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# **Chemical Services Limited update**

**29 September 2009  
Emerald Casino Resort**

# Agenda

- 10:00 Introduction  
Chemical Services update
- 11:00 Tea
- 11:15 Mining chemicals and Senmin
- 12:00 Lunch (dry!)
- 12:45 Depart for Senmin site
- 13:00 Site tour
- 15:30 Return to hotel



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# Content

- Introduction
  - Safety
  - History
- Strategy
  - Strengths
  - Consequent strategy
- Style and structure
- The group today
  - Companies
  - Markets
- Performance history
- Outlook



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# Chemserve's executive

Chris Edwin Frank Schalk Mark Trevor

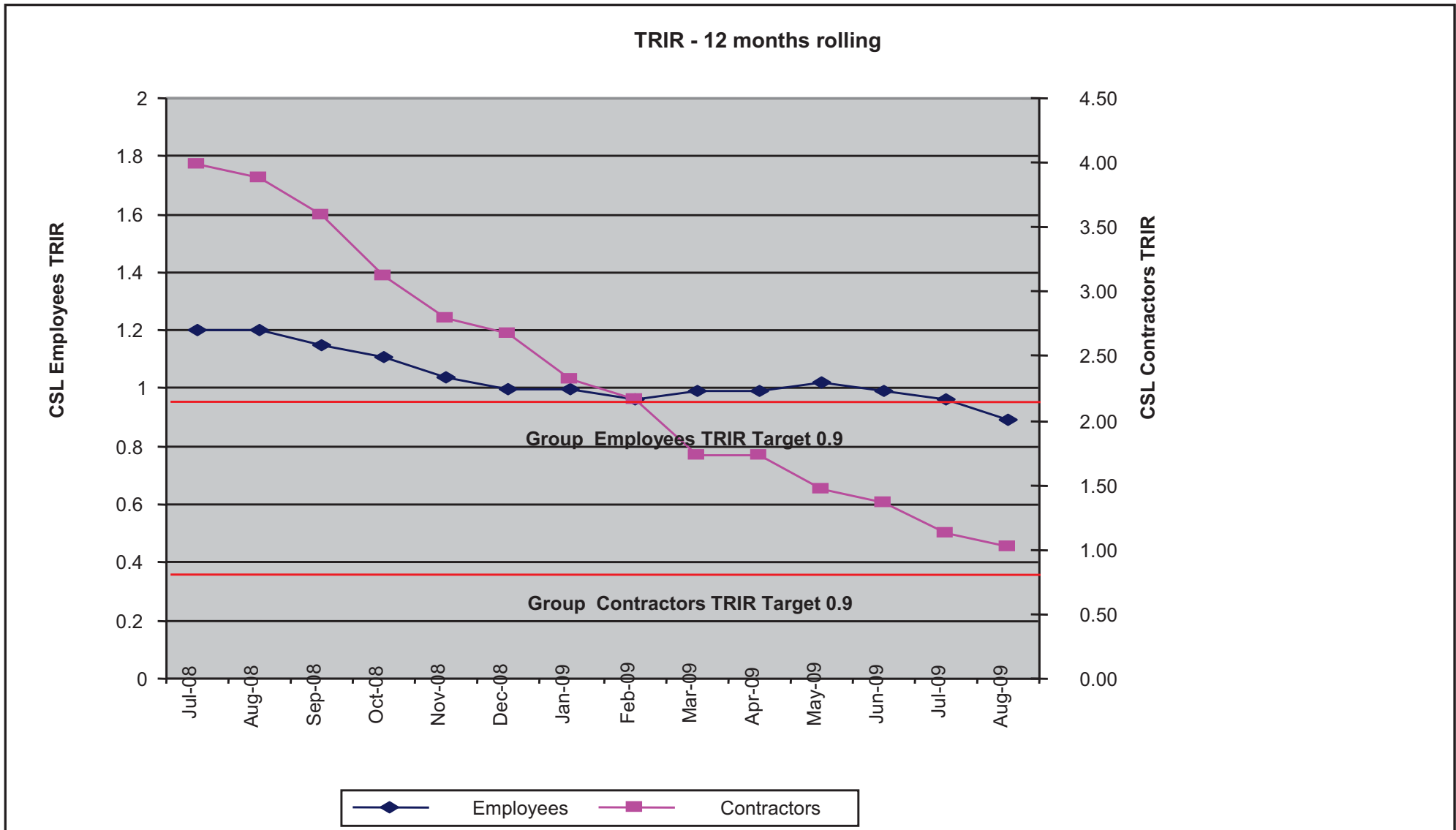


Ivan Muller photography cc. 082 454 84 87



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# Safety performance



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# History

- Established in 1946, in Johannesburg
- Supply 'high quality chemicals' supported by application know-how
- Manufacturing began in Johannesburg in 1948, after a 1947 visit to secure technology
- Rapid expansion and factories started in Durban, Cape Town and PE
- Chloorkop factory established in 1955
- Listed in 1967 as Chemical Holdings - 9 subsidiaries, 3 JVs
- 1980: Chemical Holdings became a subsidiary of AECI
- 1983: Reverted to Chemical Services
- By 1986: R100m turnover and R6.3m PBT



## History cont.

- 2001: Chemserve acquired several AECI companies including CI, Duco, Industrial Urethanes and Resinkem
- 2003: AECI acquired 100% stake in Chemserve, Chemserve de-listed from the JSE
- 2006: R4.8bn turnover. Investment in Brazil
- 2007: Initiated mining capital expansion
- 2008: Achieved R8bn sales. Commenced capital program
- 2009: Managed aftershocks of the global meltdown  
Commenced commissioning of new capacity



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**Strategy**

# Objective

Our objective is to grow our headline earnings at 10% real per annum



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# Competencies

1. Operating in a developing economy
2. Managing a diverse group of chemical companies
3. Managing a variety of full service package models
4. Supplying a suite of mining chemicals products and services



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# Competencies

1. Operating in a developing economy
  2. Managing a diverse group of chemical companies
- 
3. Managing a variety of full service package models
  4. Supplying a suite of mining chemicals products and services



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# Full service package

- Complete basket of products
- Logistics to customer site
- Customer site
  - Safety
  - Storage: tanks, warehouse
  - Facilities: dilution, formulation
  - Addition and metering
  - Process management or optimisation
  - Integration with site management



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# Chemserve strategy

Our strategy is to be the chemical solutions provider of choice wherever we operate



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# The Chemserve Hill



Best technology available, often from global No1 or No 2

Service model appropriate for each business

Low cost base vital to be competitive in global environment



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# Strategic focus

- Implement the highest service and added value model appropriate for each business
- At group level focus on:
  - Mining chemicals
  - Water
  - Oil, gas and energy
  - Food chemicals
  - Agricultural specialty chemicals
  - Step out into Africa and Brazil
- At company level seek opportunities for growth in Southern Africa, and certain favourable countries



# Strategic approach

	Mining	WOGGE	Agric	Food	Portfolio
RSA					
Africa					
South America					
Australasia					
Other		?			?



