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PROGRESS

Pr

Group financial results for the half-year ended 30 June 2009

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

28 and 29 July 2009

AECI

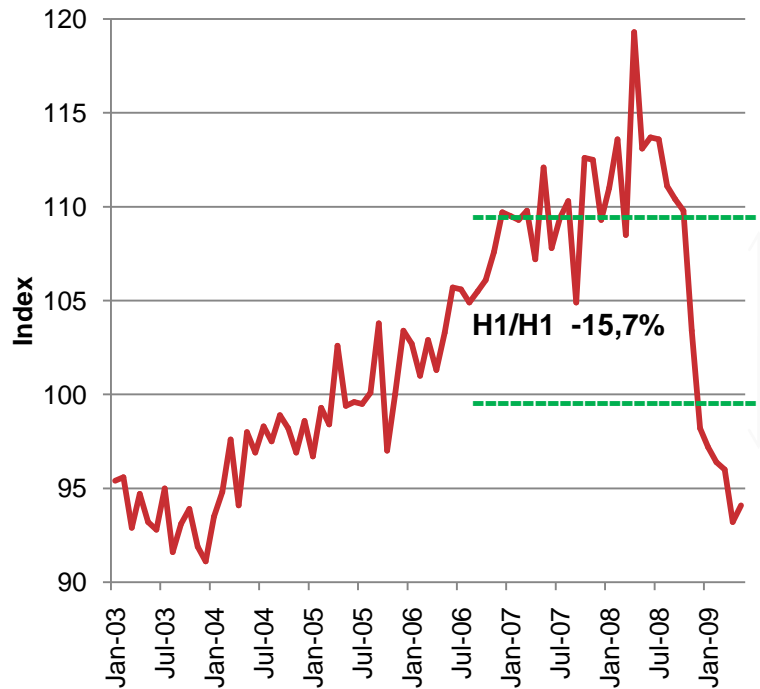
Summary

- Tough market conditions
- Severe, synchronised downturn across all AECI markets
- Revenue R5,3bn, down 9%
- Profit from continuing operations down 41%
- Good cash and working capital management
- HEPS at 105c, down 68%
- Dividend 28c
- Pleasing progress on major capex programme
- Good progress on land zoning and planning programme

Business environment

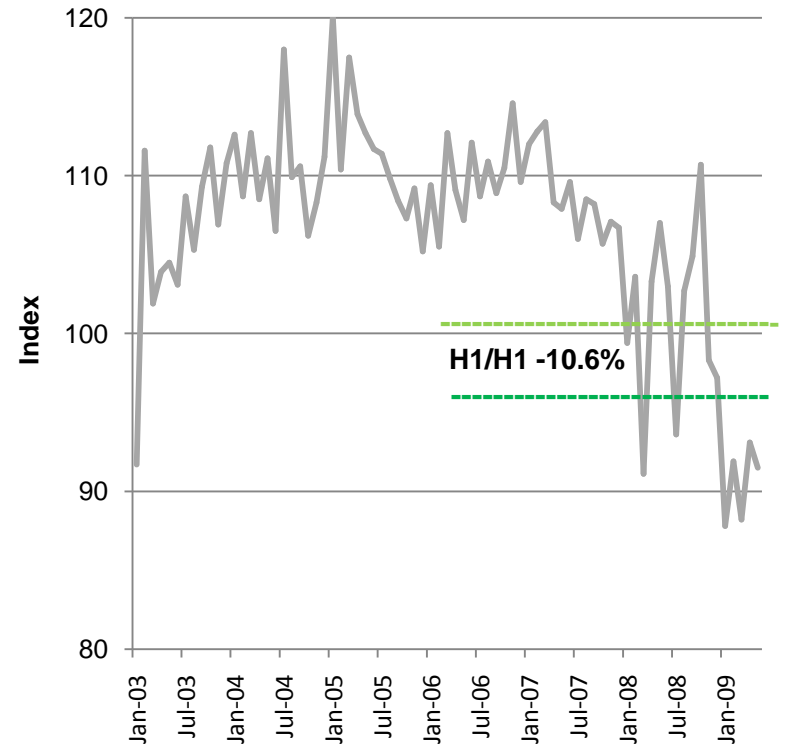
Manufacturing volumes

Jan '03 – May '09 seasonally adjusted



Mining volumes

Jan '03 - May '09 seasonally adjusted



Source: Stats SA

Business environment cont.

