

---

# Financial results 2005



**Presentation to investors, analysts and media  
21 and 22 February 2006**

---

---

# Summary

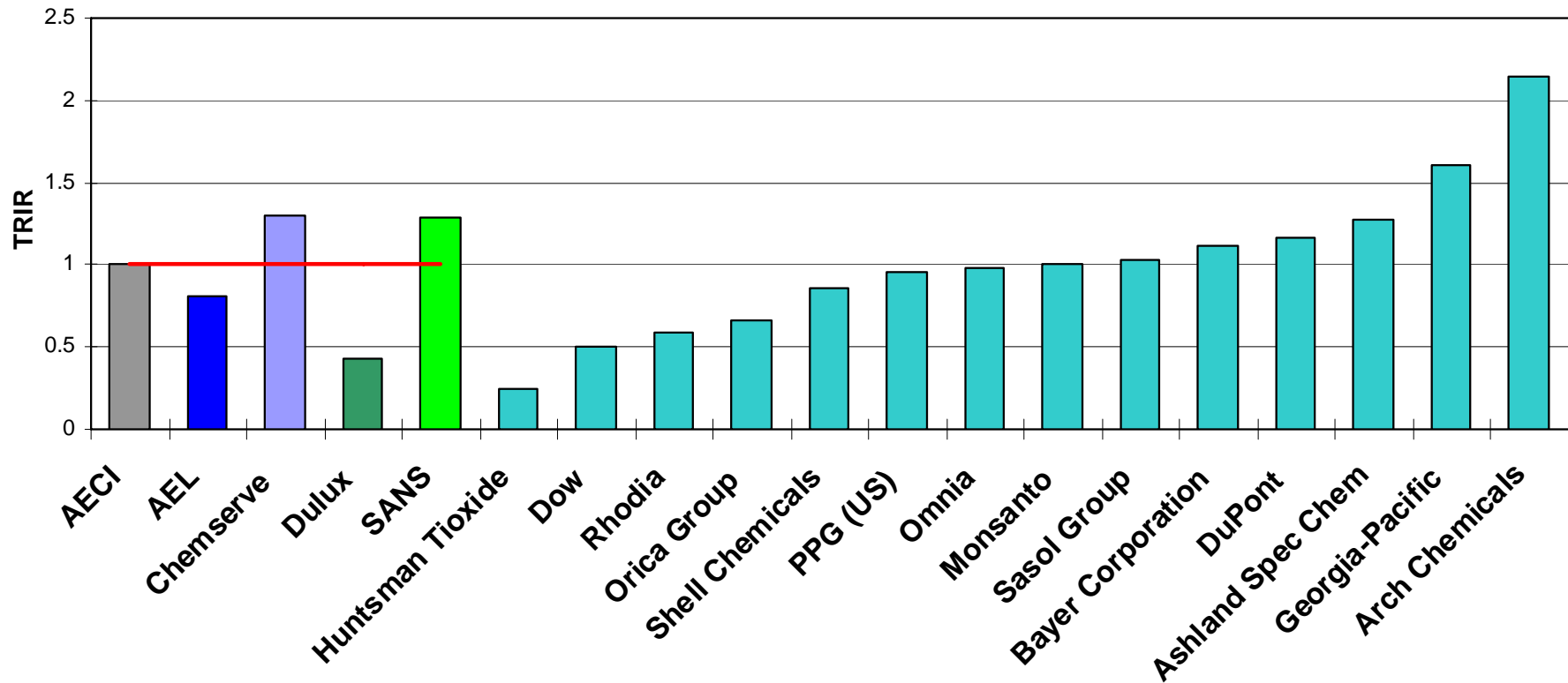
- Pleasing performance with all operations improving against prior year
- Headline earnings +23% to new record of 482 cents per share. Dividend +27%
- Headline earnings include restructuring charges equivalent to 15 cents per share (2004 - 27 cents)
- Sound balance sheet in spite of expansion capital ahead of depreciation, acquisitions in Chemserve, call options over 2.95 million shares, and higher working capital
- Volumes, in aggregate, higher boosted by strong local demand in some sectors

---

# SHE issues

- Major environmental remediation underway at Somerset West
  - ▶ approx. 250 000t of contaminated soil moving to mono-cell at approved disposal site at Vissershok
  - ▶ bulk of work by June '06 at total cost of R80m
- Significant reduction in risk circles at Umbogintwini
  - ▶ mainly through R20m investment in handling and storage of sulphur dioxide