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# Mining chemicals investment background

	Location	New CSL capacity tpa	Repl. CSL capacity tpa	Other CSL capacity tpa	Global Cons. tpa	Global Mining Cons. tpa
CS <sub>2</sub>	Sasolburg	20	7	0	950	50
Xanthates	Sasolburg	16	0	27	140	140
Acrylamide	Sasolburg & Umbog	15	0	5	500	80
PAM	Sasolburg & Umbog	20	0	2	800	110



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**Structure and style**

# Structure and style

Designed to promote

- Rapid response
- Responsibility
- Long-term customer focus
- Bottom line focus
- Management of risks, margins, costs, cash
- Growth
- Clear direction



# “Autonomous”

- Independent, self-directing, self-sufficient, self-governing, self-ruling ...

BUT

- Each business has:
  - A defined scope of operation
  - An agreed strategy
  - A defined chart of authorities
  
- And works within:
  - The group policies on governance, safety, environment, personnel, ethics, ...



# Structure and style

The businesses (deliver the bottom line and grow)

- Entrepreneurial
- Autonomous
- Performance driven
- Tight/loose management
- Responsibility and authority
- Customer service ethos
- Specific market sector focus
- Manage sector-specific R&D
- Demanding group management



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# Structure and style

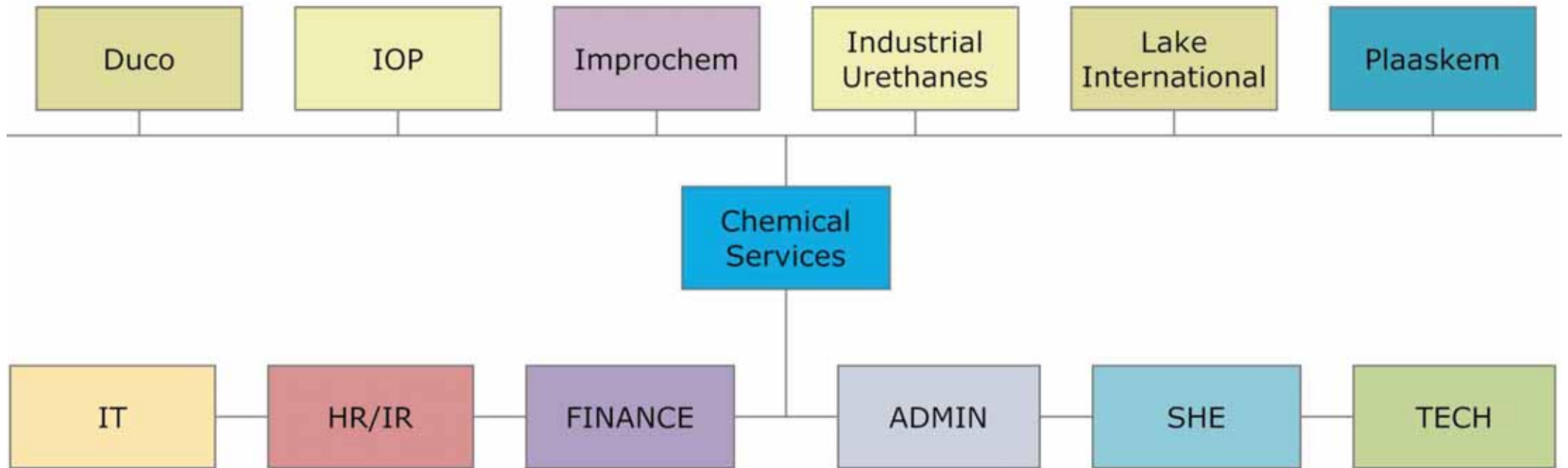
## The Centre

(Manage the environment for the portfolio to grow, and manage the portfolio itself)

- Parenting
- Define scope
- Governance
- Portfolio management
- Resource allocation
- Provision of specific services:  
(HR, IR, IT, Communications, Legal, Financial)