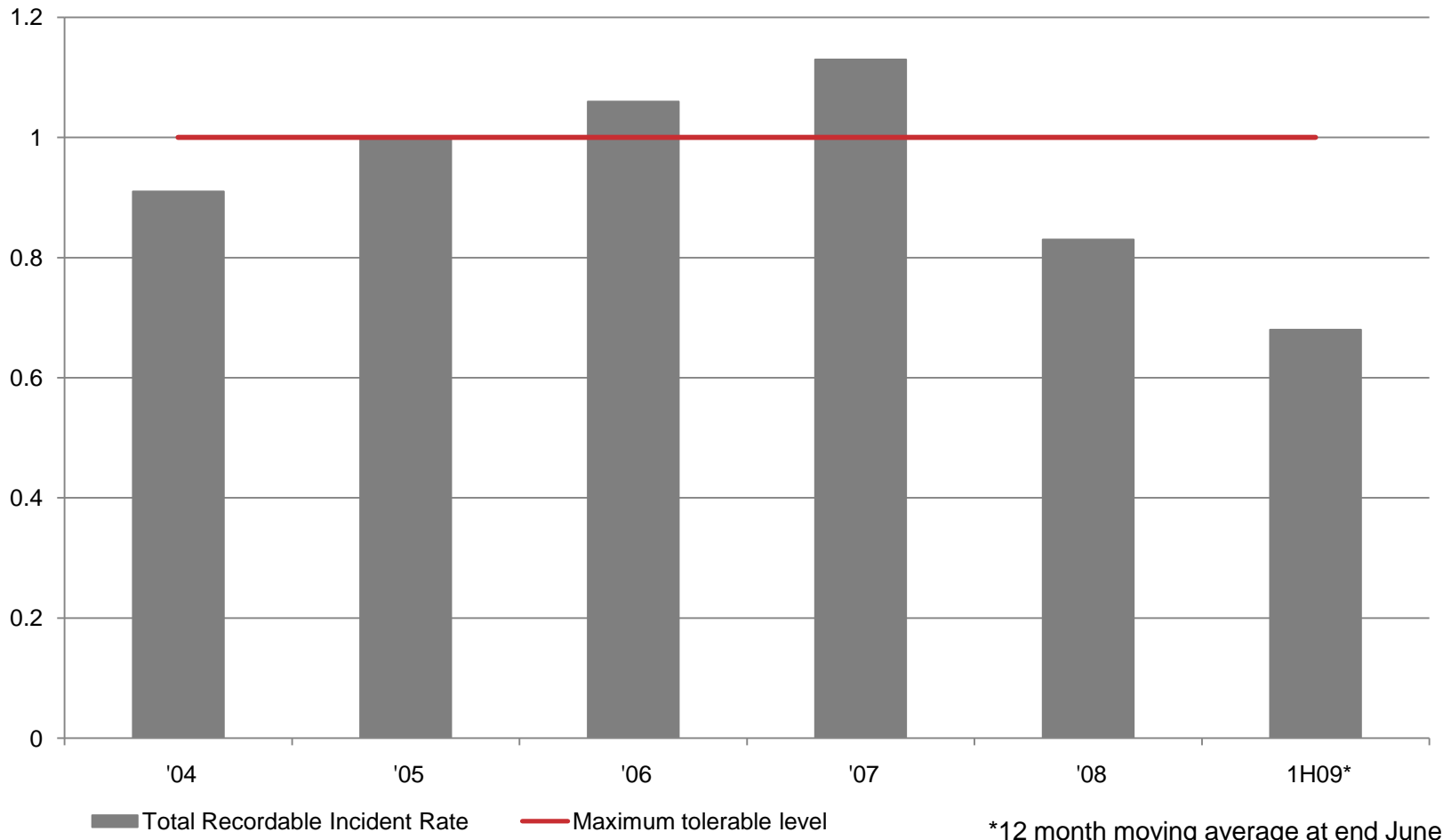
- Biggest drop in manufacturing volumes in 60 years
 - Rand strength in Q2 put manufacturing exports under pressure
 - SA consumers very cautious
- Mining volumes down and volatile
- Worst performing mining sectors from AECI point of view:
 - Botswana diamonds
 - Zambian and DRC copper
 - Open cast platinum
- Property cycle downturn more prolonged than expected

Impact on AECI

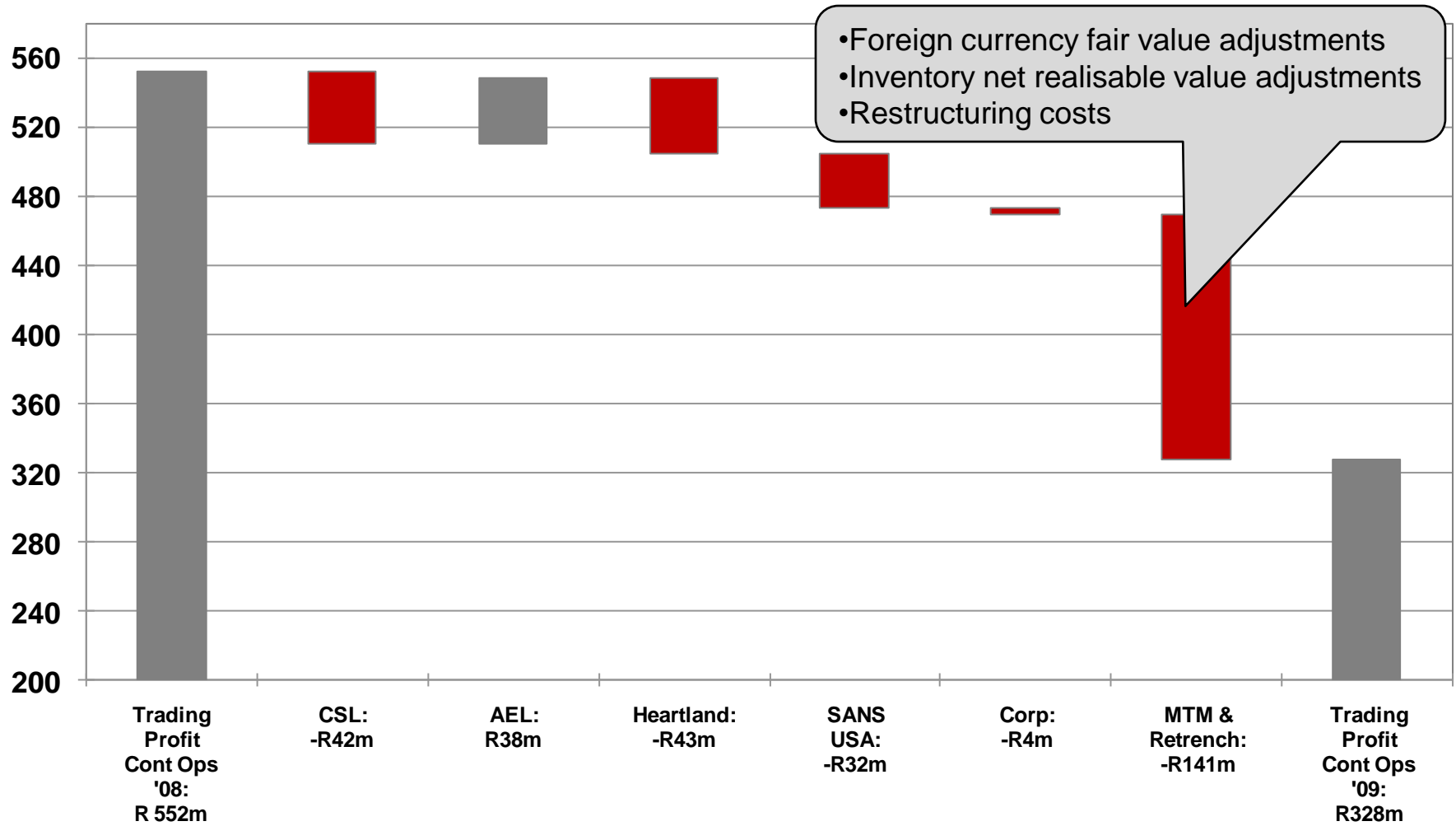
- Synchronised, deep and rapid decline in most markets
 - Strengthening rand: mark-to-market losses on foreign debtors and stock revaluation losses
 - Rapid rate of change in volumes: difficult to “right-size” plants timeously; fixed costs under-recoveries
 - Depth of decline: major down-sizing necessary on some plants, resulting in restructuring charges
- Margin pressures continue
- Lack of liquidity impacting on customers