# 2005 Total Recordable Incident Rate



---

# Business environment

- Low inflation and interest rate environment
- Strong consumer-driven demand boosted the economy, confidence remained high and retail, housing and automotive saw healthy growth in demand
- Commodity prices, including oil, remained high but stable currency restricted inflationary pressures
- Local manufacturing benefited from consumer spending
- Higher commodity prices assisted the resources sector, gold mining recovered somewhat on back of higher prices and platinum miners announced new projects

---

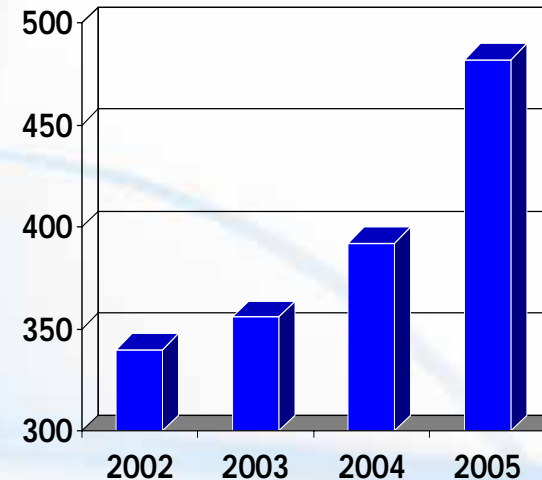
# Chemical industry

- Global industry no benchmark for AECI
  - portfolio of customer focused specialty product and service solutions businesses, operating in global and regional niche markets
- But purchase large volumes of chemical raw materials from a diversified geographical base
- 2005: significant profit improvements for industry, as companies used operating leverage to boost prices
- Prolonged high cost of natural gas and higher crude oil prices, supply and demand imbalances and hurricanes off the Gulf Coast, led to “cycles within the cycle”
- China still a factor in demand/supply for vast range of products, and an investment base for multinationals

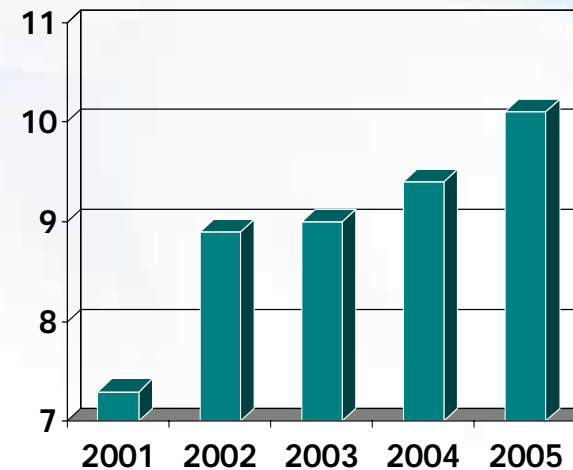
# Results for 2005

- HEPS +23%
- Revenue-weighted volumes +2%
- TP Margin 10.1% (9.4%)
- TP +19%
- Foreign sales +21% in rand

Headline earnings per share (cents)

