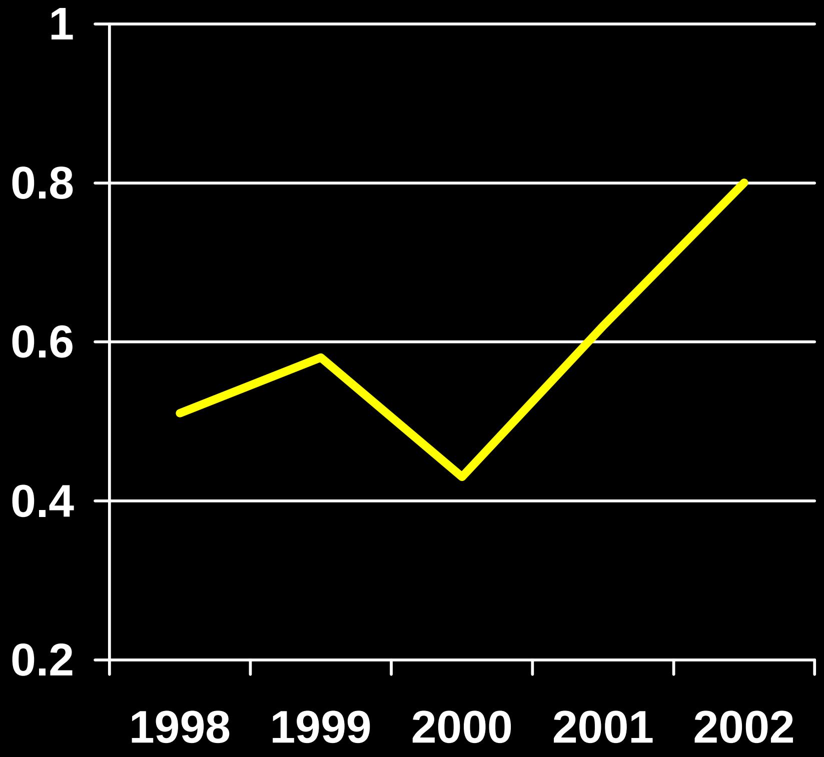
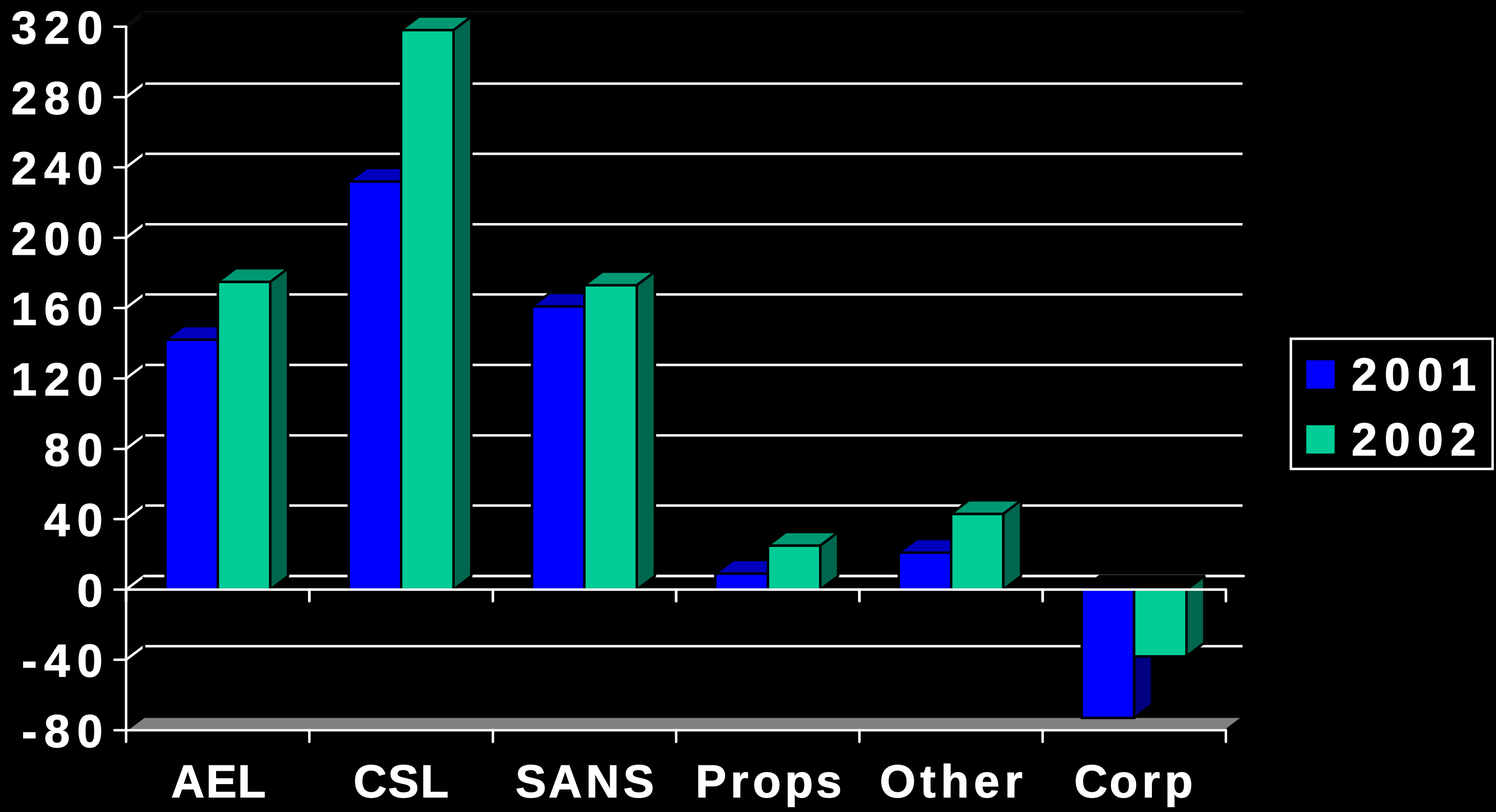
Relative to Market



