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PROGRESS

Pr

**Group financial results for the year
ended 31 December 2008**

**Presentation to investors, analysts
and the media**

24 and 25 February 2009

AECI



Summary

- Revenue > R12.8b at record levels, +48%
- Profit from continuing operations +39%
- HEPS +16%
- Dividend +8%
- Impressive growth of Chemserve continues
- AEL improved significantly
- Satisfactory progress on major capex programme
- Heartland
 - good results in difficult market
 - pleasing progress on filling pipeline of saleable land
- SANS exit progressing steadily



Business environment

- Global meltdown caused by financial crisis
 - significant over estimation of the West's ability to consume
 - major destocking of supply pipelines
- Demand swinging to stimulus spend, infrastructure and domestic demand in the East
- SA economy in better shape, but no exception to global norm
- Global commodity prices have fallen sharply
- SA mining activity adjusting to accommodate new reality
- Rand weakened sharply in October
- Inflation dropping rapidly

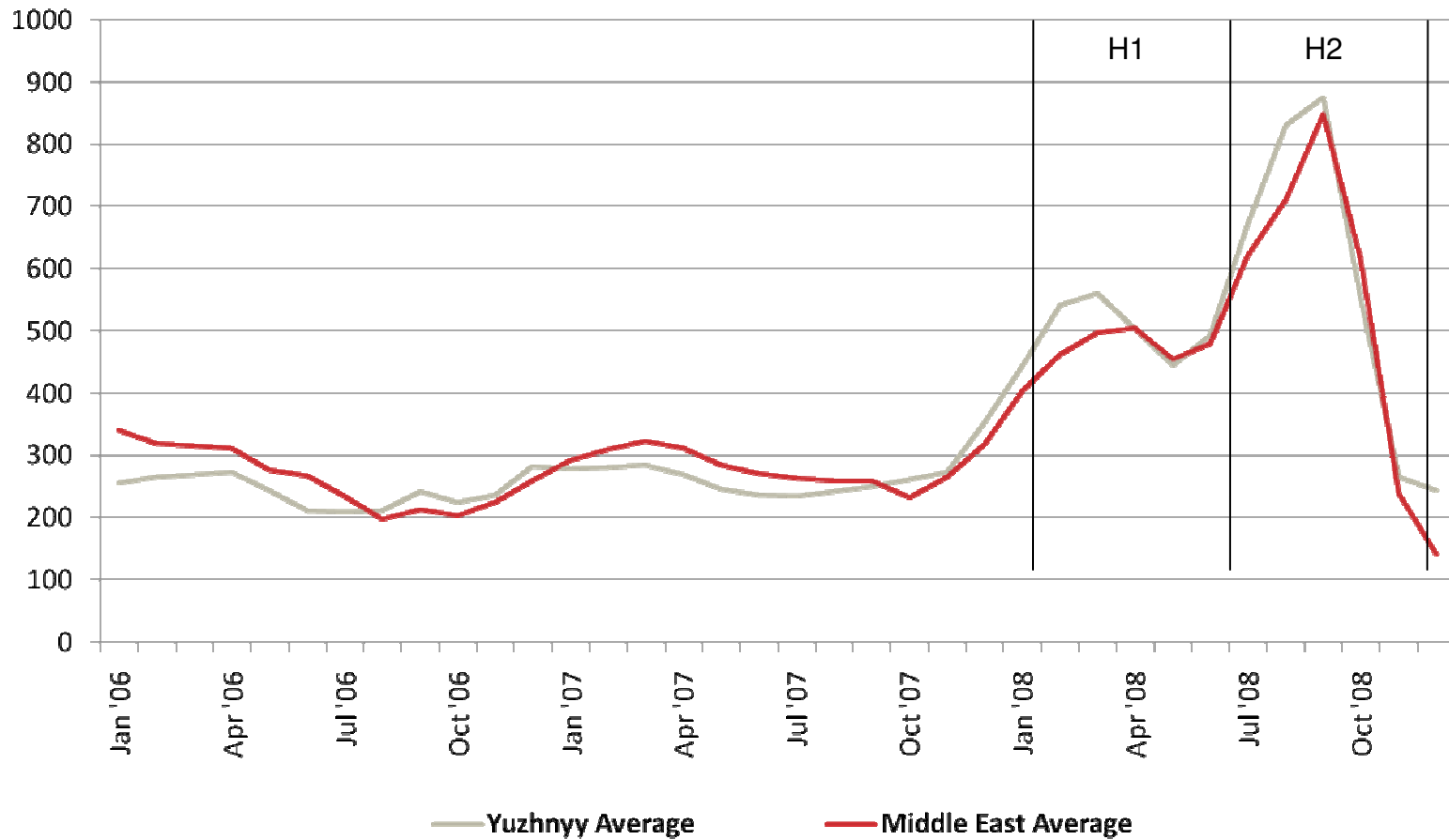


Impact on AECI

- Demand for products
 - growth erratic
 - patchy but positive over the period
- Major volatility and upward pressure on input costs in H1
- Followed by steep decline in H2
- Margin pressures continue
- Lack of liquidity impacting on customers

One example ...

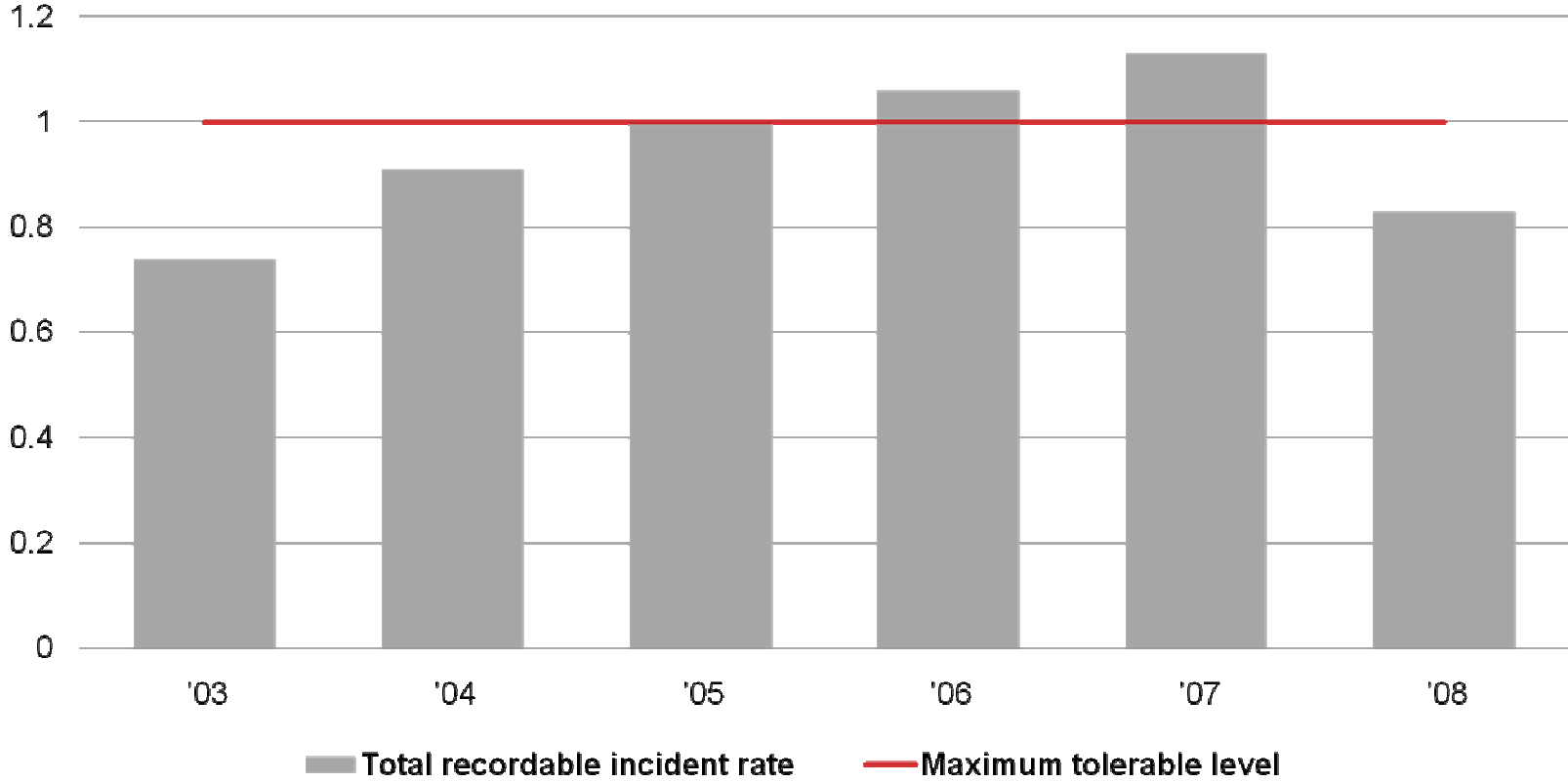
Ammonia FOB prices (US\$)