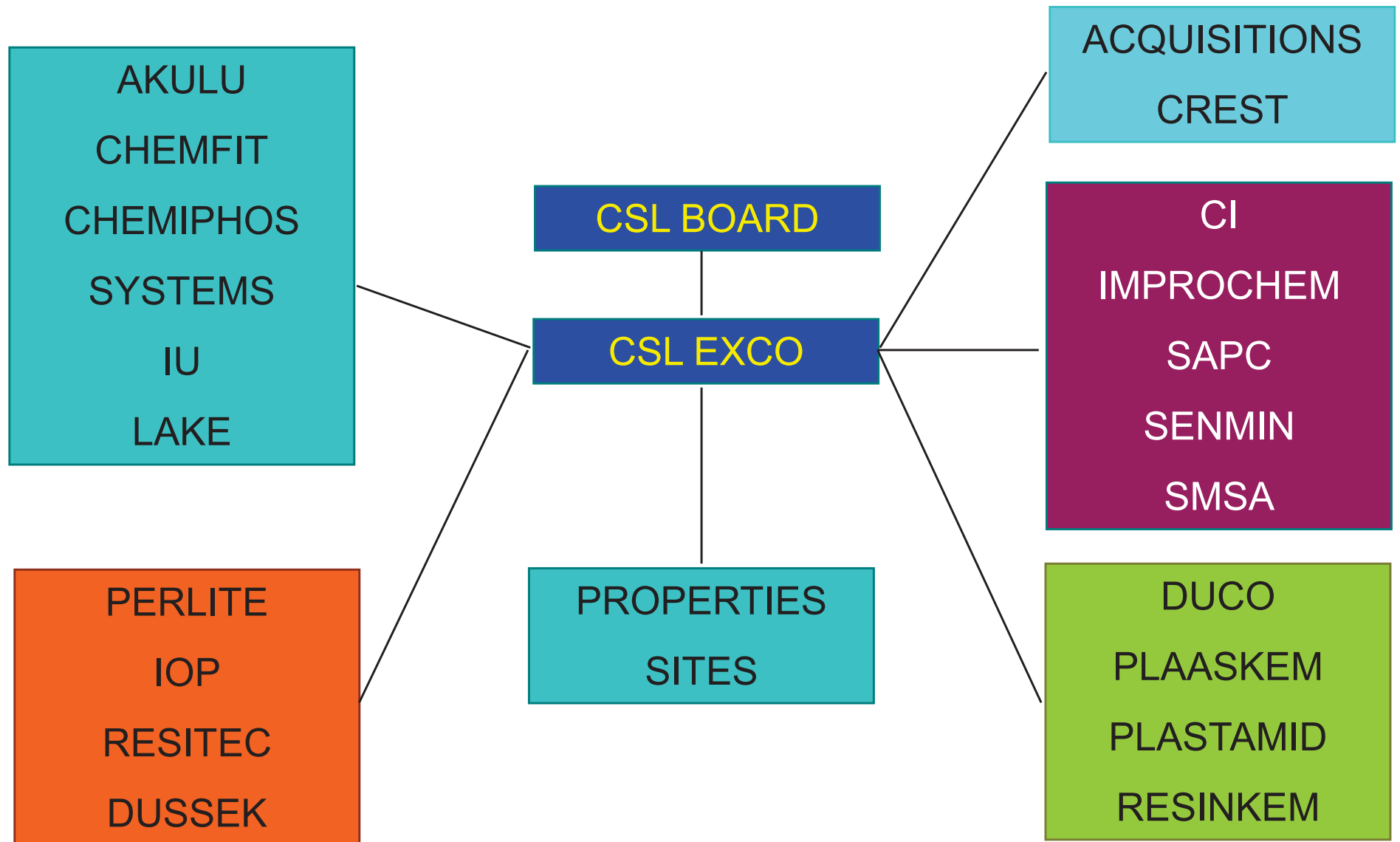


# Chemserve structure



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# Portfolios



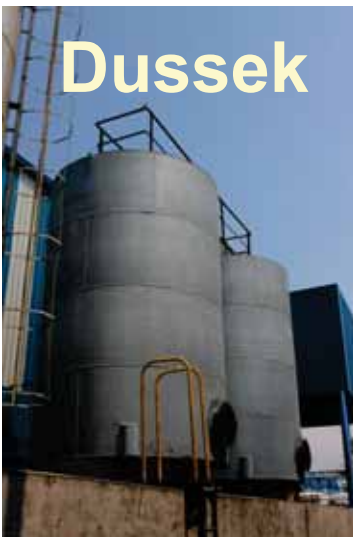
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**Chemserve today: 2 125 people and 20 companies**

## Smaller companies



- Perlite is in a good space with food, wine, cryogenics
- Plastamid down with automotive, and loss of textile fibre waste
- Dussek slow in line with construction
- Smaller company revenue = 1.5% of total



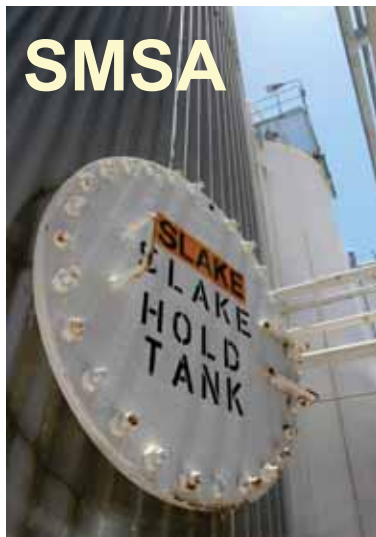
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# Small companies

**Resitec**



**SMSA**



- Resitec poised for growth in recovering Brazilian market, and new fractionation products
- Duco drastically restructured to a service and logistics company
- SMSA at medium rates in line with paper industry



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## Small companies



- Chemiphos steady in phosphoric acids, and making progress in construction chemicals
- Chemfit slowing with markets, good prospects in feeds and soil sterilisation
- Small company revenue = 13% of total



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## Medium companies



- SAPC not stretched at current paper industry volumes
- IOP reasonably loaded with diverse markets including mining and coatings
- Resinkem idling in line with board industry



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## Medium companies



- CS Systems volumes down with foundry, plastics, heavy industry
- IU down with drop in white goods, mining, and manufacturing
- Plaaskem gearing up for '09 season



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## Medium companies



- CI dealing with collapse of the sulphur market and a difficult acid balance in '09. Good Tigersul introduction
- Akulu detergent market slow but busy in personal care; battling in export market with strong Rand. New facility up and running well
- Medium company revenue = 43% of total



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## Large companies



- Crest on a roll with the recent successful acquisition of CH Chemicals
- ImproChem solid with service model and several steady markets