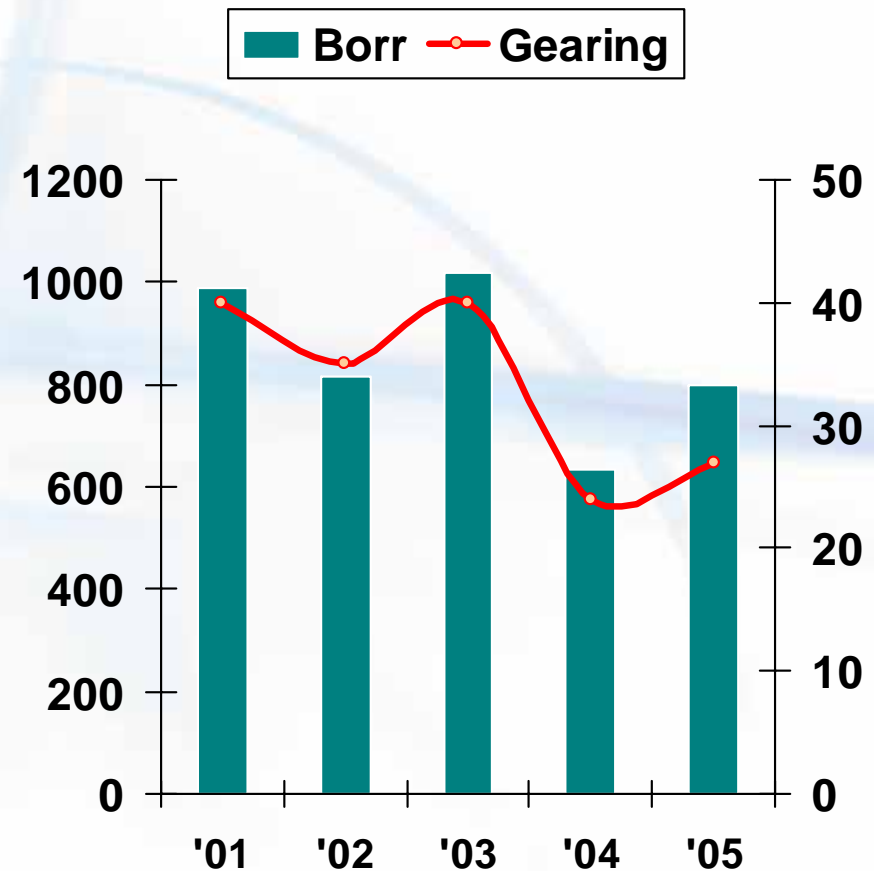


Trading margin (%)



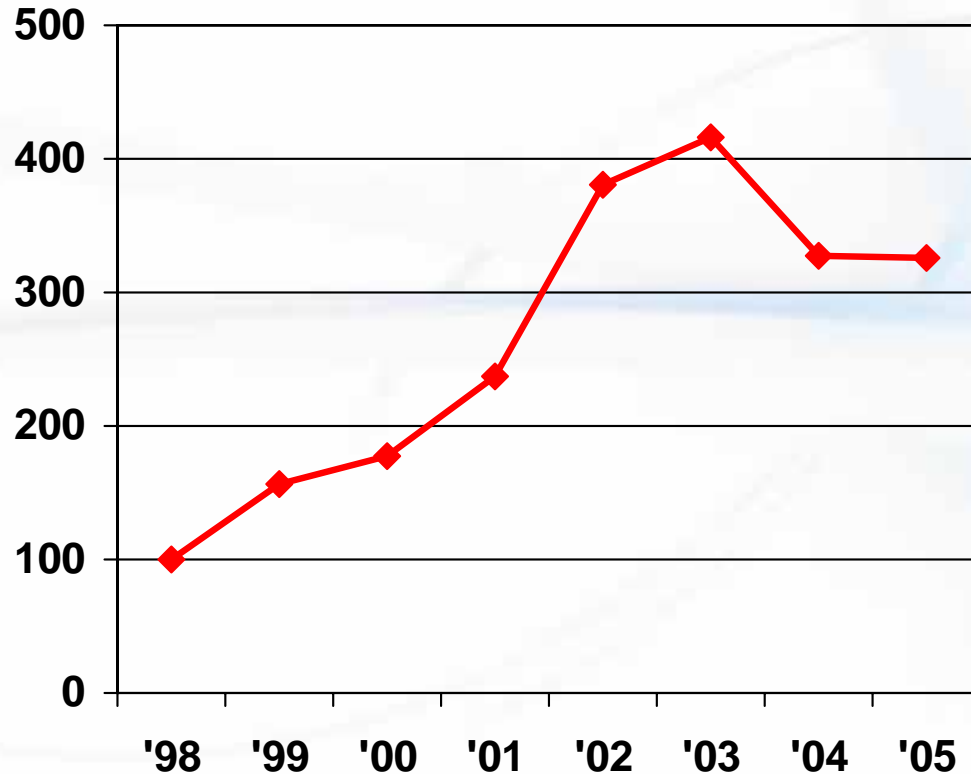
# Financial

- Chemsolve acquisitions R207m
- Capex R339m, R127m higher than depreciation charge; AEL and CSL expansions
- WC 15.6% at year-end, compared to 12.0% in '04 and 14.2% in '03
- Purchased call options over 2.95 million shares for cash premium of R120m
- Borrowings up by R183m to R798m = gearing ratio of 27% (23% at Dec '04)
- Cash interest cover up to 12 times



# Share price

**AECI share price  
relative to JSE IND index**



Relative rating to  
industrials (at year-end) in  
line with previous year, but  
below 02/03 peak