Safety and health

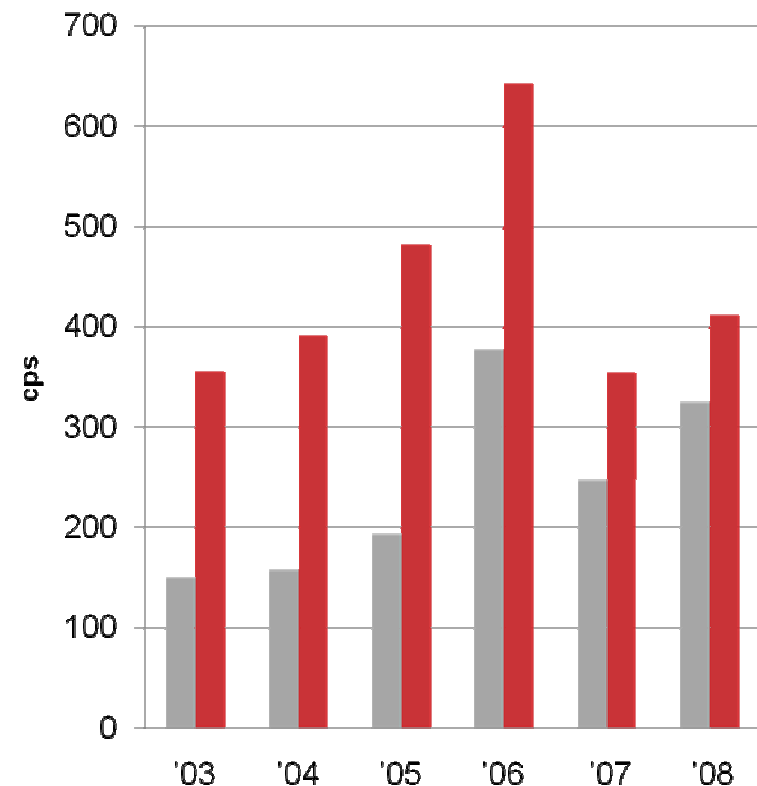
TRIR – own employees



2008 HEPS

- HEPS +16%
- Major “non-trading” items in '08 results
 - SANS closure costs: 137 cps
 - Pension Fund assets: 47cps
 - PRMA: 82 cps
- Chemserve’s excellent performance continues
- AEL made a credible recovery off a low base