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## Large companies



- Senmin value add model growing successfully
- Projects reaching completion

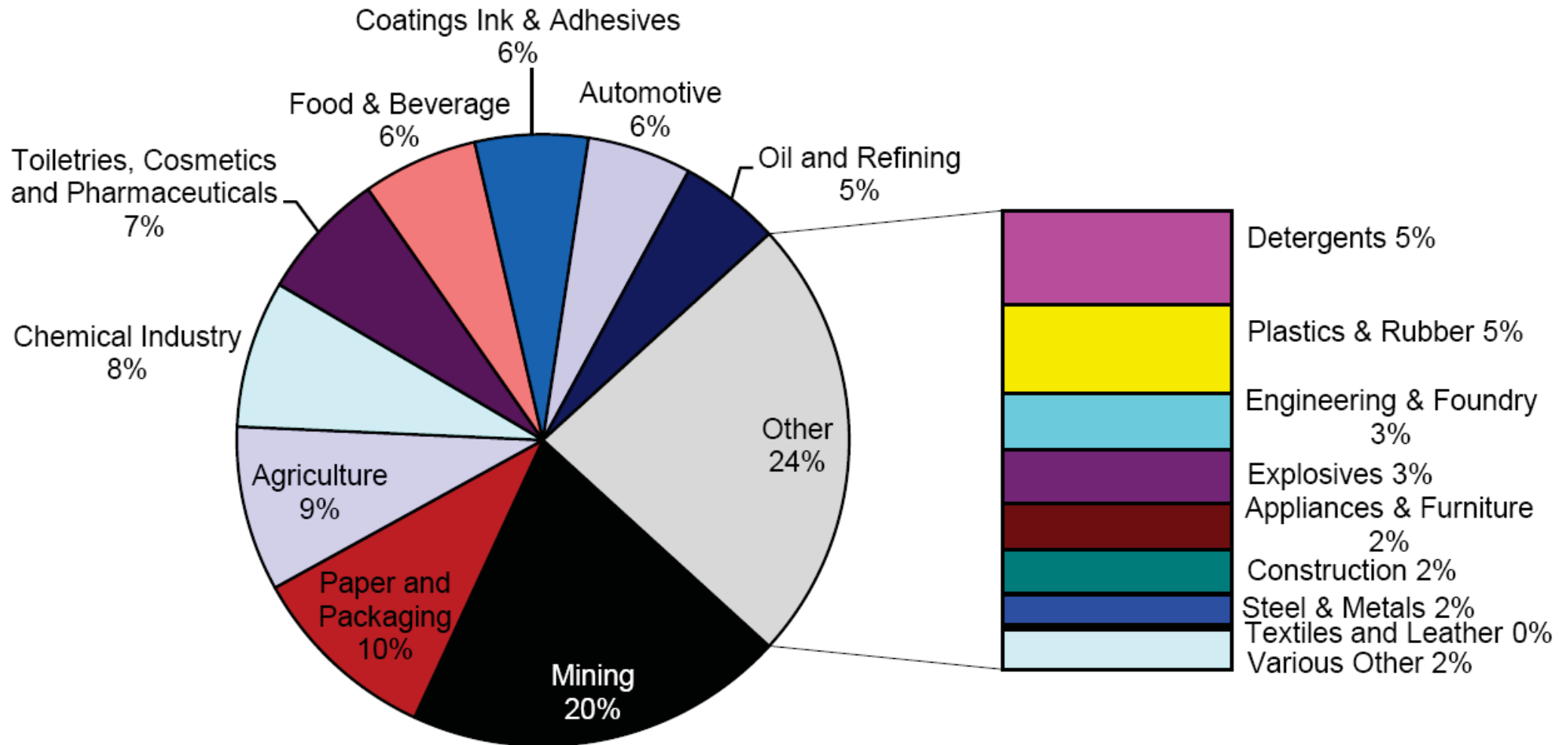


- Lake growing rapidly in food, explosive emulsions, and specialty granule dust suppression and attachment products
- Large company revenue = 41.5% of total



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# 1H09 sales by industry



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# Focus in 2009

- Dealing with the effects of global recession
- Capital program commercialisation
- Margins, costs and growth
- Cash
- Africa



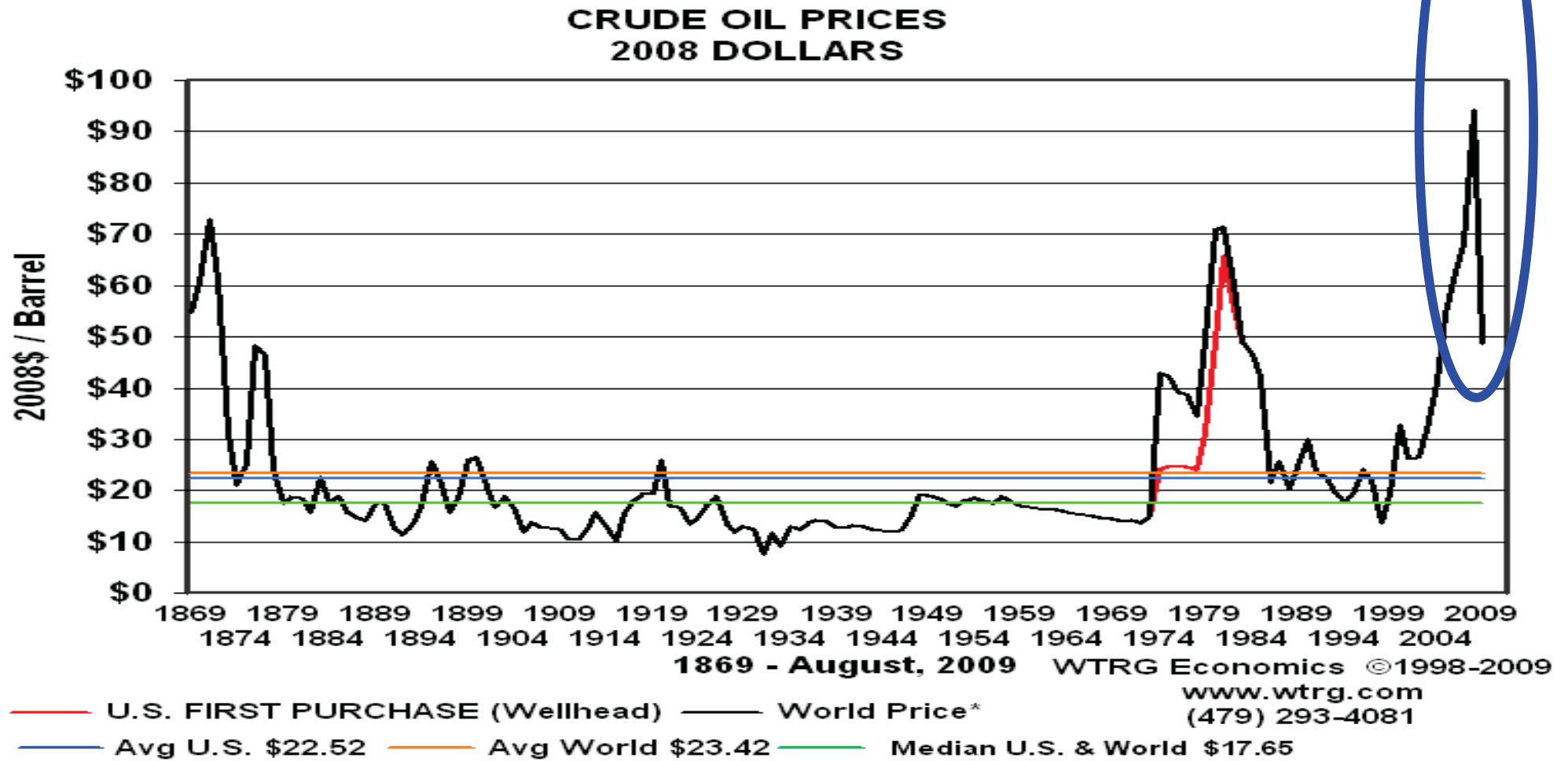
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**Effect of the economy on the  
group**