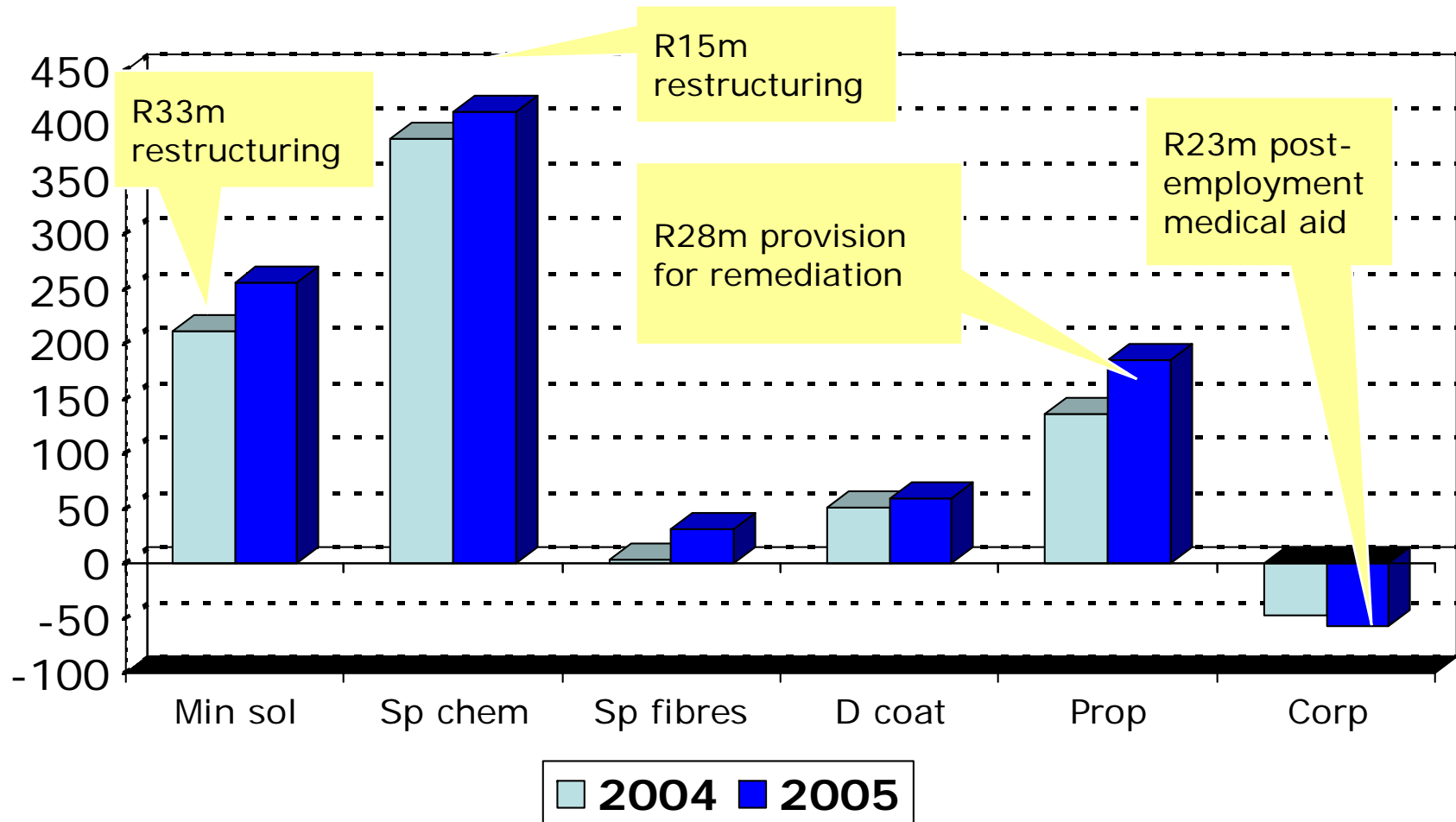
Graph adjusted for R6 special  
dividend (Nov '99)