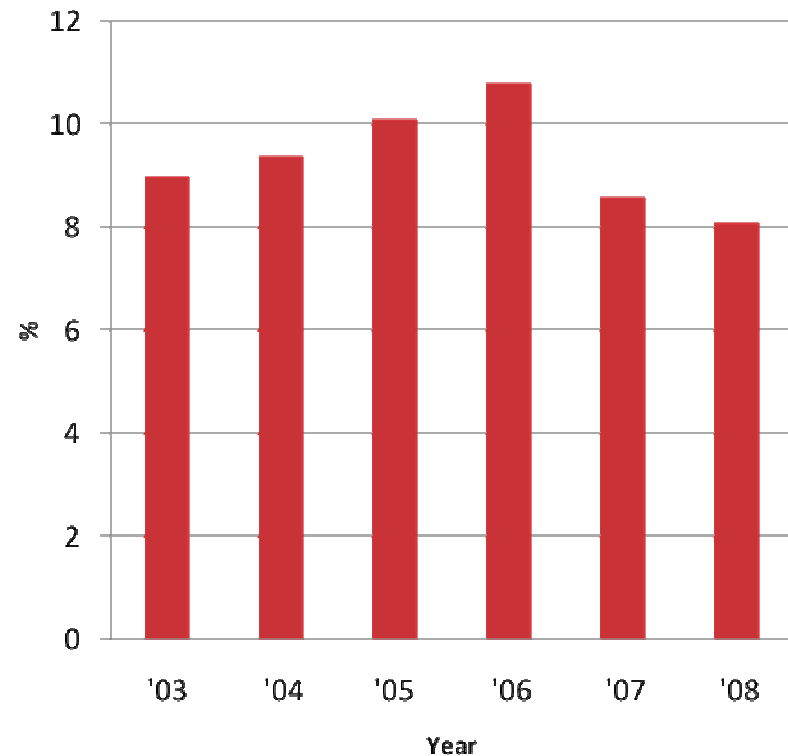
Half- and full-year HEPS



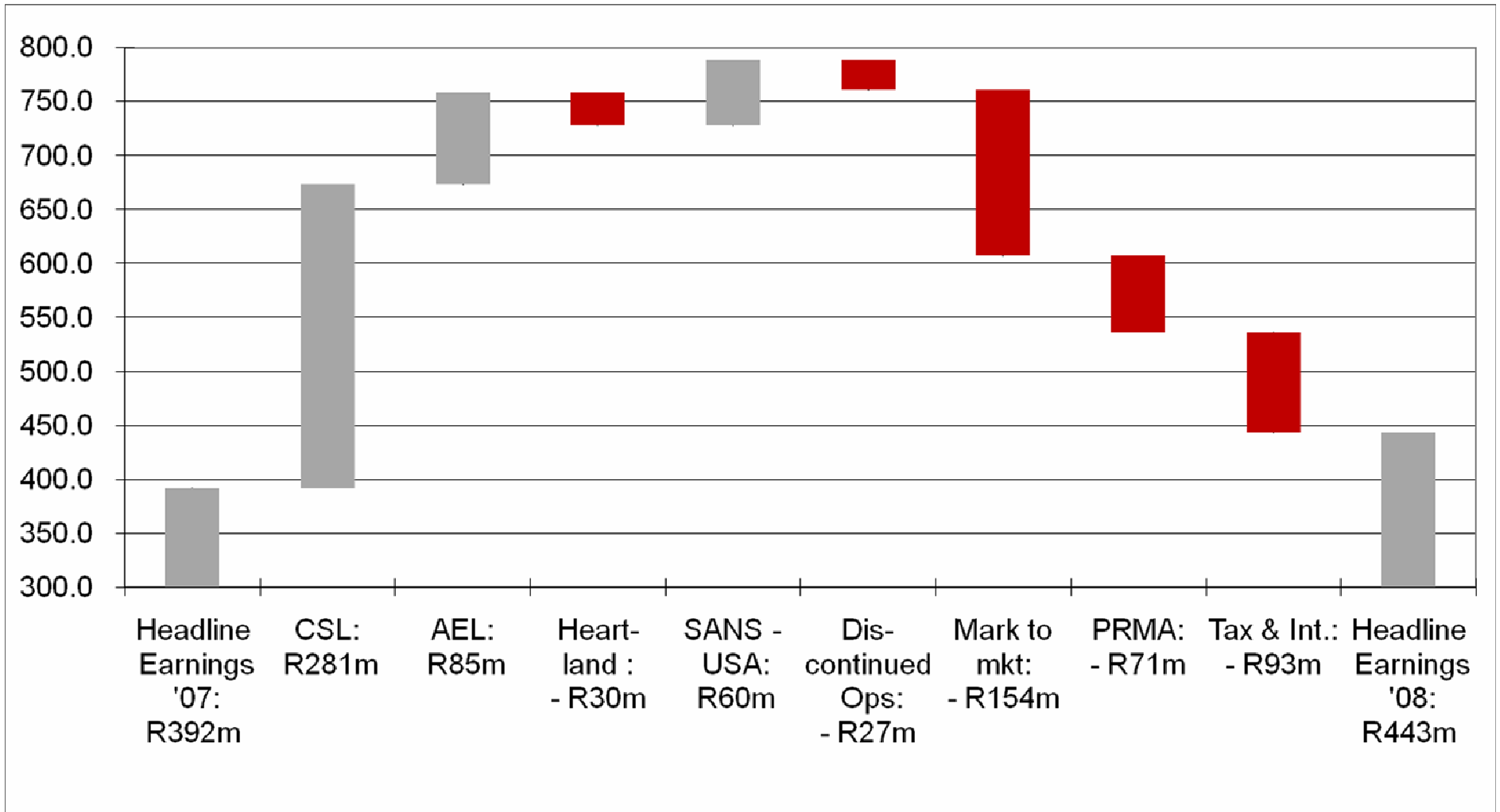
Trading margin and volumes

- Margin maintained
- Volumes mixed
 - Chemserve +3.8%
 - explosives +10.2%
 - detonators -13.0%
- Foreign sales +96% in rand (continuing businesses)
- AEL still pulling Group margin below targeted 10%

Trading margin

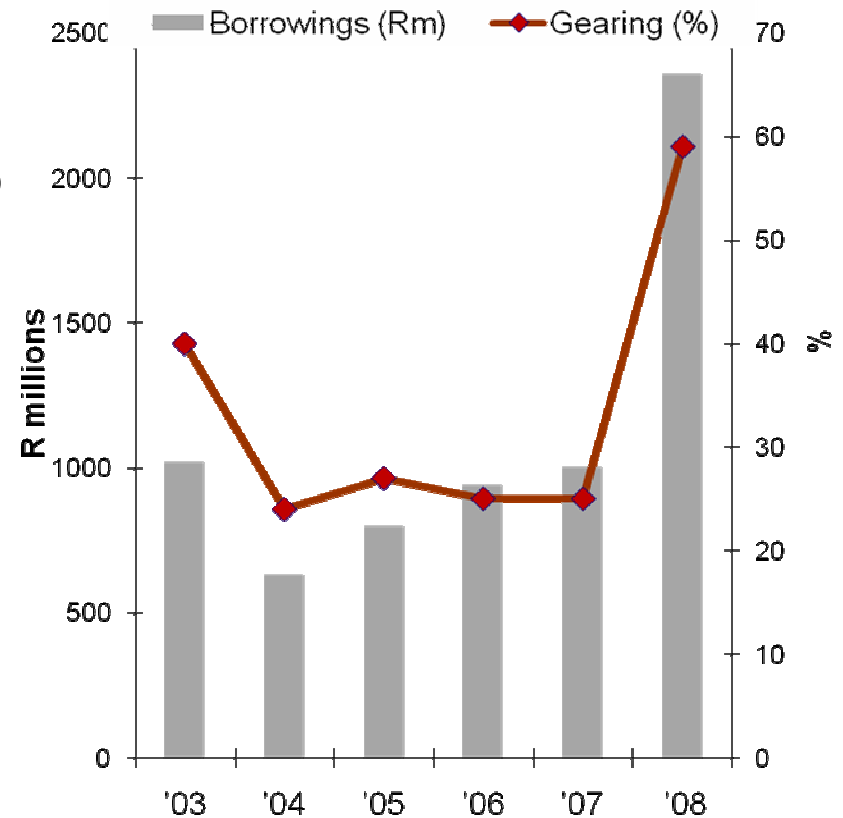


Results '08: headline earnings comparison

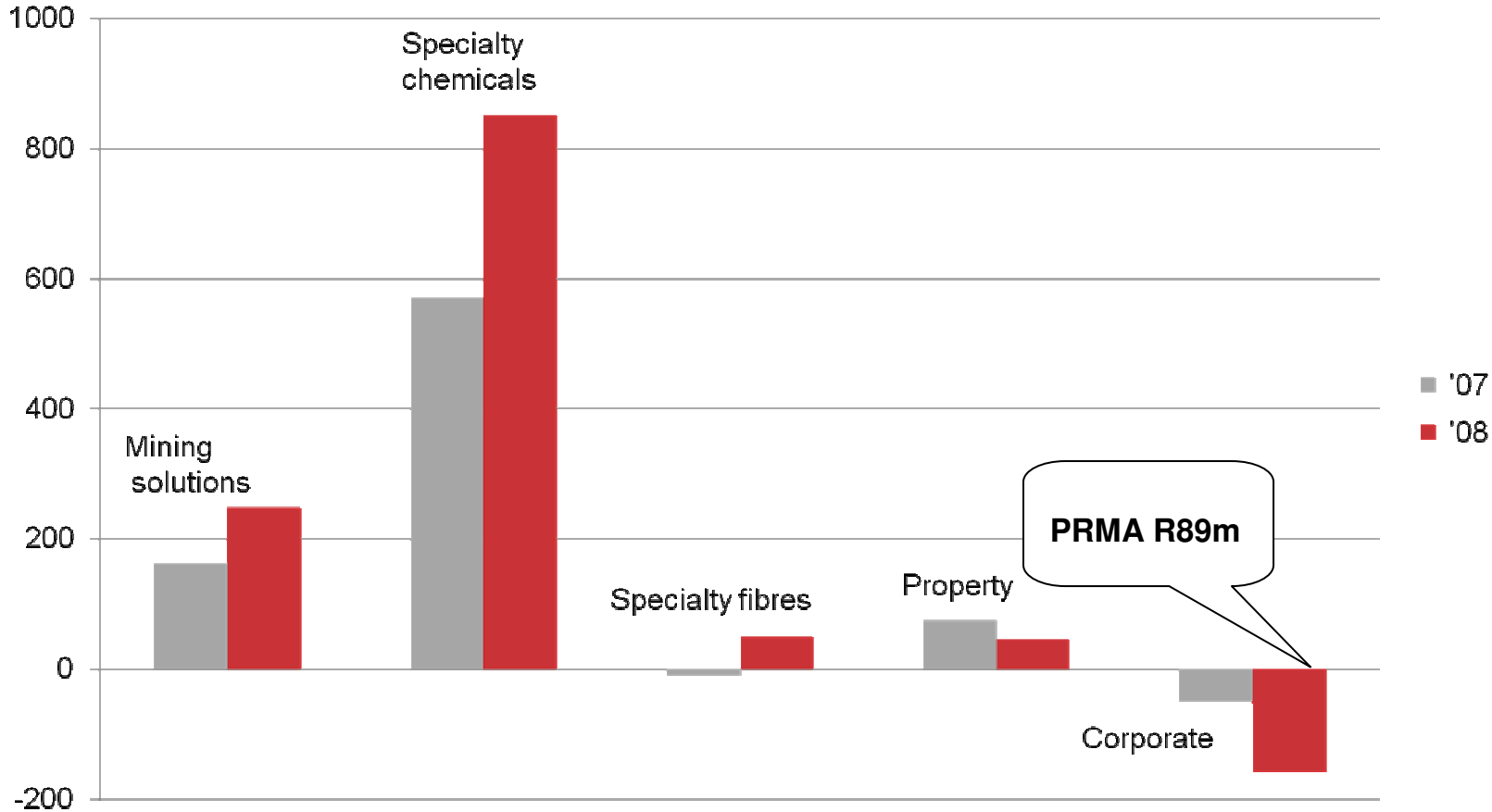


Results '08 cont.