# Oil price



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# Brent Crude oil futures close (front month)



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CPI 2005 = 100



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# R/US\$ exchange

ZAR

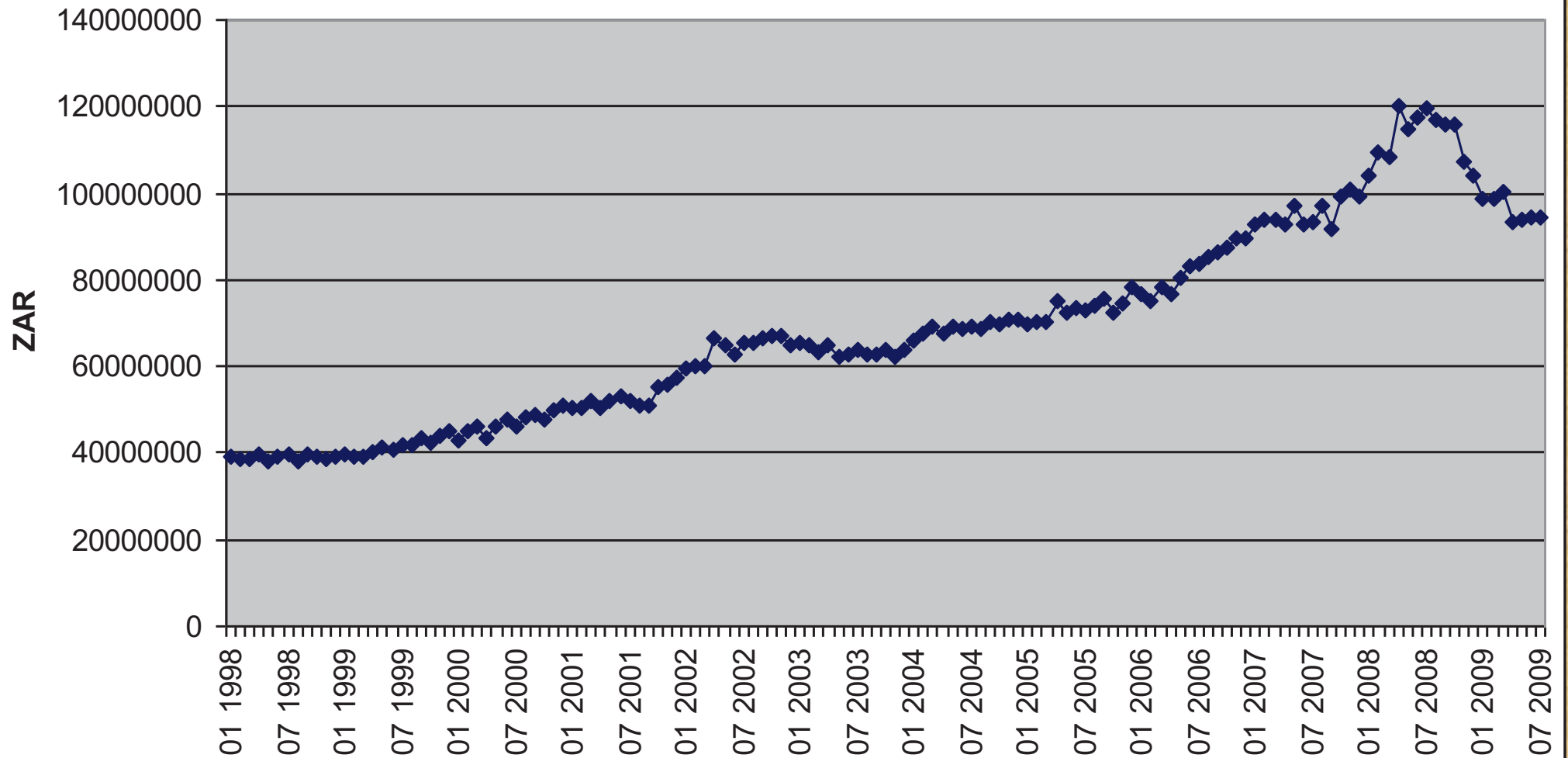


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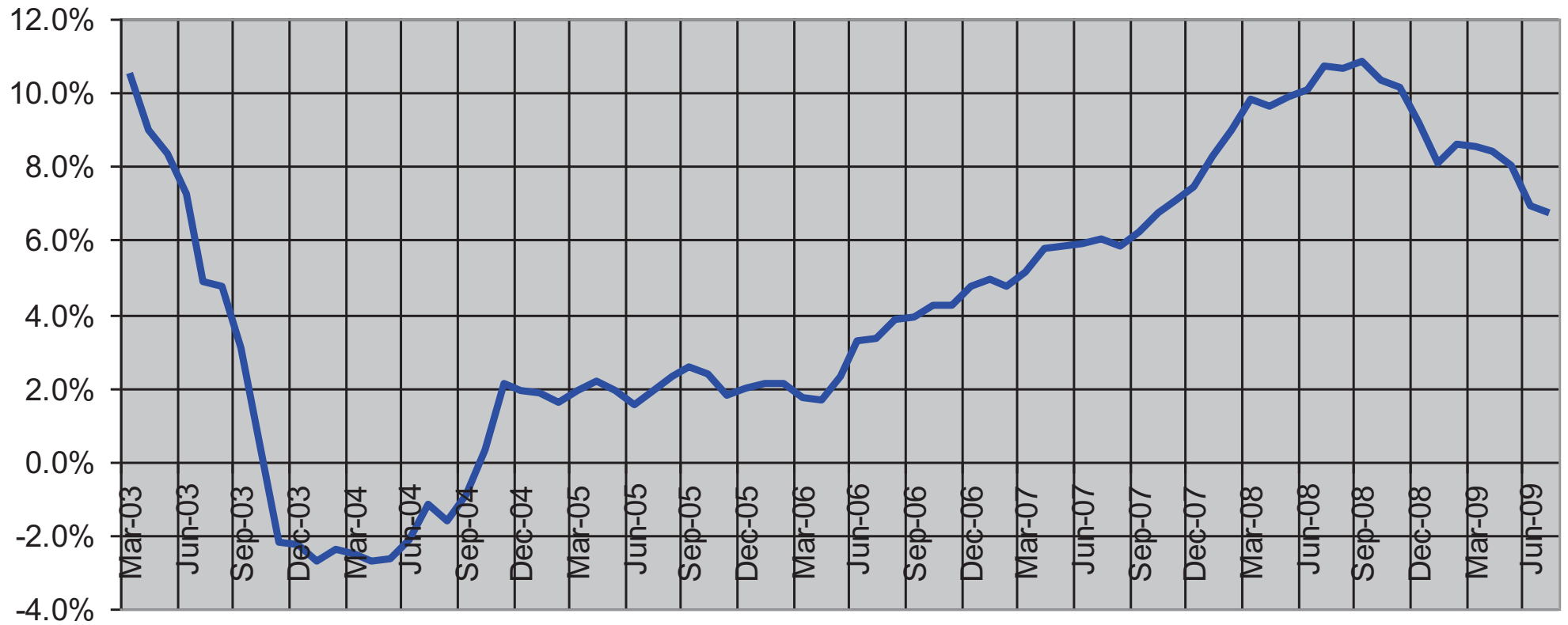
# SA manufacturing sales