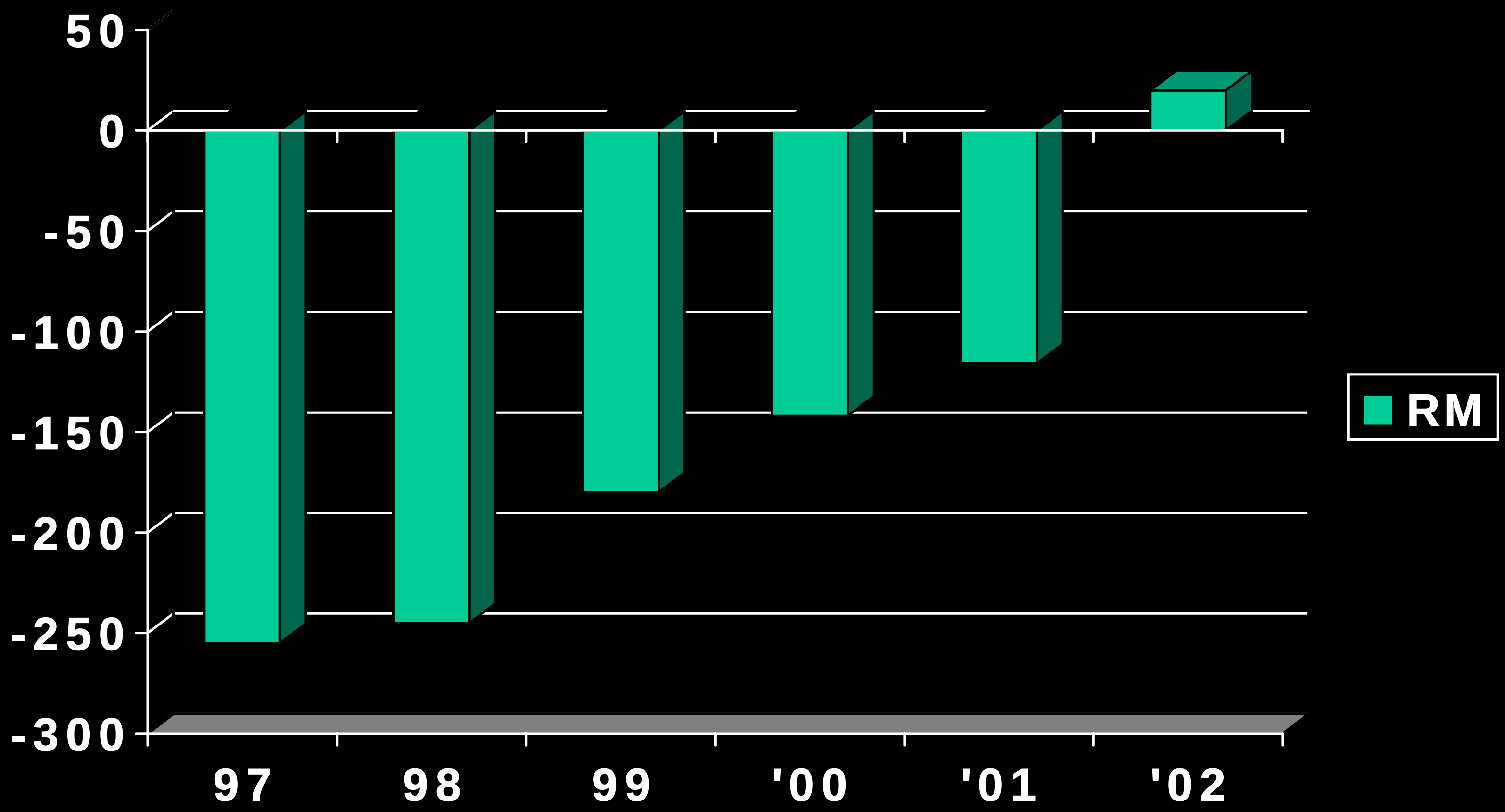
- Relative PE ratio to Industrials improving
- Year-end market cap R2.5b (75th, 50th in Industrials)
- Top 20 Bus Times 10-year ranking