---

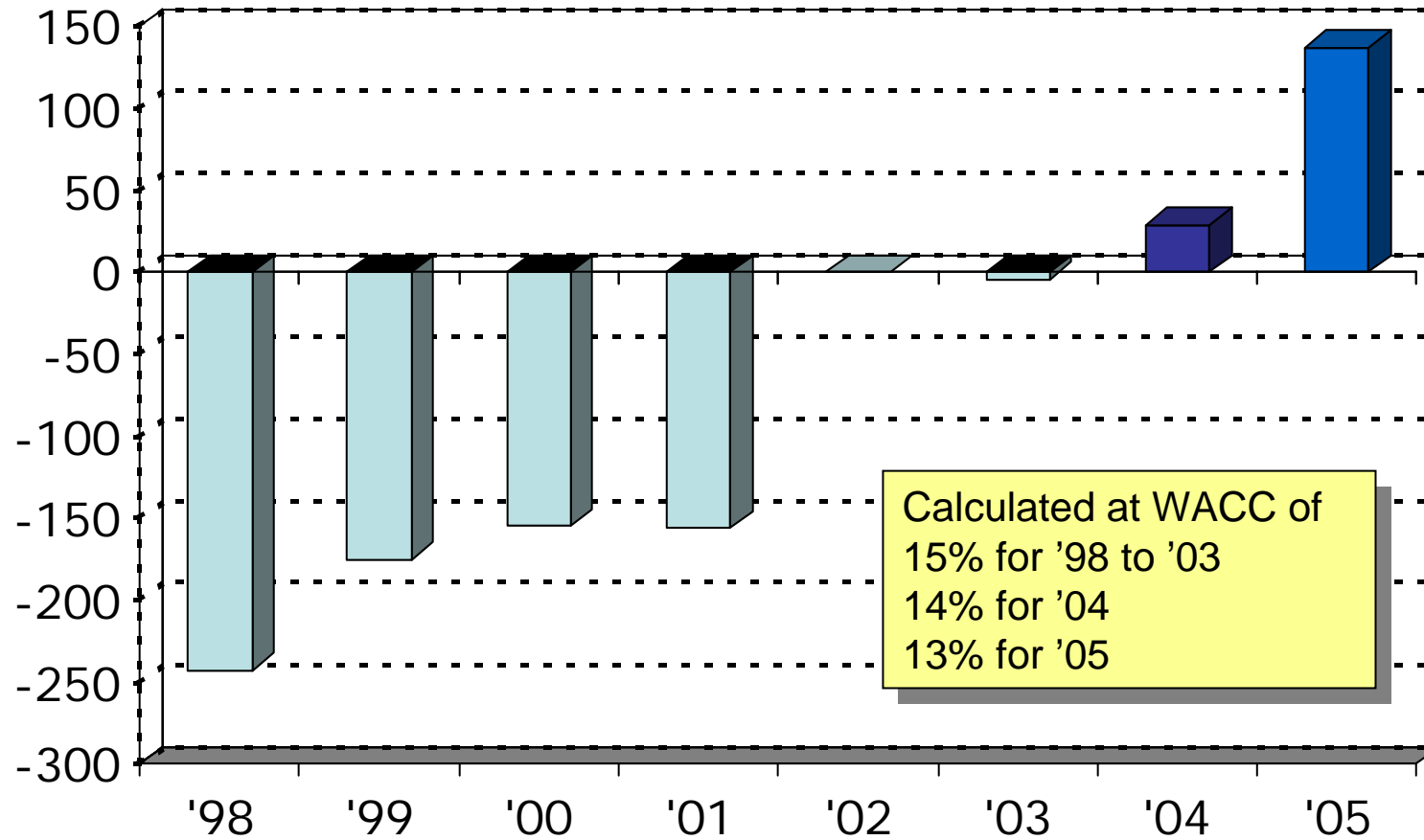
# Economic empowerment

- R1.6b AEL/Tiso transaction operational for full year
  - Tiso AEL Development Trust: focus on
    - education support
    - HIV/Aids effects on children
  - R850 000 invested in 2005
- Tiso Group also acquired 25.1% equity interest from Chemserve, for R94m, in ImproChem (water treatment business), effective Sep '05