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# Inflation

## CPI Reworked



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**Historical performance**

# 1H09 results

- Revenue R3 233m -16%
  - Down: agriculture, mining, automotive, steel and metals, cosmetics and toiletries
  - Up: chemical industry, oil and refining, food and beverages
- TP R241m -38%
- Operating margin 7,5% 1H08: 10,0%
  
- Write down in 1H09 on NRV and mark-to-markets R78m
- Trade working capital reduction 1H09 R458m



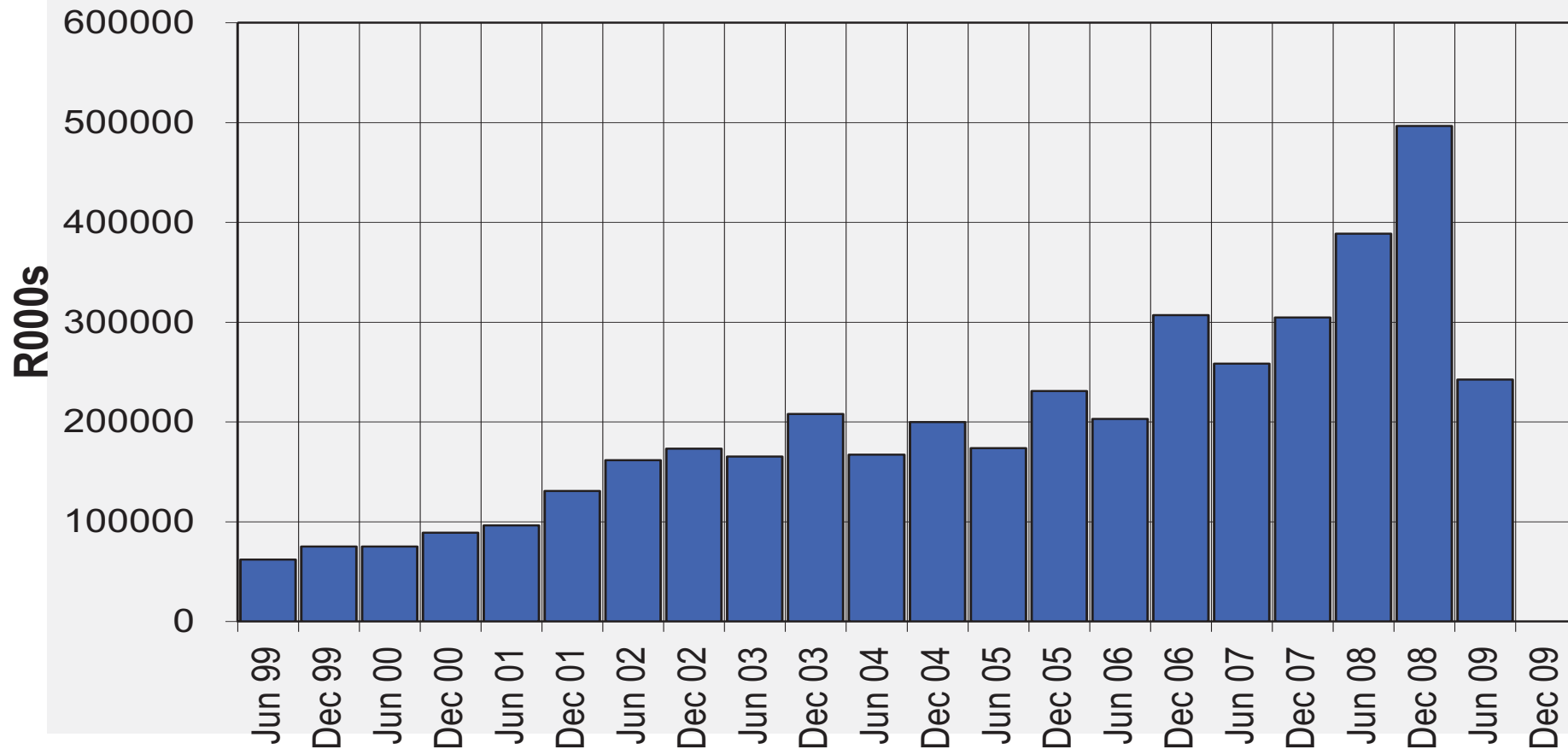
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# Trading profit by half-year