- Capex R1 044m – incl. R683m for expansion projects
- Capex cash spend decreased to R1.2b for '09
- Avg NWC 19.4% ('07: 17.8%)
 - increased sales
 - higher foreign trade cycle
- Borrowings up R1 358m to R2 359m
- Gearing up to 59%, in line with plan
- Cash interest cover 4.6x



Results '08: profit from continuing operations (Rm)





Mining solutions: environment

- Global mining boom ended in second half
- Volumes came off rapidly – gold and coal held up
- Safety and power issues continued in SA underground
- Delays in new African mines coming on stream
- Ammonia input costs peaked
- Capital costs increased
- Ammonium nitrate went short
- Rand devalued



Mining solutions: performance

- Annual volumes up
- SA Narrow Reef recovered but still down on '07
- SA Surface and Massive grew in all sectors
- Africa - good growth in Botswana, DRC, Ghana and Zambia
- New start-up coal contracts in Indonesia
- DetNet performance remained good
- Foreign earnings positively impacted by rand weakness

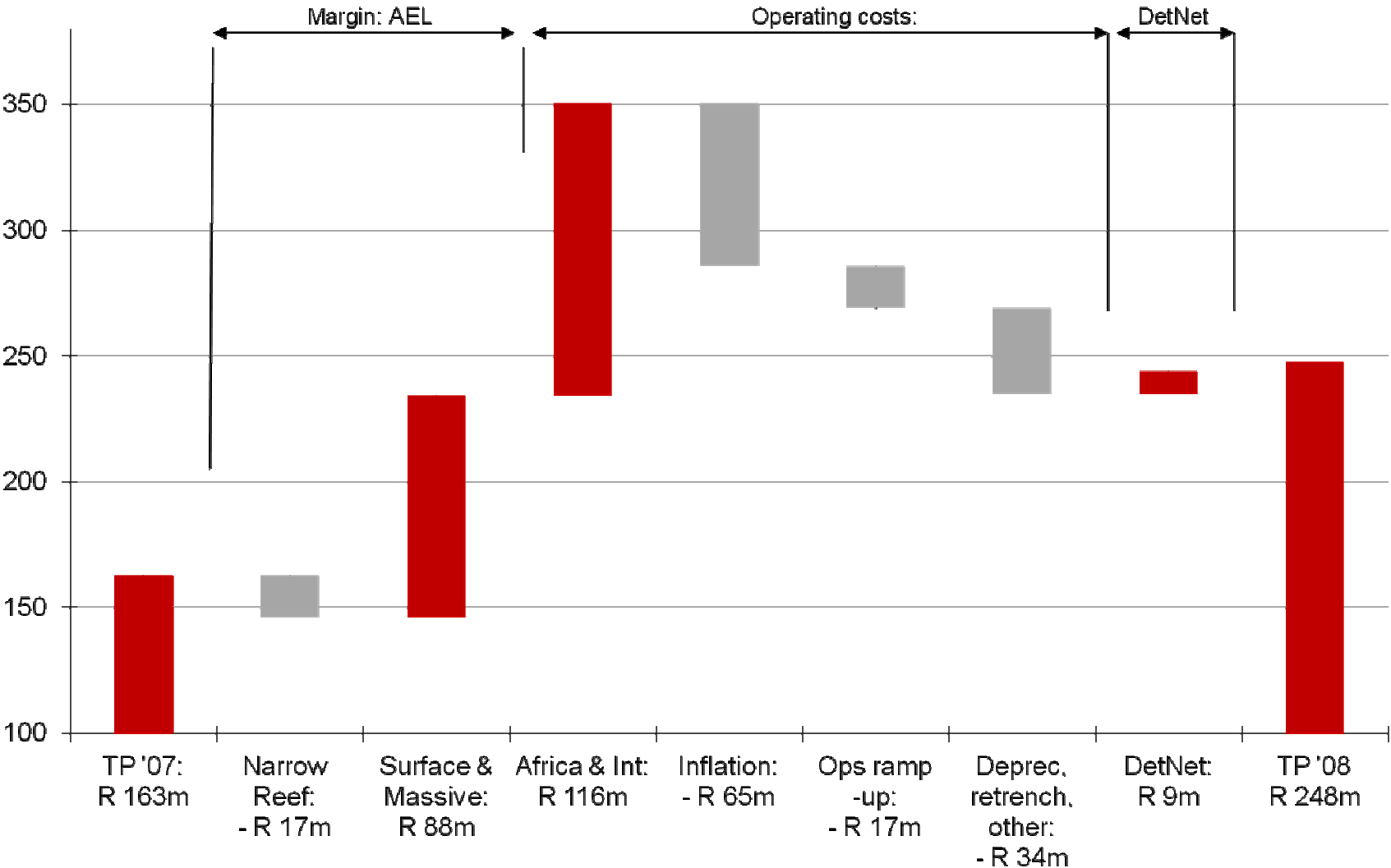


Mining solutions: performance

- Revenue R4 052m +50%
- TP R 248m +52%
- Operating margin unchanged 6%



Mining solutions: 2007 – 2008 trading profit





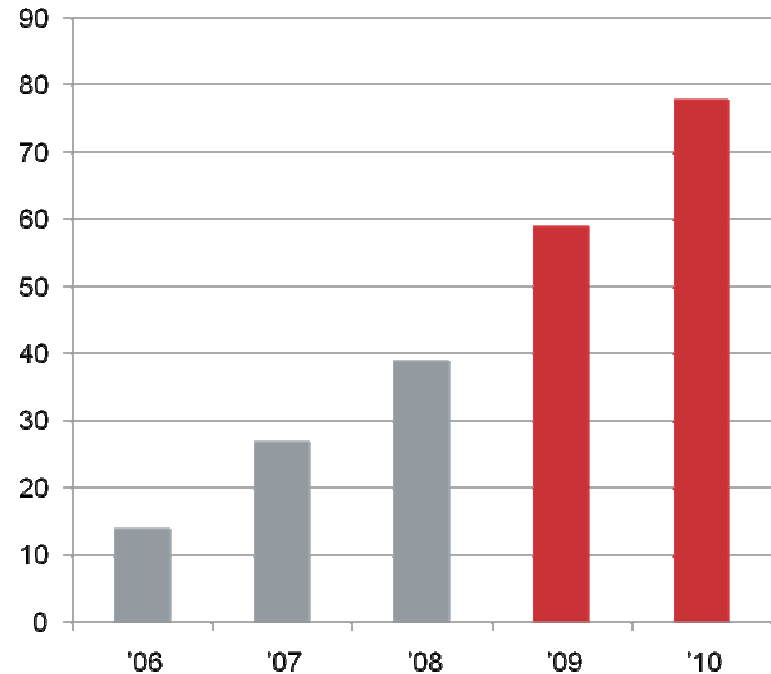
Mining solutions: projects

- Capital investment programme on track for '10 target
- R388m capex spent in '08
- R408m spent on ISAP to date, total estimated spend R620m, up 12% on '08 forecast
- ISAP progress satisfactory:
 - mechanical completion of all narrow reef capacity on track for Feb. '10
 - surface shocktube assembly completion delayed to Q4 '10
 - record production on new delay detonator line
 - improved quality and timing on spray-dried delay detonators
 - new spray driers, detonator and assembly lines being installed on schedule

Mining solutions cont.

- Good progress on market conversion to 39 million units
- >50% of narrow reef market converted
- '10 target remains on track

**Actual and Expected
shocktube
ramp-up (million units)**





Specialty chemicals: environment

- First half
 - view of resources was “stronger for longer”
 - prices driven by rapidly rising input costs
 - volumes grew 16%, with considerable variation within companies
 - rand firm but volatile
 - consumer cautious



Specialty chemicals: environment cont.