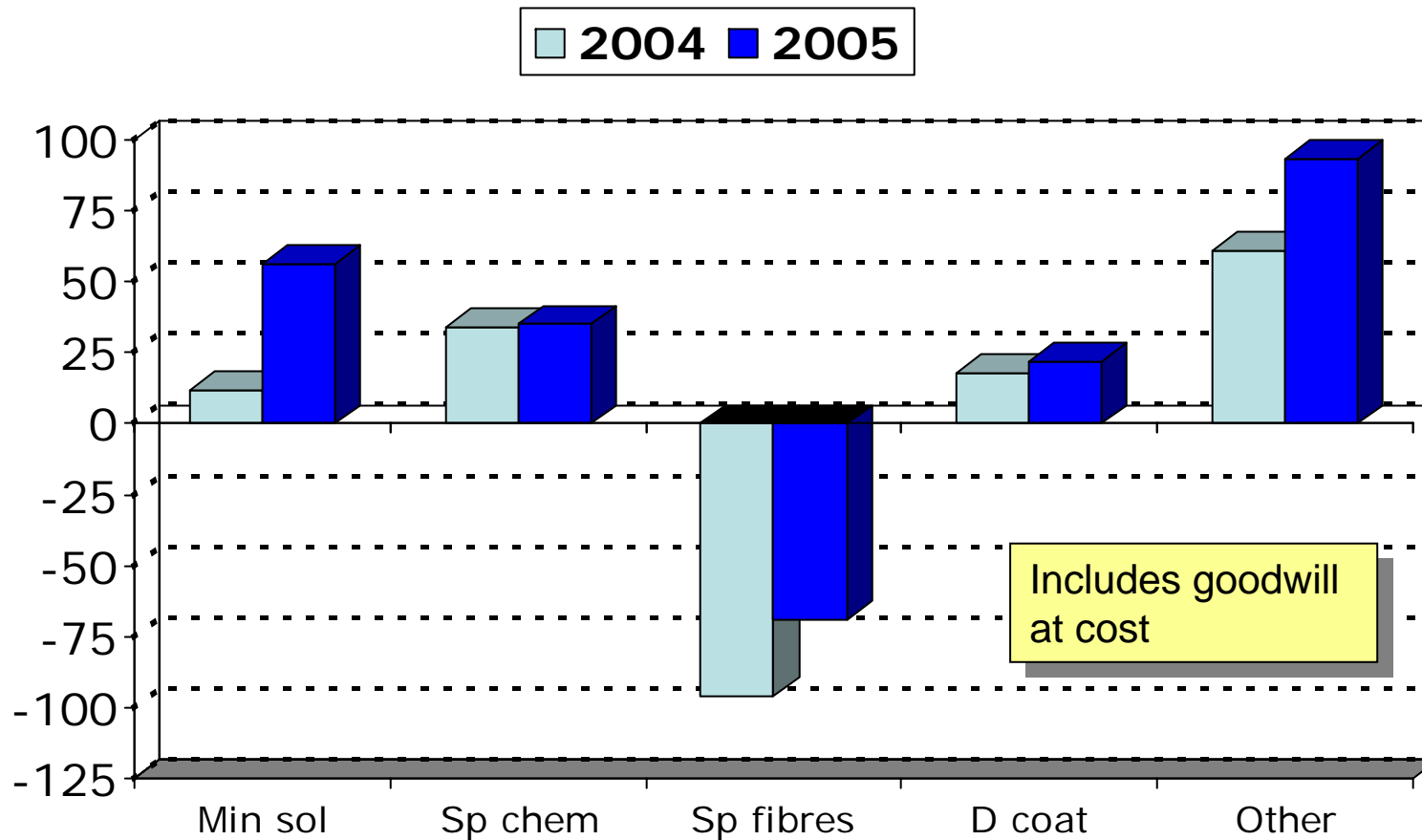
# Segmental trading profit (Rm)



# Group EVA<sup>®</sup> (Rm)



# EVA<sup>®</sup> by business (Rm)



---

# Mining solutions

- Revenue R2 314m (+8%); TP R257m (+21%)
  - ▶ margin 11.1% (9.9%)
  - ▶ restructuring: R33m charge recognised in previous period
  - ▶ TP +5% on restructured business, but trading margin -0.3 percentage points from extreme resistance to price adjustments on initiators by some gold mining customers
  - ▶ lagged recovery of steep increases in ammonia costs depressed margins

---

# Mining solutions

- Explosives volumes increased, but initiating systems declined (gold)
- Strong performance from rest of Africa, good growth in West Africa, Botswana, Tanzania and Zambia
- Fixed costs well controlled, with aggressive reduction initiatives yielding significant results and somewhat offsetting the decline in margins
- Export of 36 000t of ammonium nitrate to Australia completed

---

# Mining solutions

- Factory modernisation and automation programme accelerated
- First phase at cost of R75m near completion
- Second phase of R100m approved
- Designed for quality improvements, cost reductions and new product offerings
- Will be the most advanced facility of its kind in the world, and release large portions of land for alternative use

---

# Mining solutions

- Imports of state-subsidised initiators from China continued to have limited volume impact but contributed to price-adjustment resistance
- Contained through a range of actions
- ITAC revoked decision to investigate dumping of Chinese shocktube
- Commission adopted highly technical approach
  - Sasol classification
  - surrogate country
- AEL will approach High Court to review Commission's decision

---

# Mining solutions

## DetNet progress

- Product being sold in US, Australia and Chile; slowly gaining confidence of the international market
- JV operating well, and has not been affected significantly by the sale of Dyno Nobel
- Production being ramped up in accordance with global demand and regional assembly is under consideration