Bi-annual

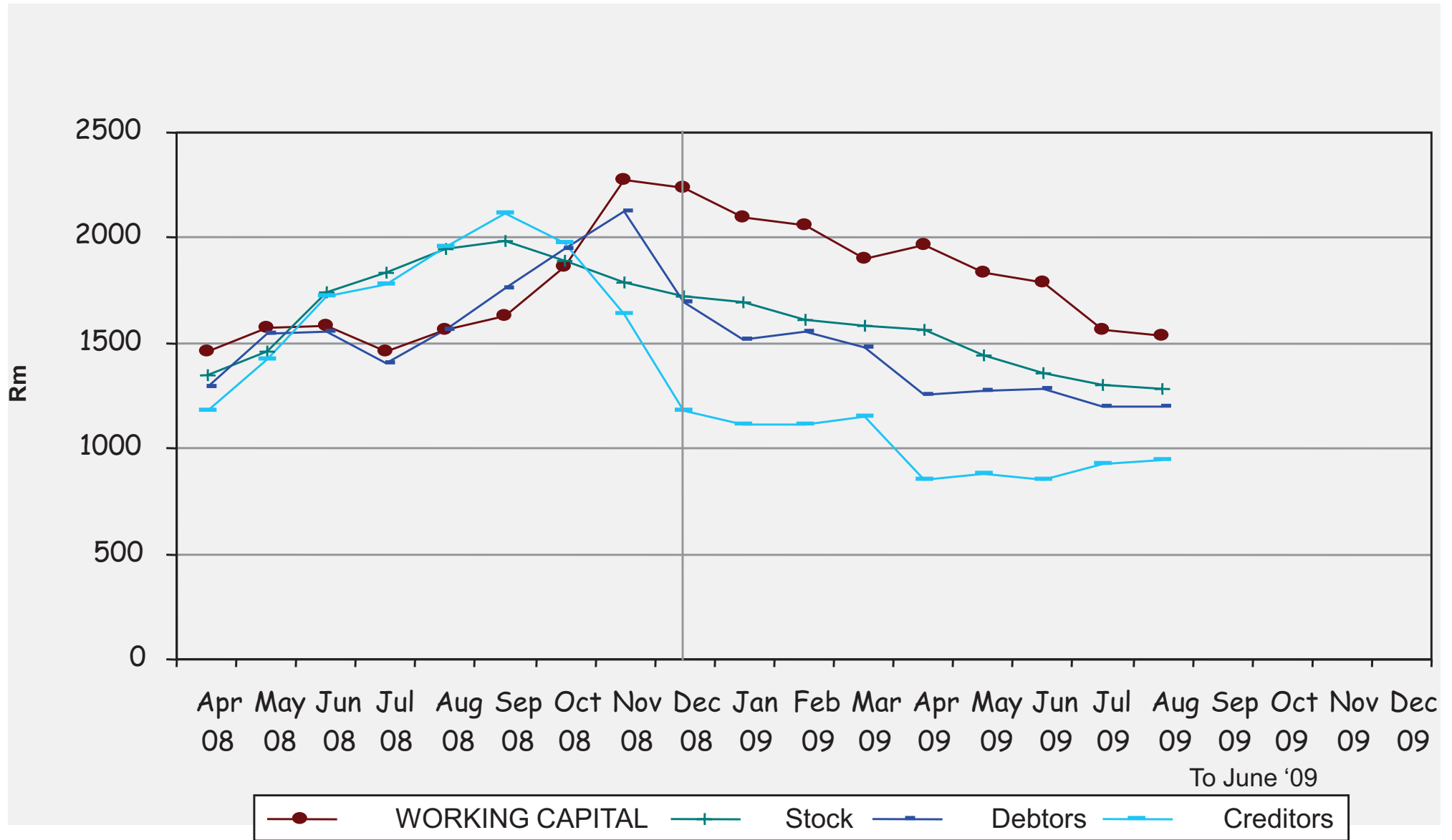
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## CHEMICAL SERVICES TRADING PROFIT



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# Working capital



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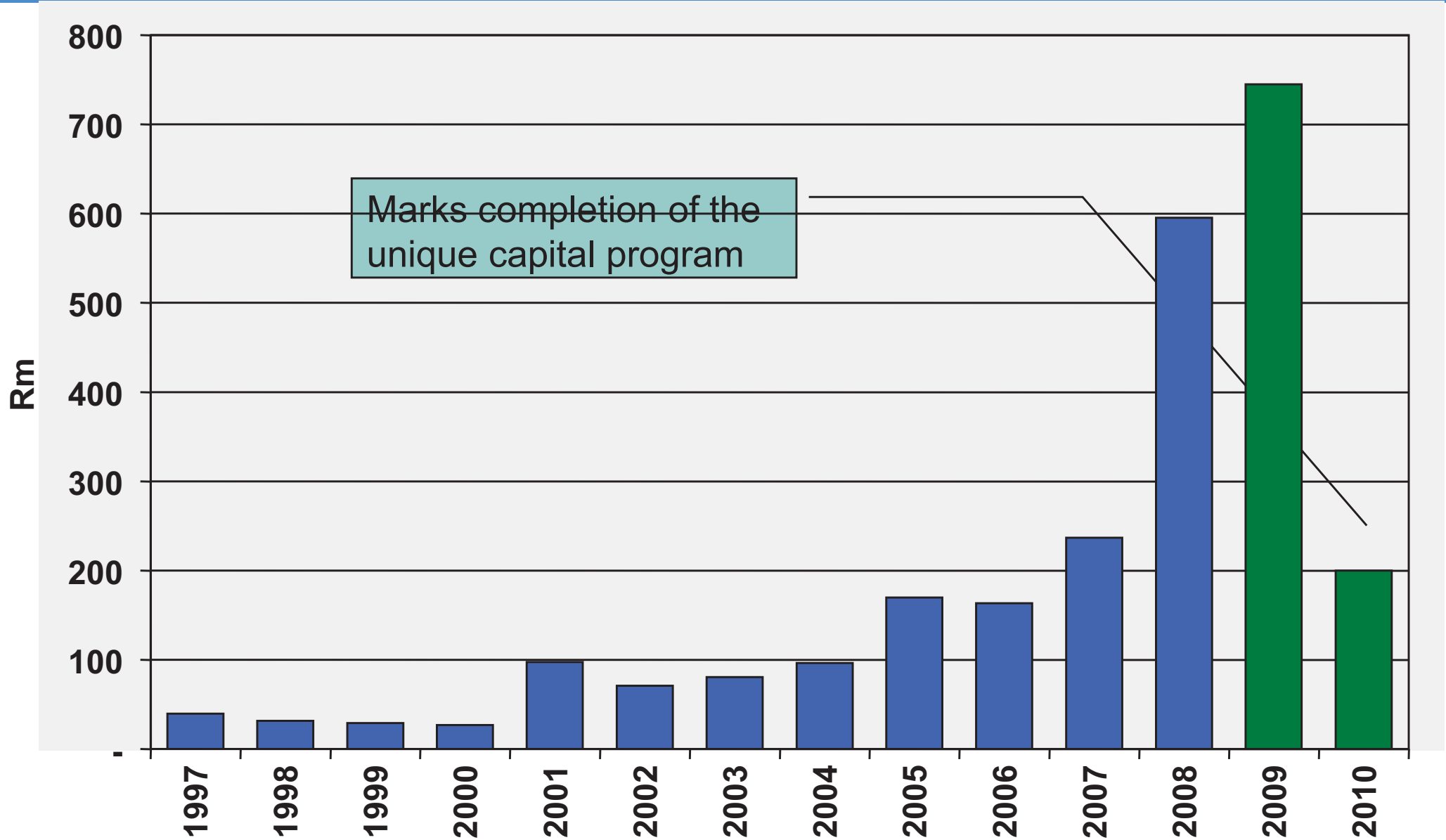
# Current capital program