Safety and health

TRIR – own employees

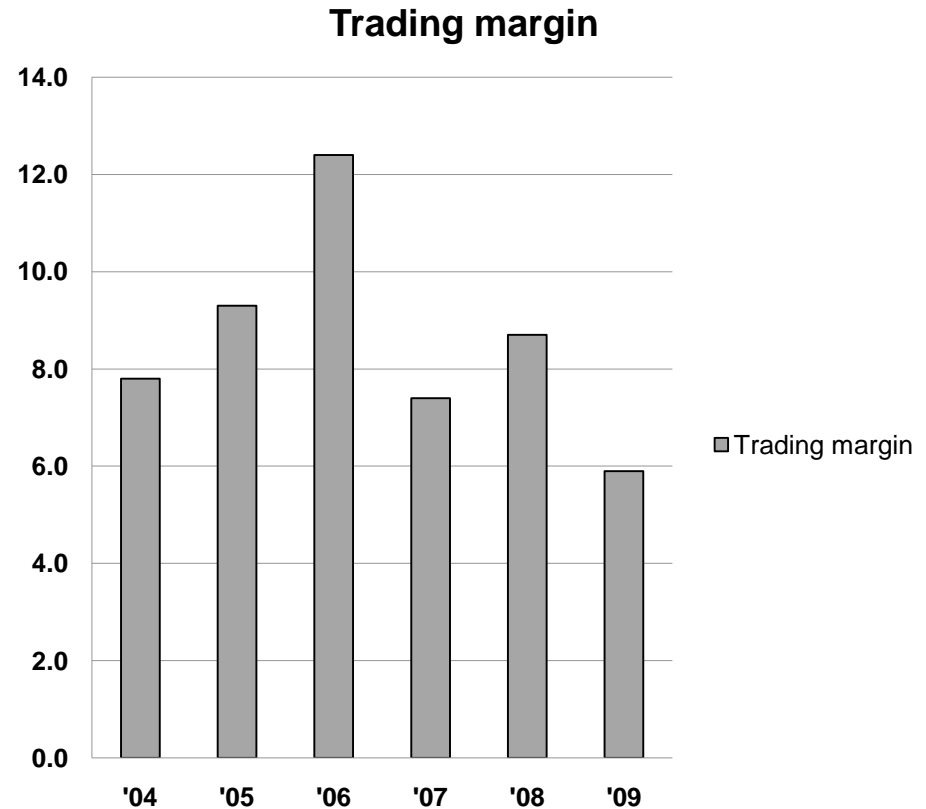


Results 1H09: profit from continuing operations

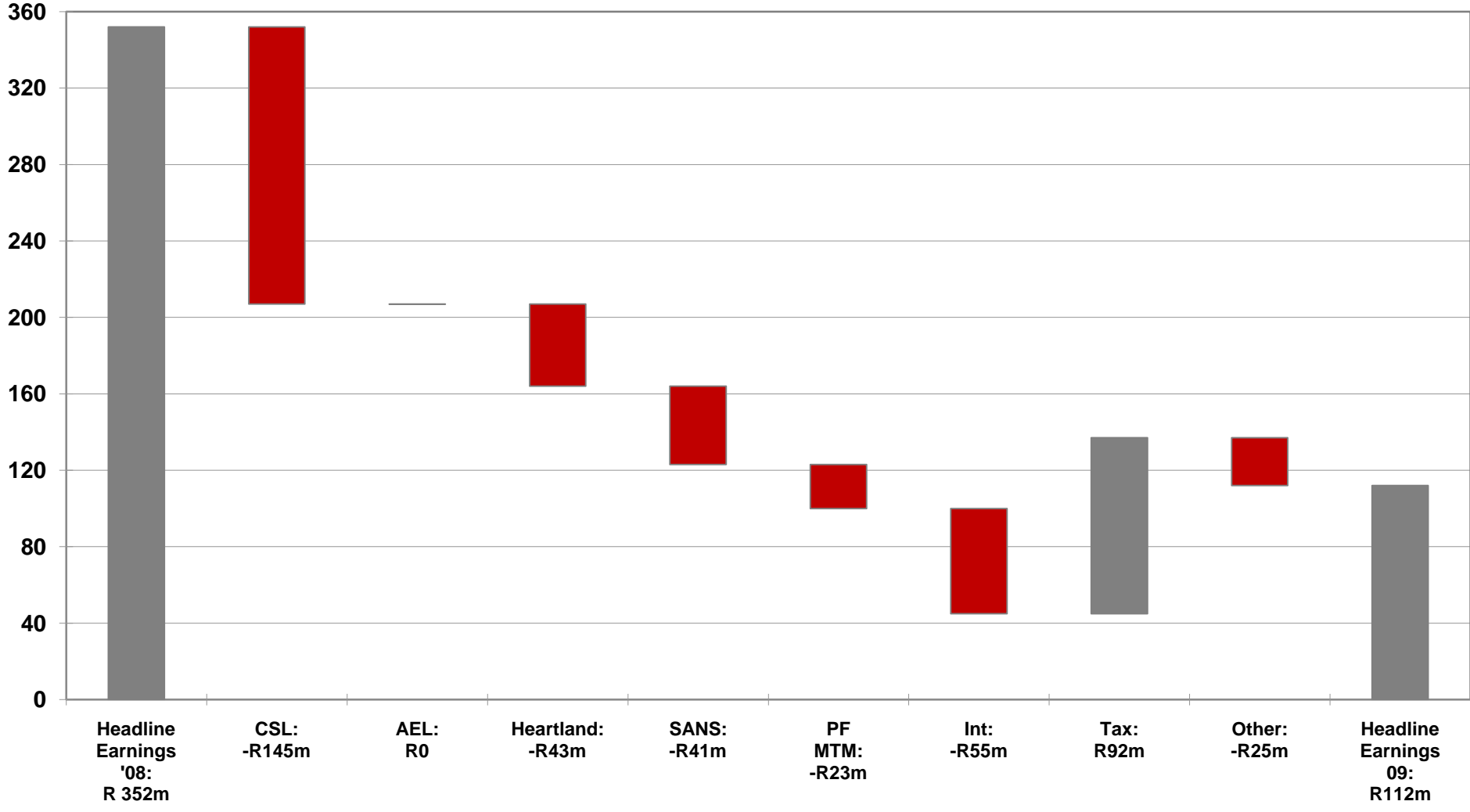


Trading margin and volumes

- Trading margin depressed - volume drop and “transition” costs
- Chemserve volumes down 36%
 - Biggest drop in sulphur sales
 - Traded volumes down 52%
- AEL volumes down 8%
 - Narrow Reef down 2,5%
 - Surface and Africa down 11%
- Foreign sales flat in rand terms