Graph adjusted for R6 special dividend (November 1999)

Segmental Trading Profit



Group EVA History



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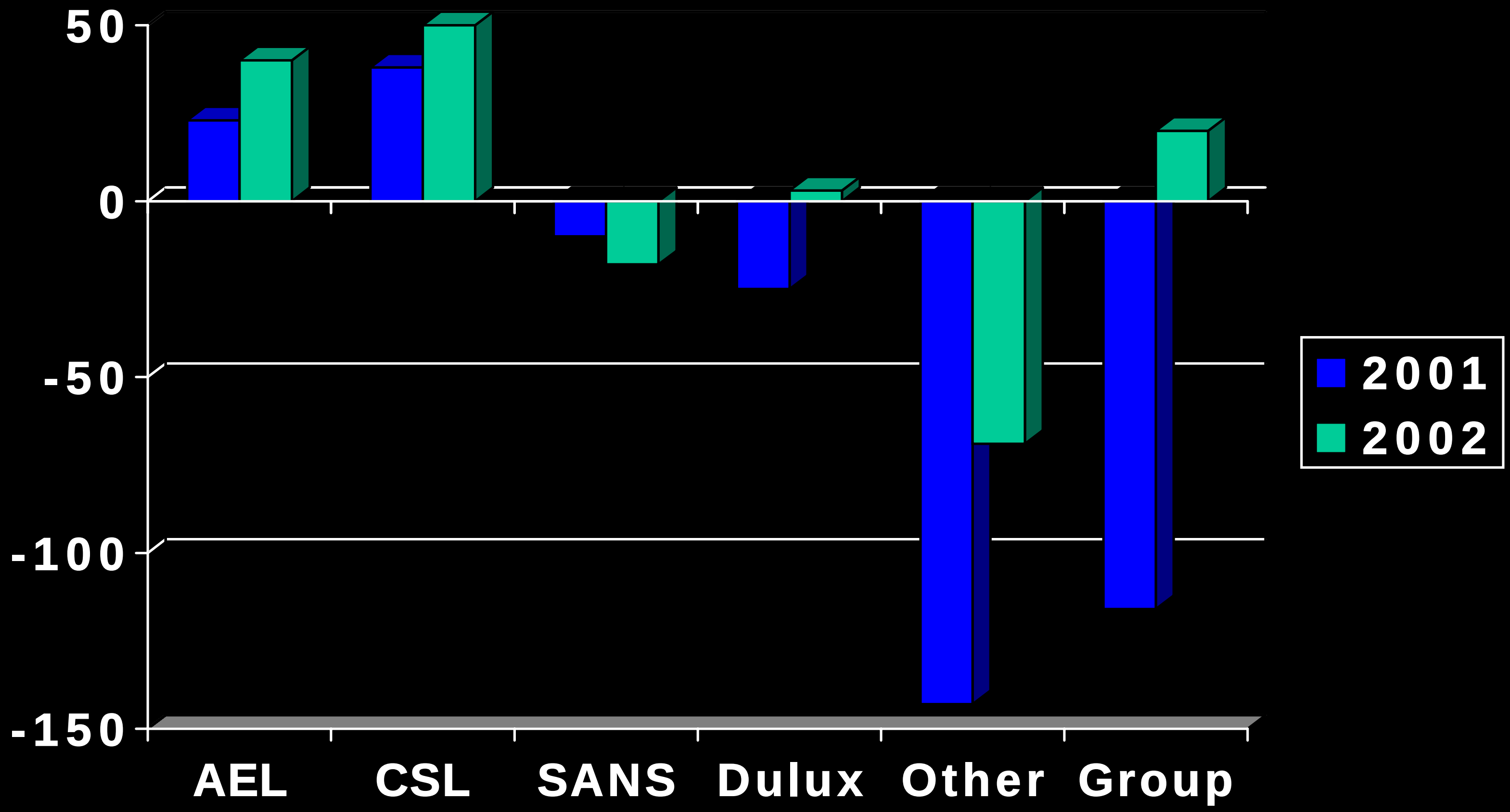
EVA by Business