- Second half
 - commodity prices dropped steeply
 - volumes lower especially in consumer-driven markets, to finish +3.8% for the year
 - consumer out of large and medium ticket item markets
 - weakening rand cushioned effect of dropping prices
- Major sectors remained steady, especially mining and agriculture, but were under pressure in Q4

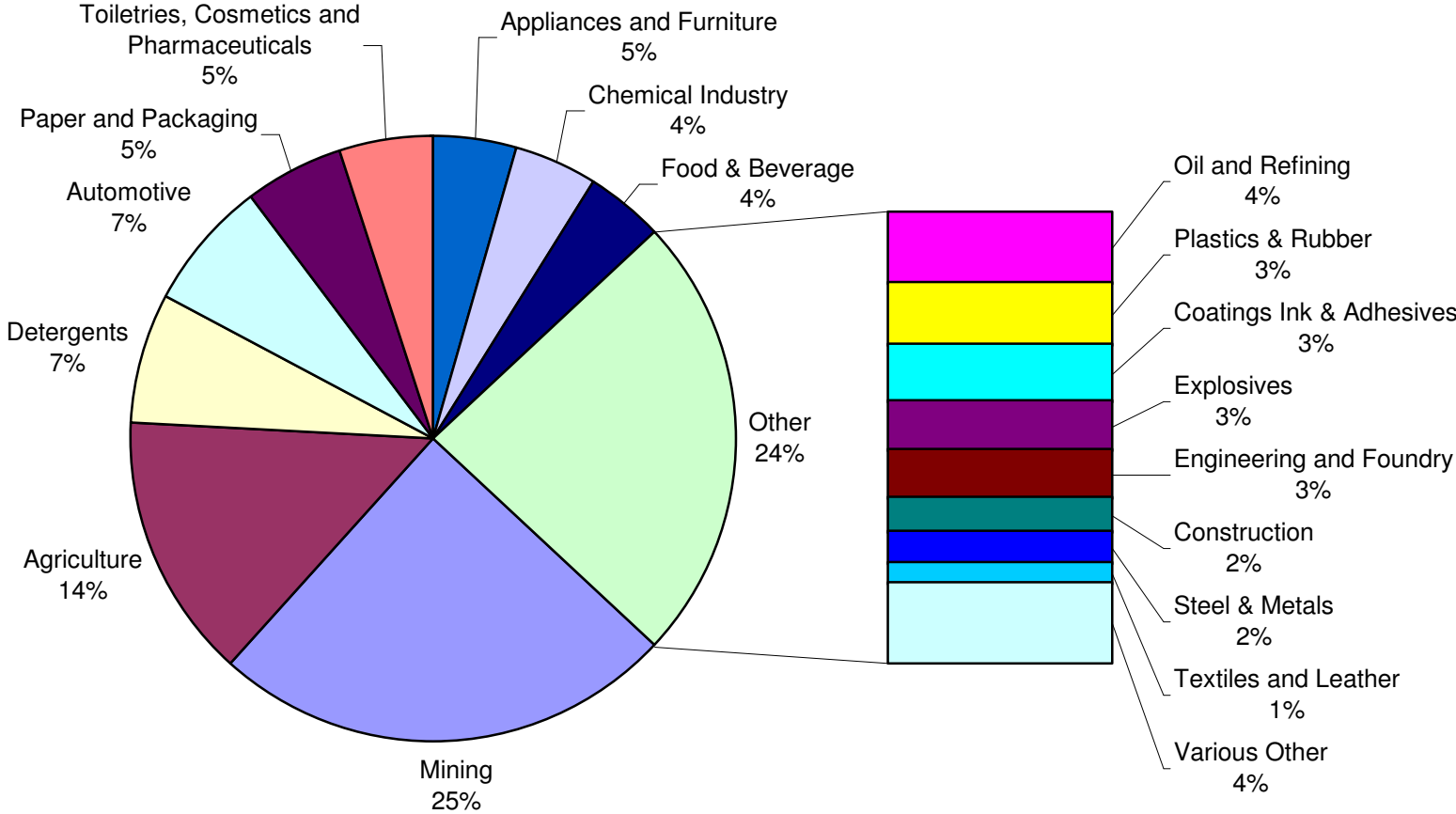


Specialty chemicals: performance

- Revenue R8 434m +50%
- TP R 851m +49%
- Operating margin unchanged 10.1%



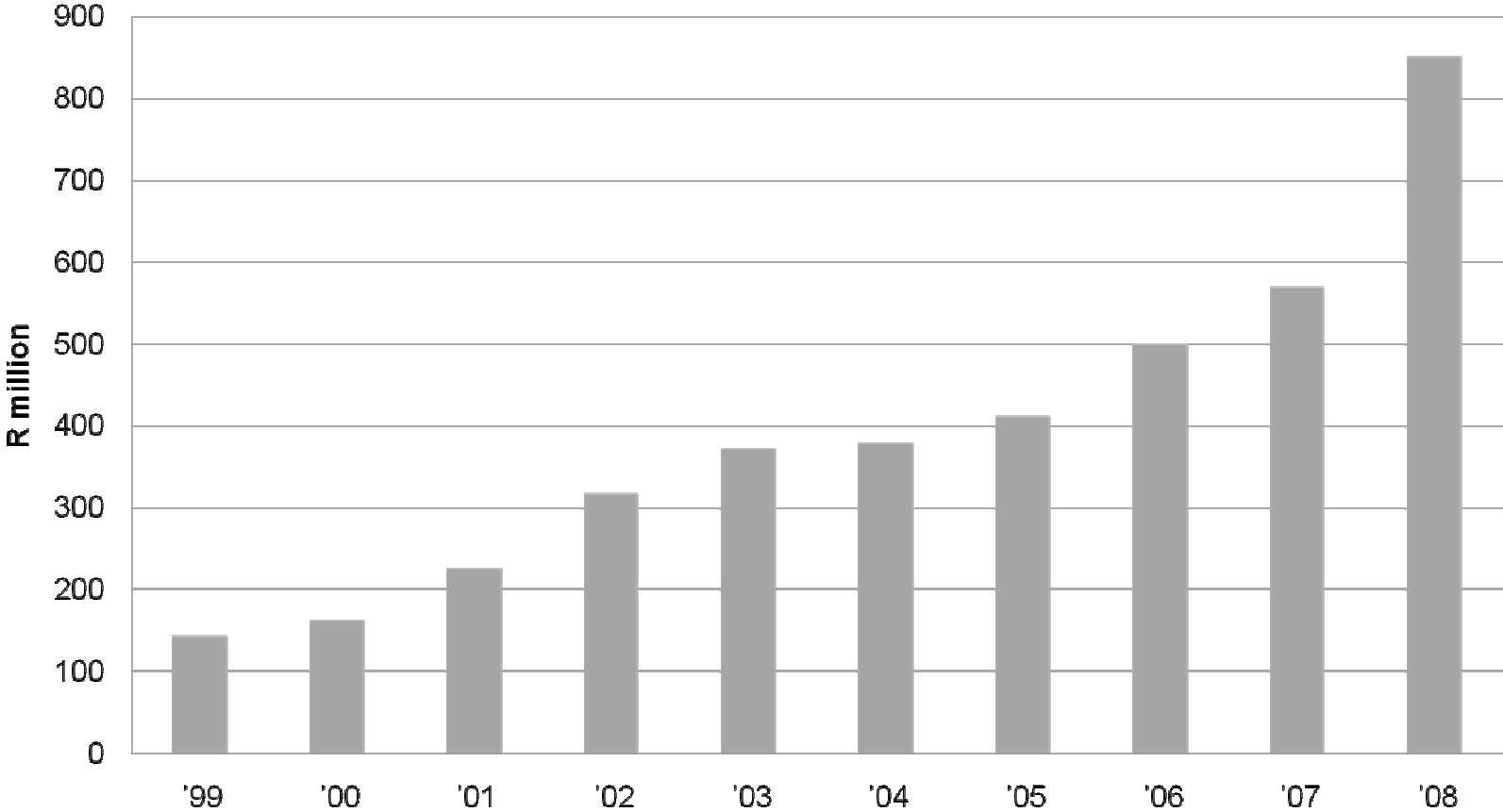
Specialty chemicals



CHEMICAL SERVICES SALES BY INDUSTRY 2008