- Market share maintained

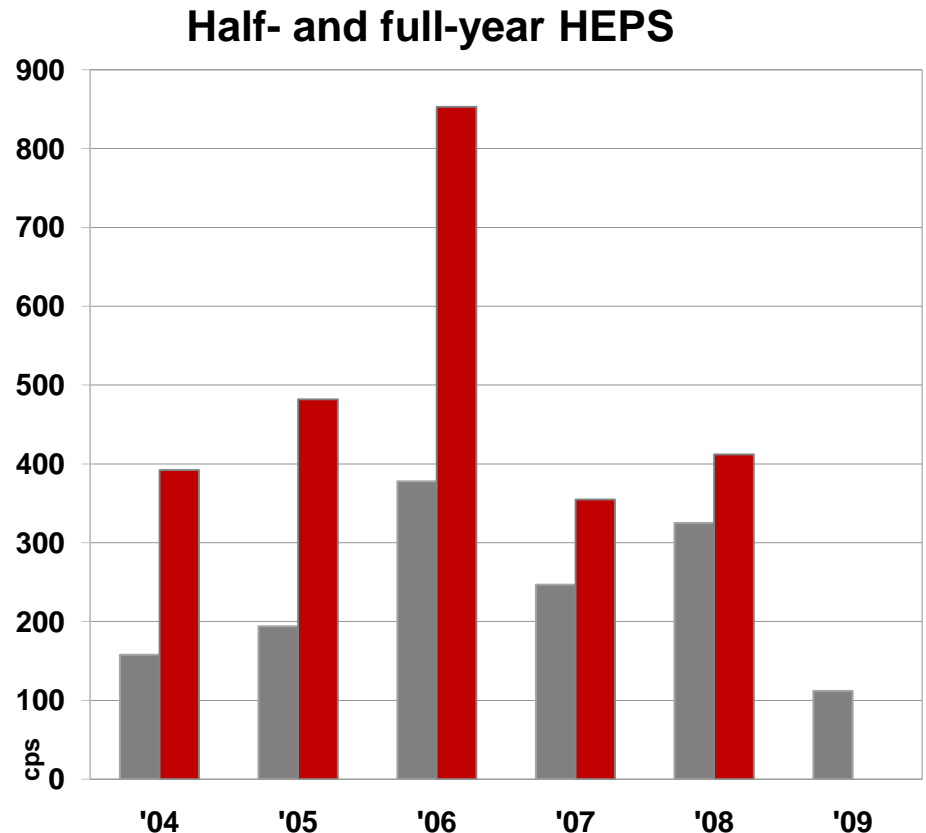


Results 1H09: headline earnings comparison



HEPS

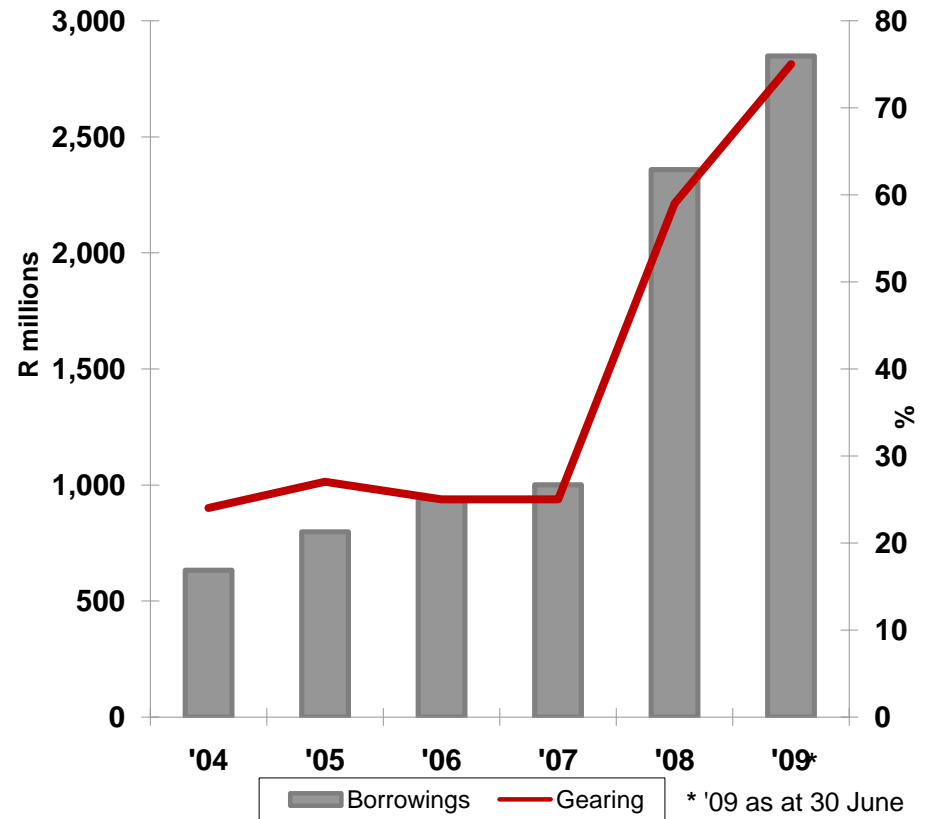
- HEPS down 68%
- “Transition” effects R141m
 - Foreign currency fair value adjustments - R46m
 - Inventory net realisable value adjustments - R65m
 - Restructuring costs - R30m
- Trading profit from continuing operations down 41%
- PRMA costs R20m
- Financing costs R138m, up 66%