---

# Specialty chemicals

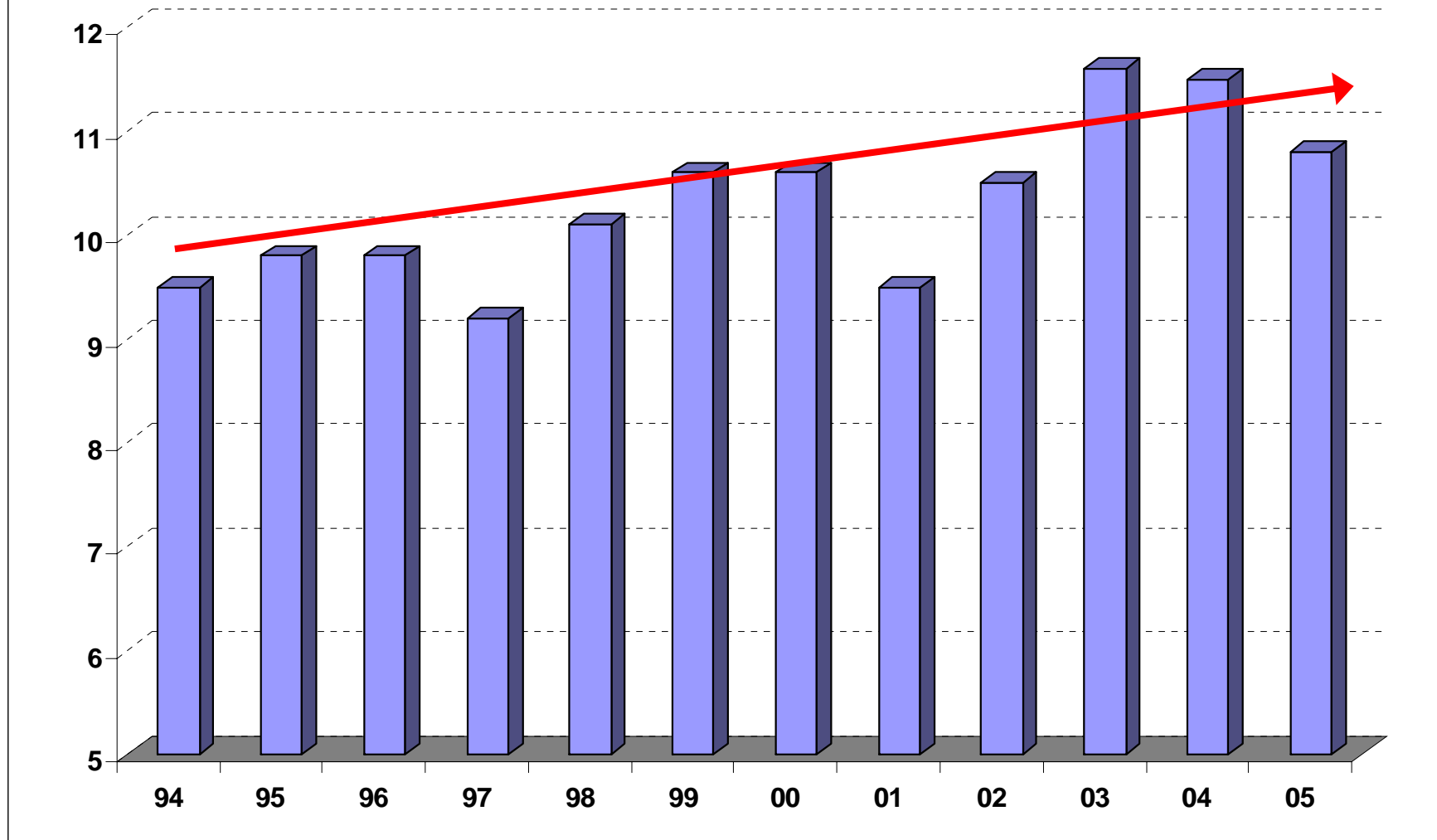
- Revenue R3 826m (+14%); TP R412m (+6%)
  - margin 10.8% (11.5%)
  - maintained high trading margin trend, to validate robust specialty chemical model
- TP improved by 10% if restructuring charge of R15m excluded; manufactured products margin improved but margin of traded goods declined due to mix effects
- Varied performances in portfolio with buoyant demand from suppliers to local markets outpacing that from export-dependent sectors

---

# Specialty chemicals

- Excellent results from polyurethanes business; supplier to white goods industry
- AECI Coatings performance improved significantly; alternative broad supplier technology alliance strategy implemented; gained market share in growing automotive coatings sector
- Other; closed aluminium chemicals and LAB (small, non-viable) and vacated and sold Isithebe site (manufacturing consolidation)
- R130m expansion capital spent: Chevron water plant, mining depressant plant, SMSA expansion and resins

## CSL trading profit margin (%)



---

# Specialty chemicals

- Growth strategies
- Acquisitions: R207m spent including Chemiphos and bolt-on Mineag, JLM, Orlik and Noble Industries.  
Results as expected
  - ▶ Leochem (petroleum jelly) effective Mar '06
- New initiative: Brazil country strategy; agreement reached to acquire 60% shareholding in oleo-chemical business for R40m cash, subject to minority shareholder signature
- Further, more substantial, specialty business being sought as acquisition target and platform for product introductions