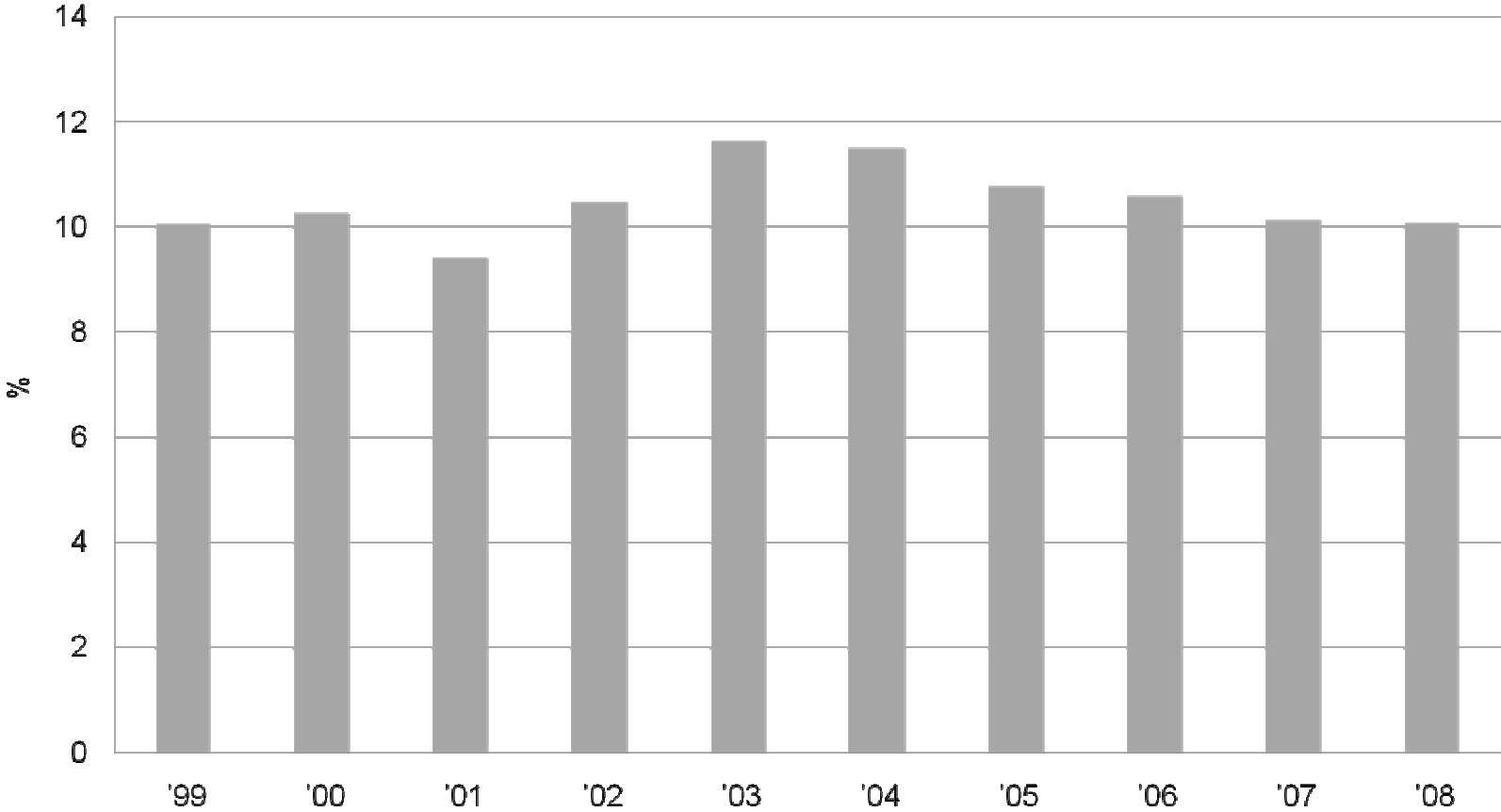


Specialty chemicals: trading profit



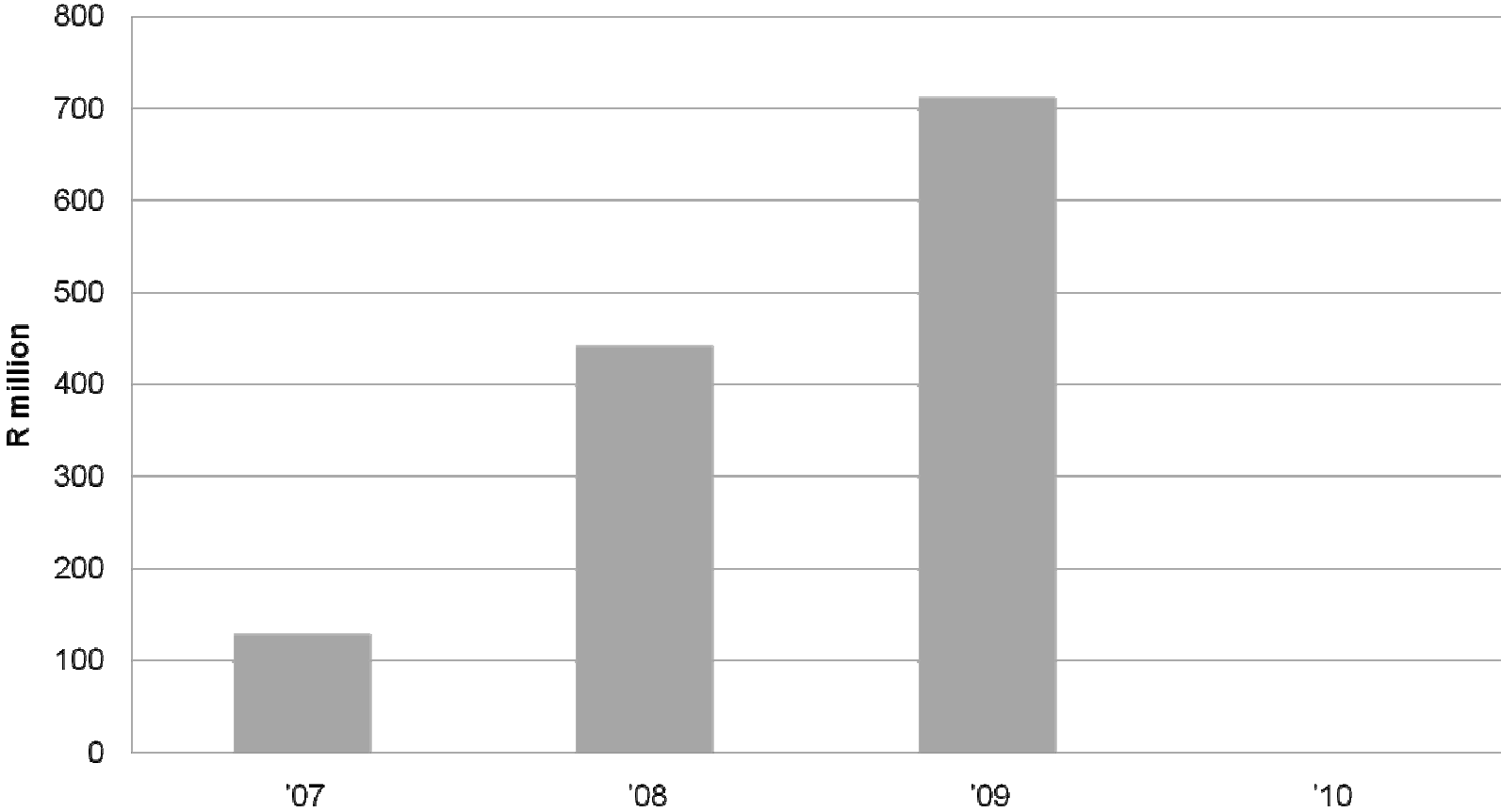


Specialty chemicals: trading profit (%)





Specialty chemicals: major capital projects





Specialty chemicals: growth strategies

Capital investment programme

- capital of R1.5b approved over past 2 years incl. R300m in changes of scope and escalation
- Lages fractionation column to be commissioned Q1 '09
- sulphonation plant to be commissioned Q2 '09
- guar plant upgrade complete, and plant in operation
- xanthates I: under commissioning



Specialty chemicals: growth strategies cont.