	<b>Rm</b>
Authorised for major capital	1 185
Spent up to 31/12/08	530
Spent 1H09	<u>328</u>
	858
To be spent by 31/12/09	<u>309</u>
	1 167
'09 spend on majors	637
Targeted minor capital	<u>119</u>
Targeted spend for '09	<b>756</b>



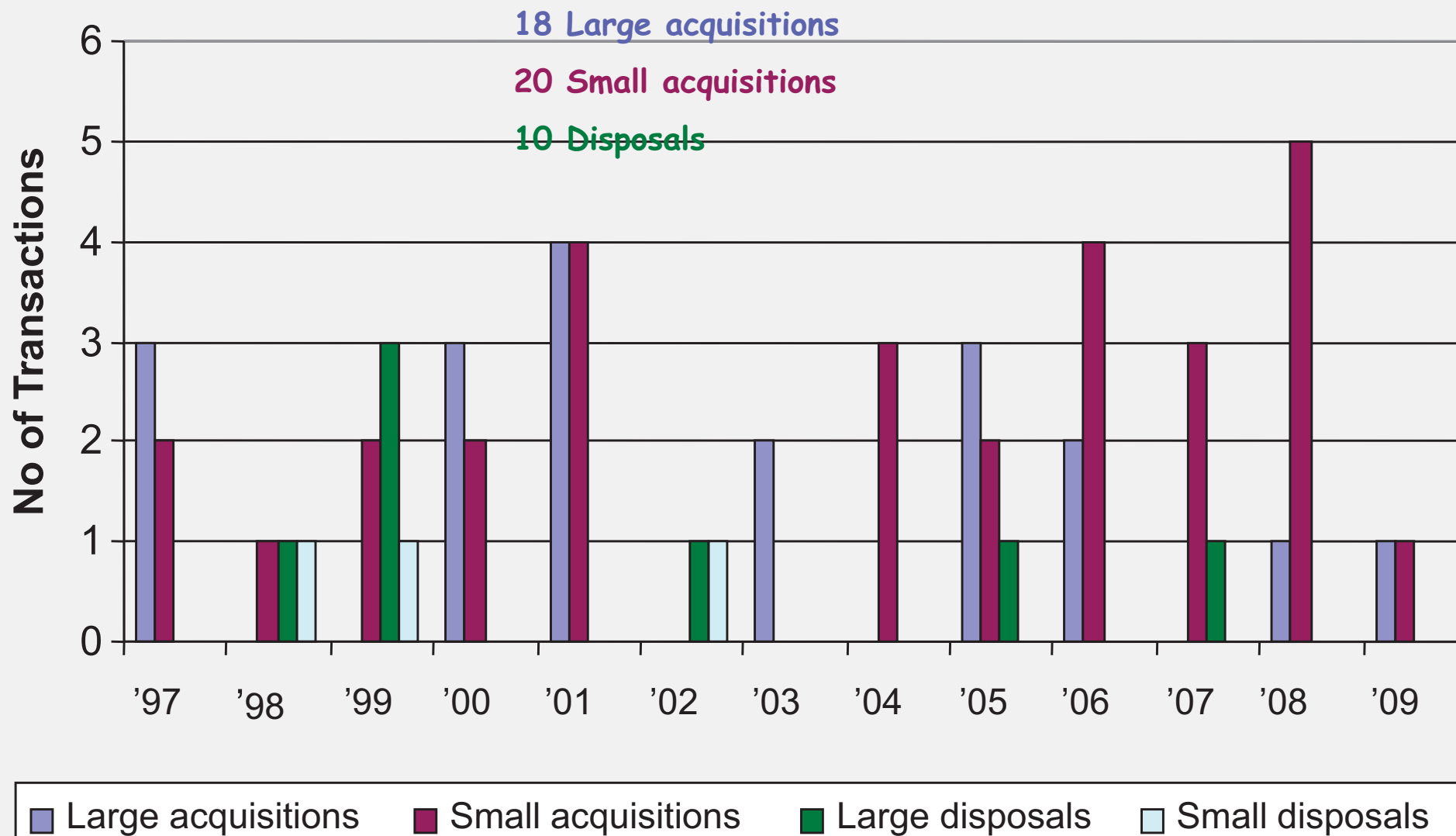
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# Capital expenditure



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# M&A activity



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# Akulu sulphonation plant



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# Resitec column



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# Update 2009

- Acquisition of 80% of Cobito by Lake
- Acquisition of CH Chemicals by Crest
- Exit of CSL Epping site for more suitable premises in Epping, and sale of site
- Cessation of paint manufacture at Duco, Port Elizabeth, and sale of site
- Purchase of Senmin land
- Consolidation onto Chloorkop Site of :
  - IU Sebenza site
  - Akulu Wynberg site
  - Plastamid warehousing
- 1H mark-to-market of stock and export debtors



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## Update 2009 cont.

- Commercialisation of new guar capacity
- Xanthates I and II: construction and commissioning
- Fractionation column: construction and commissioning
- Sulphonation units: construction and commissioning
- CS<sub>2</sub> plant: construction and commissioning
- Acrylamide plant: construction and bio-lab commissioning
- PAM plant: construction



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# Outlook

- '05 management target pushed out by 12 – 18 months
- Very strong Rand will expose SA cost base in manufacturing and mining and delay recovery
- Chemserve cost base has been trimmed
- Impact of projects will start to be felt in '10
- Green shoots more evident in mining than manufacturing
- Trading profit margin will recover to above historical levels



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