---

# Specialty fibres

- Revenue R1 619m (+2%); TP R32m (+R29m)
- Contribution margin increased as dollar prices were adjusted to cushion fluctuating raw material prices
- Volumes declined by 5% due to weak polyester LDI sales, but outlook for '06 much better
- US JV improved further and produced profit of \$1.5m; good volume growth
- Continued solid demand for PET; debottlenecking on track to supply future growth

---

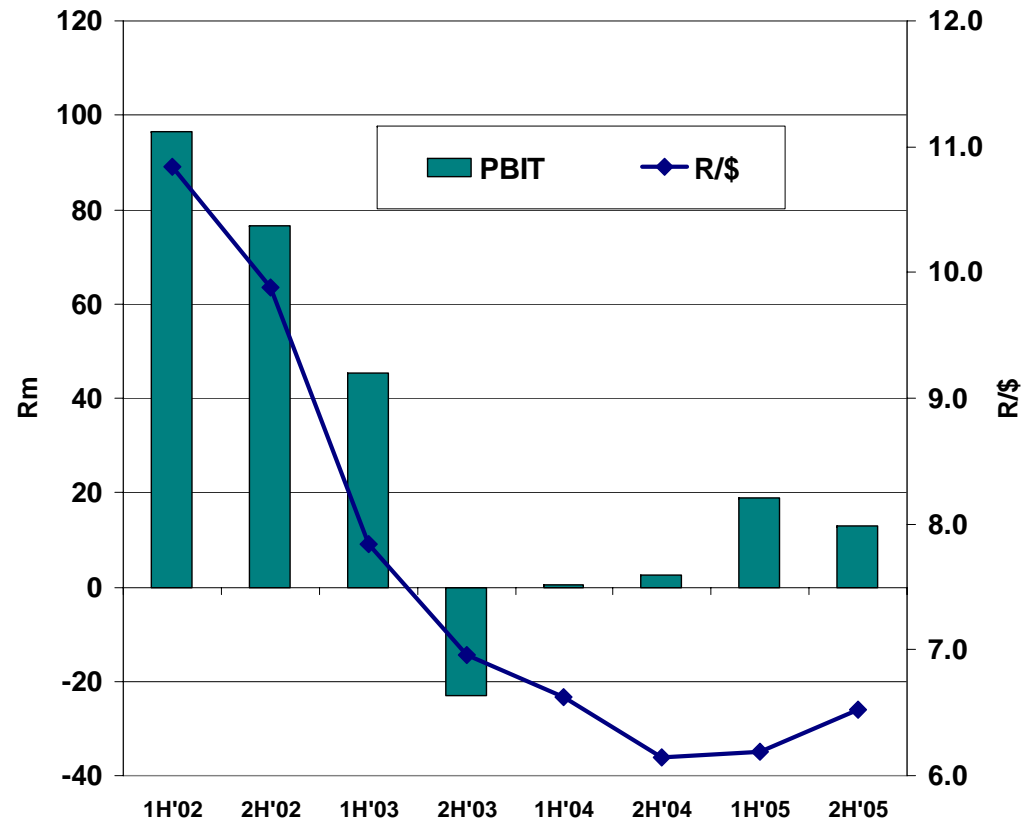
# Specialty fibres

## Recovery plan

- Original plan on track but influenced by persistent strong rand, slow commercialisation of new products
- Product development plan achieved and first order for airbag yarn received
- H2 2005 affected by productivity and efficiencies not up to standard, lower margin exports in mix and quality issue
- Asia Pacific will overtake US and EU as largest export market in 2006

# Specialty fibres

Profit and exchange rate



---

# Decorative coatings

- Revenue R648m (+6%); TP R59m (+16%)
  - ▶ margin 9.1% (8.4%)
  - ▶ best margin in recent history and continue to improve with focus on branded sector
- Exceptional performance in SA with volume and revenue growth, in contrast to unfavourable market conditions (Zimbabwe) and disappointing results from Botswana and Namibia
- New products and packaging launched; growing presence in specialty stores and builders outlets

---

# Property

- Revenue R607m (+30%); TP R185m (+35%)
- Includes R28m provision for environmental remediation
- Healthy demand continued in all areas for commercial, residential and retail sectors
- Outstanding net cash flow of R270m
- 1 300ha of the original 3 700ha excess land available has been sold (including 190ha in 2005)

---

# Property

- Gautrain issues, such as route, recognition of planned major roads and width of rail reserve not yet finalised
- Remediation at Milnerton started after last industrial activities ceased
- Depleted pipeline of land available for sale may curtail contribution in 2006

---

# Outlook

- Positive outlook for domestic economy to continue
- High commodity prices stimulate mining investments
- Group to benefit from acquisition and investment activities
- Less land available for sale in 2006
- Strong currency hurts and slows SANS' recovery