Capital investment programme

- xanthates II to be commissioned Q2 '09
- CS₂ to be commissioned Q2 '09
- AM, PAM to be commissioned Q3 '09
- major mining customer projects continue, despite delays and postponements reported in sector
- xanthates I and II, CS₂ and PAM projects have significant old capacity replacement and import replacement components
- plants will be well utilised, although full ramp-up may be delayed



Specialty chemicals: growth strategies cont.

Acquisitions (R78m in '08)

- Chemfit, Tenside (Crest) and Dustaway (ImproChem) acquired Q3
- Bergen Trading acquired Q4
- CH Chemicals and Cellulose Derivatives submitted to the Competition Commission end Q4, awaiting approval
- Cobito, a small bolt-on acquisition in the food industry, acquired by Lake International effective 1 Feb '09
- hot list active

Property: performance

	R million	
Revenue	432	(-4%)
• Property sales	169	
• Leasing revenue	139	
• Services	124	
		} Annuity income
Net trading profit	45	(-40%)
• TP before environmental charge	136	(-14%)
• Environmental charge against the I/S	(91)	(+10%)
Net cash inflow	37	
– decrease in debtors		
Bulk infrastructure spend	152	
Remediation spend	87	



Property: land release

- Major projects in pipeline are on track (ha)
 - Westlake View (Mdf) 60
 - Longlake 350
 - Highlands 130
 - Founders Hill 160
 - Portion 53 (SW) 16
- 90ha on stream in next 18 – 24 months
 - release according to market uptake
 - bulk infrastructure spend will be phased according to market demand

Property: Modderfontein Longlake



Property: Modderfontein frontage roads





Property: investment

- Independent valuation of Somerset West and Modderfontein sites - Old Mutual Investment Group Property Investments
 - 15 year cash flow of sales and costs with 25% real discount rate applied
 - value of R2.5b at July '08
 - current carrying value on balance sheet = R422m



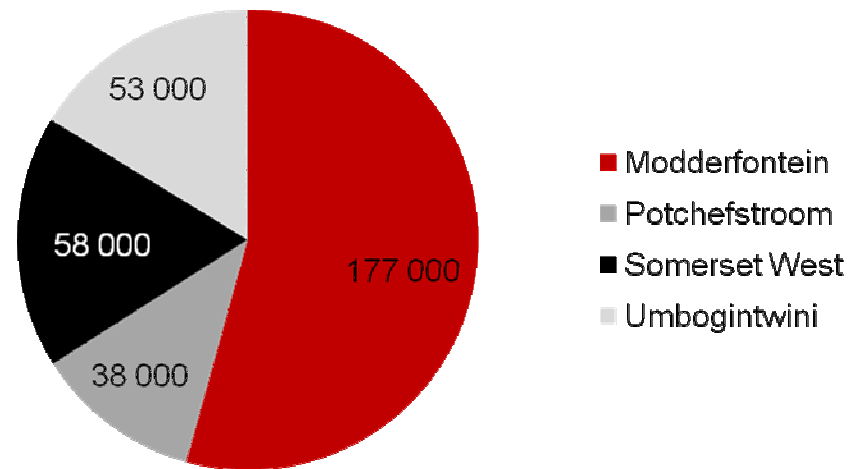
Property: Gautrain



Property: leasing activities

- Re-use of buildings

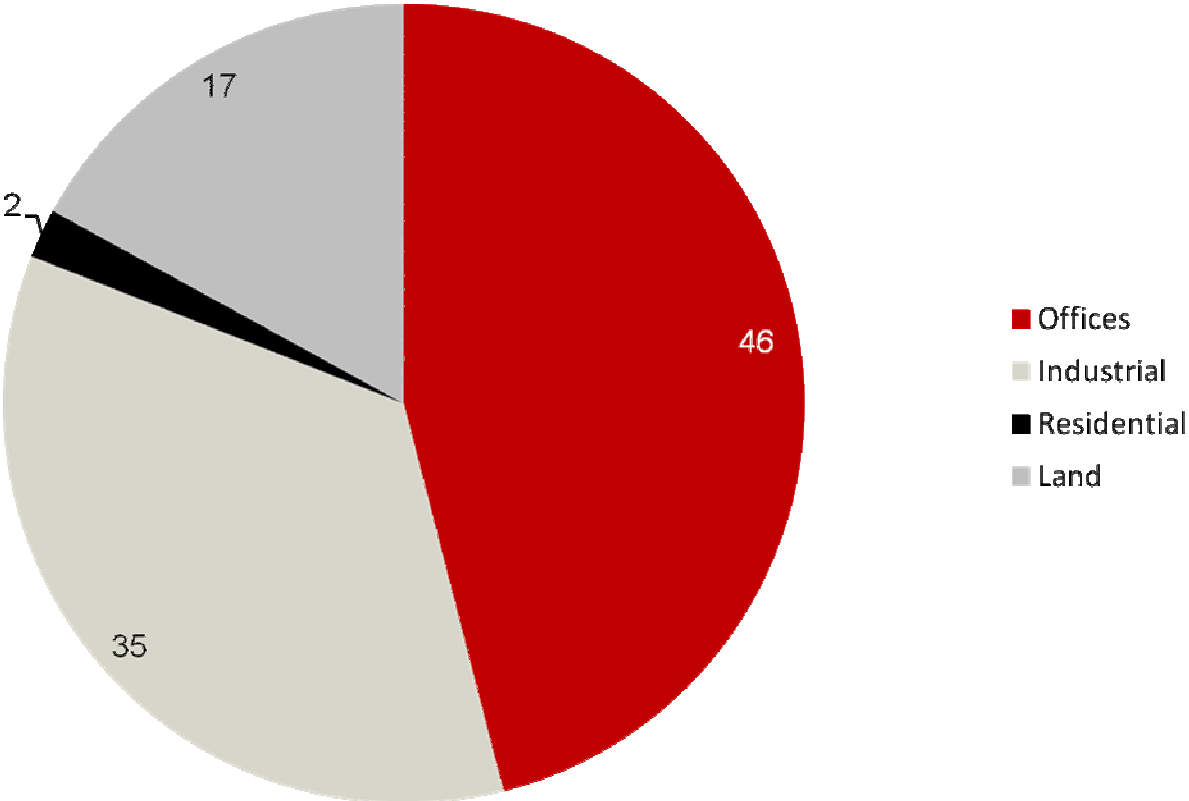
Gross lettable area (m2)



- Operating footprint reduction
- Staggered renewals; Average lease 3 yrs; renewal options
- Tenant installations