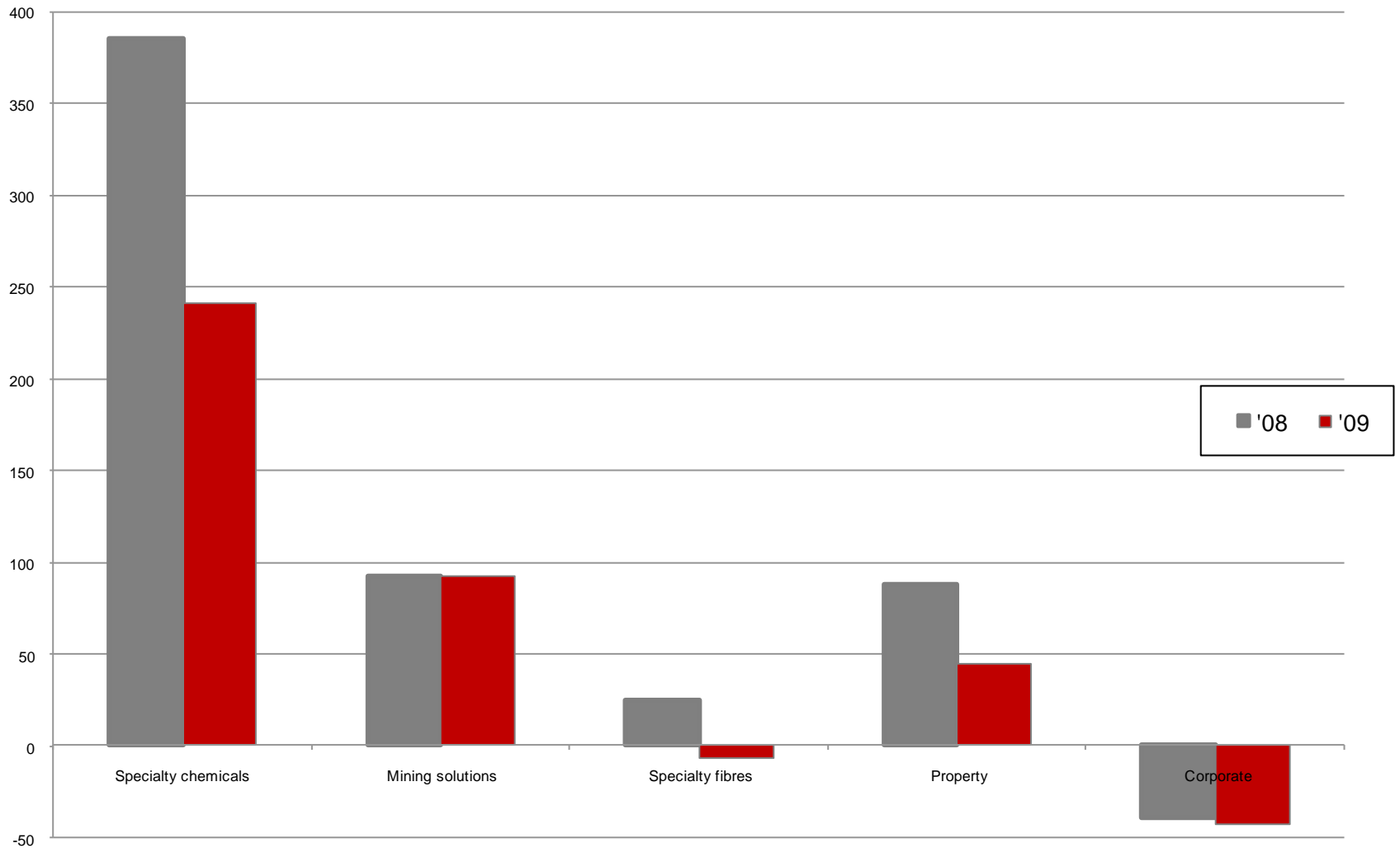
Results 1H09 cont.

- Capex R675m - including R544m for expansion projects
- Capex cash spend contained - R1,2bn for '09
- NWC improved to 17,2% from 19,8%
- Borrowings up R489m to R2 848m
- Gearing 75%
- Cash interest cover 2,8x
- All loan covenants met

Borrowings and gearing



Results 1H09: profit from continuing operations (Rm)