African Explosives

- R176m TP (+24%); Margin 9.2%
- Strong volume growth in narrow reef market due to weak Rand and strong Pt expansion
- Selling prices well below international parity
- Electronic detonator thrust on track (+65% revenue growth in '02)
- Value growth will come from intermediates rationalisation, cost optimisation, eDets, Africa

Specialty Chemicals

- R318m TP (+37%); Margin 10.5%
- Strong volume growth, margins protected, good cost control, excellent balance sheet
- AECI Coatings turnaround, also Crest & CTP
- Strong Rand consequences mixed
- Awaiting Senmin acquisition completion; further investments being contemplated

Specialty Fibres

- R173m TP (+7%); Margin 8.3%
- Strong domestic, weak global market, excellent Bellville (esp LDI) performance
- Strong Rand, feedstock spike, PET margin
- R46m loss (2001: R17m) at Stoneville: technical and commercial challenges
- Low Denier Industrial yarn strategy sound: consolidation, cost reduction, optimisation

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SANS: PE Feedstock Spike

- Oil and gas up 80% and 180% on Jan 02 resp
- Asian PE demand: EO, Px and PTA in short supply
- Outages, turnarounds and delays
- Spot feedstock costs have therefore doubled
- Could abate by 3Q03?
- PE yarn and bottle polymer prices slow to react

Dulux

- Coatings R36m TP (R8m in 2001)
- ... on lower net assets employed: +ve EVA
- A transformation success story: focused on prime brands, outsourced intermediates, rationalised costs, re-energised manpower
- South Africa division not yet optimised
- Looking at expansion into Africa

Heartland Properties

- R25m TP (180% up on 2001)
- Excellent cash flow of +R90m
- Brisk demand continues in residential, light industrial and retail; poor in commercial
- Attractive enquiries in pipeline
- Strategy includes bulk land sales

2003 Outlook

- Tough year globally for economies, much uncertainty, effects of Iraq conflict?
- Domestic prospects satisfactory
- Strong Rand a major challenge for Group, especially SANS; also polyester feedstock surge
- Nevertheless further increase in Heps targeted
- No great demands on balance sheet

In Conclusion

- Re-invented AECI, providing "specialty product and service solutions" based on chemistry, is delivering
- Well positioned for long-term earnings growth
- Currency gyrations and polyester raw materials surge may result in short-term earnings volatility