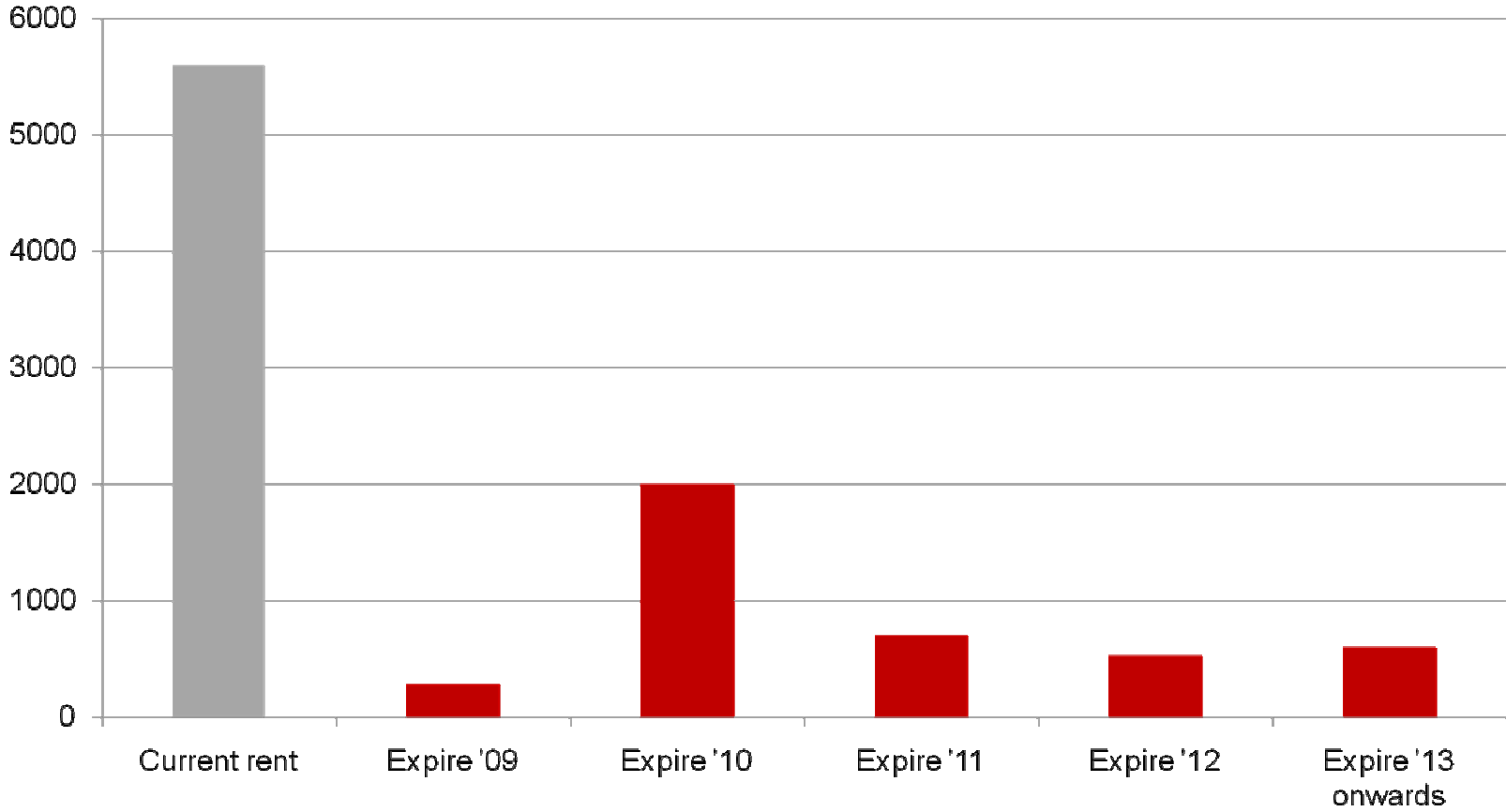


Property: leasing portfolio segmentation by gross rental (%)





Property: lease expiries by gross rental (R '000)





SANS Fibres

- STF (previously Unifi SANS Technical Fibers) now an independent business
 - TP R49m for '08 (margin 17%)
 - expected to be cash and earnings positive
- Process and timing of SANS Bellville closure finalised
 - good performance after closure announcement - customers stocked up on specialty items
 - profit of R155m in '08 includes R33m of land disposal income
 - balance sheet value of SANS Bellville R116m; expected to be converted to cash by end of closure process

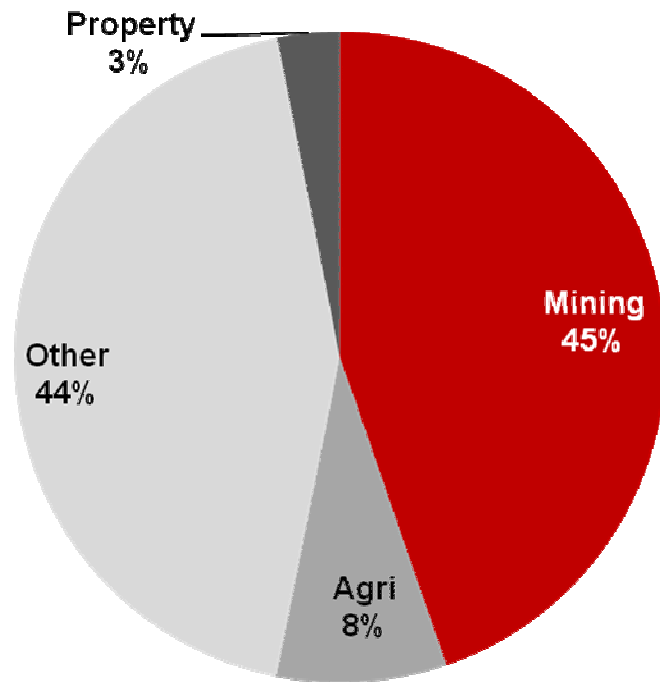


BBBEE

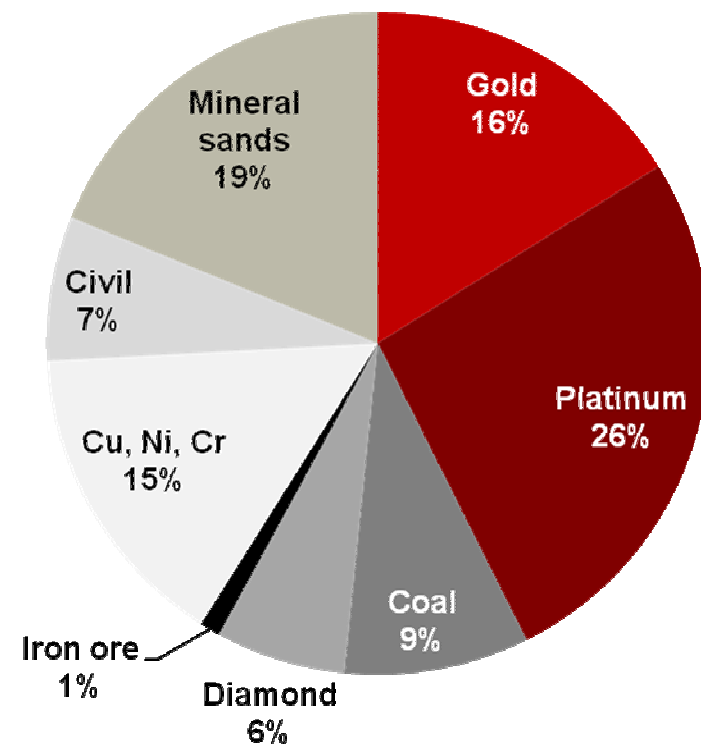
- Investigations into a transaction well advanced
- Structure – employee and community trust components
- Contemplating a 10% transaction (6.5% employees, 3.5% community)
- Contemplated that transaction will be effected in '09
- Shareholder approval will be sought

Positioning, drivers of growth and outlook

'08 revenue split



'08 mining sector sales





Positioning, growth drivers and outlook

- Predictions difficult
- Maintain customer service excellence in tough times
- Focus is on cash, margins and costs
- Major capital expenditure programme reviewed
 - strategic logic remains compelling
 - returns remain attractive
 - delivery from '09 and especially in '10 and '11
- Slow-down could bring expansion and acquisition opportunities
- Group managers experienced in managing through volatile cycles



Calendar

- 25 May: AGM
- 28 July: half-year results released
presentation in Johannesburg
- 29 July: presentation in Cape Town
- September: Chemserve update