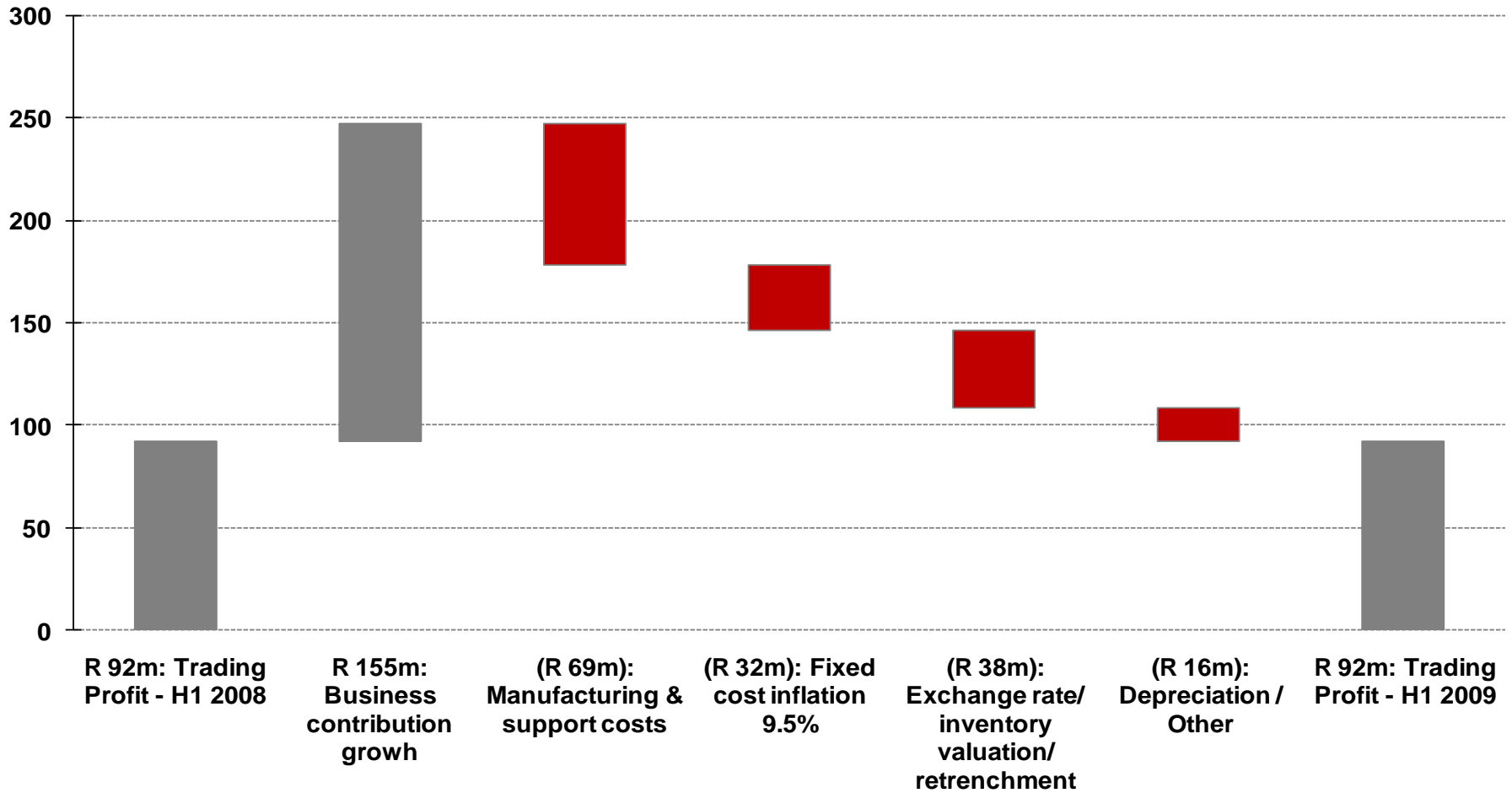
Mining solutions: environment

- Global mining has come off the boil
- Open cast gold and coal performed well
- Narrow reef's slow decline continued
- Diamonds, open cast platinum, small copper mines hardest hit
- Large new low cost copper mines continued ramp-up
- Ammonium nitrate settled back at US\$450/t off US\$800 high
- Rand strength and revaluations affected earnings
- Price pressures prevailed as demand softened
- Capital requirements for international growth increased

Mining solutions: 1H09 performance

- Revenue R1 945m +18%
- TP R92m unchanged
- Operating margin 4,7% 1H08: 5,6%
- Net working capital down from 18,5% to 16,2%

Mining solutions: performance



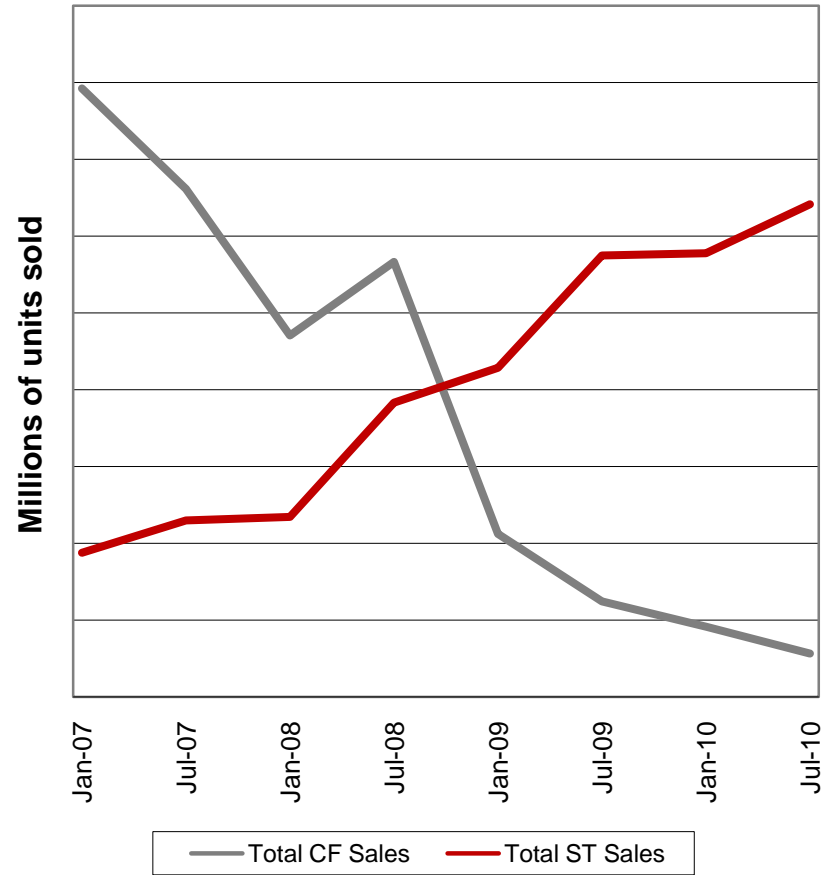
Mining solutions: projects

- Capital investment programme at its peak in '09
- R245m capex spent in 1H09
- ISAP progress:
 - Extruded shocktube plant fully commissioned; running at 95% efficiencies, produced 180 000km+ of tubing
 - Detonator plant fully installed and commissioned by end-'09
Over 40m ISAP detonators produced and sold
 - Auto-assembly plant's first lines produced for market in June '09
 - well received and rolling out
 - 1st set assembly lines (75% cap) fully commissioned by 1H10
 - 2nd, final set held back to enable increased focus and potential design change enhancements

Mining solutions: market conversion

- +70% of narrow reef fuse igniter cord converted to shocktube
- Narrow reef market fully converted by 2H10
- Detonator and auto-assembly plant ramp-up: start shutting traditional plants 1H10
- Significant international interest in ISAP products

Conversion from capped fuse to shocktube products
(Units are actual to forecast)



Mining solutions: 3G Reefmaster





Mining solutions: strategy and focus

- AEL International: pleasing progress
 - Hub and channel strategy
 - Selected international markets with competitive offering
- AEL Africa: good invested positions
 - Zambian and DRC copper growth and asset optimisation
 - West African gold growth and Botswana diamond recovery
 - Footprint expansion
- AEL South Africa: value propositions
 - Coal softening, diamonds and platinum slow recovery
 - Focus on product and service innovation, costs



Specialty chemicals: environment

1H09

- Cautious start to year in most sectors; improved since Easter
- Volumes down 36% on 1H08
- Prices supported by weak rand in Q1; but some pressure felt with strong rand in Q2
- Prices up 31%
- Due to decreased demand, higher levels of inventories existed in the supply chain
- Inventory and foreign debtors revalued in June

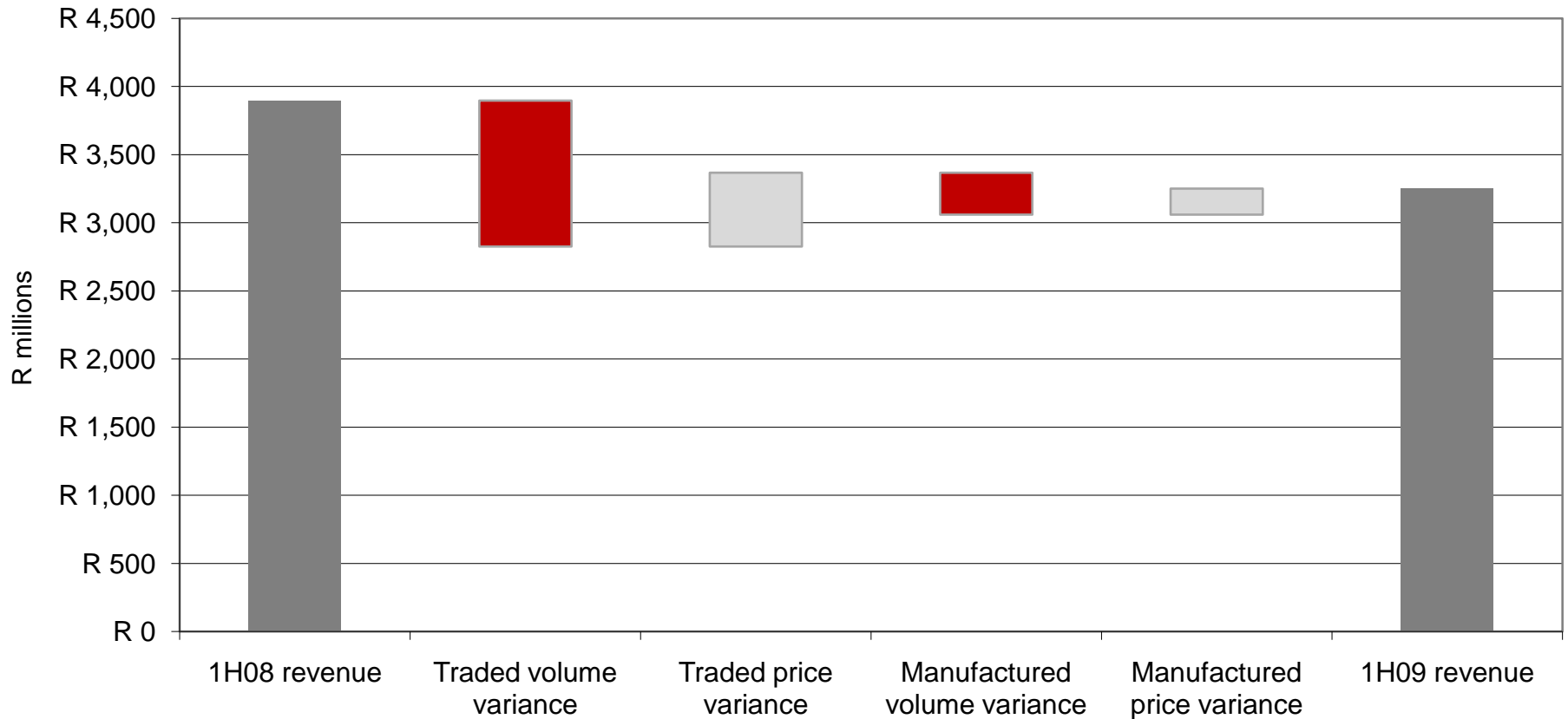
Specialty chemicals: performance

- 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%

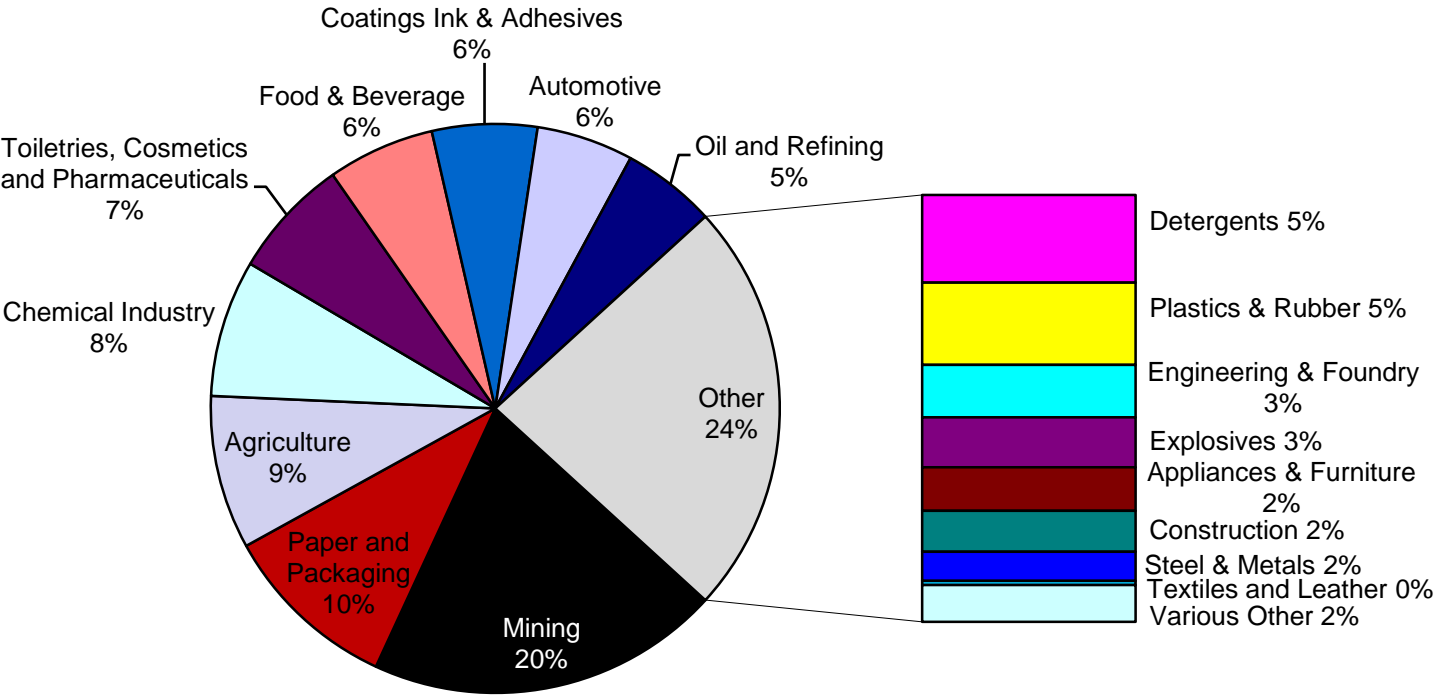
- Write down in 1H09 on NRV and mark-to-markets R78m
- Trade working capital reduction 1H09 R458m

Specialty chemicals

Chemserve price and volume analysis



Specialty chemicals: Chemserve '09 sales by industry





Specialty chemicals: performance

- Two businesses being significantly restructured due to changed environment
- One business divisionalised - considered too small to stand alone
- All businesses continue to evaluate costs, and take appropriate action
- Policy of site consolidation continues - 5 earmarked for exit

Specialty chemicals: growth strategies

Major capital investment programme

- R1,2bn approved for major projects; R858m spent to 1H09, R320m to be spent in 2H09
- Lages fractionation column commissioned 1Q09. Products of excellent quality, in acceptance trials at customers
- Sulphonation plant commissioned uneventfully 2Q09, remainder of project underway
- Xanthates I and II: operating on full range of products. Ready for lower cost base CS₂
- CS₂ to be commissioned late August '09
- AM, PAM to be commissioned from 3Q-4Q409. Fermentation laboratory commissioning underway

Fractionation column, Lages



Progress at Senmin, Sasolburg





Specialty chemicals: growth strategies cont.

Acquisitions (R70m in 1H09)

- CH Chemicals merger approved by Competition Commission; operational within Crest on 1 June '09
- Cobito (Feb '09) performing above expectations
- Hot list active, but valuations difficult

Property: investment

Results of land release at Longmeadow and Greenstone since '99

- 520 ha
 - 4 000 residential units
 - 120 000m² retail development
 - 560 000m² warehousing and distribution
- About R28bn in fixed investment
- R150m per annum to Johannesburg in rates

Greenstone Hill Office Park



Property: performance

	1H09	1H08	
	Rm	Rm	
Revenue	152	292	(-48%)
Property sales	6	164	
Leasing revenue	78	70	
Services	68	58	
			} Annuity income
Net trading profit	45	88	(-49%)
TP before environmental charge	46	125	(-63%)
Environmental charge against the I/S	(1)	(37)	(-97%)
Net cash (outflow)/inflow	(25)	64	
Includes spend on:			
Bulk infrastructure	39	45	
Remediation	6	31	

Property: land release

- Planning – in the pipeline (ha)
 - Westlake View (Mdf) 60
 - Longlake 350
 - Highlands 130
 - Founders Hill 160

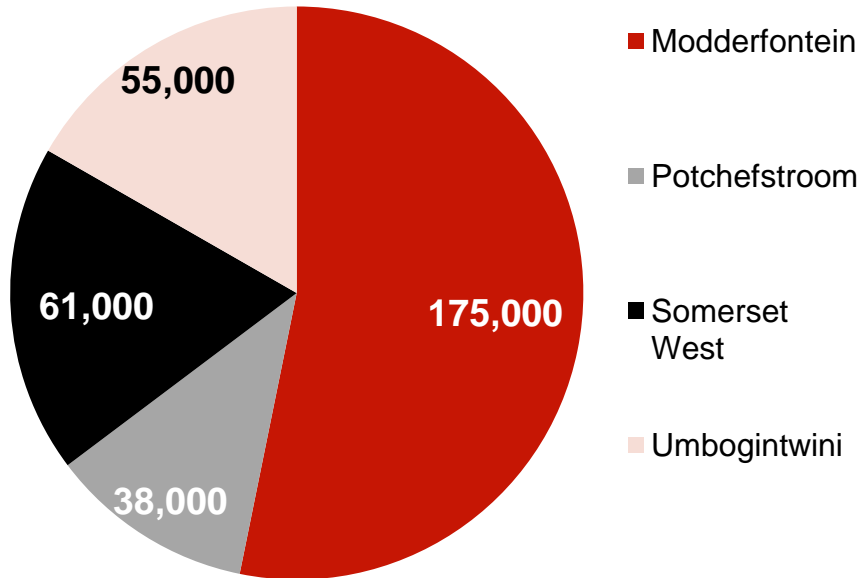
 - Portion 53 (SW) 16
- Delivery
 - 50ha on stream in next 12–18 months
 - Release according to market uptake
 - Phased infrastructure spend (market demand)

Property: Modderfontein frontage roads



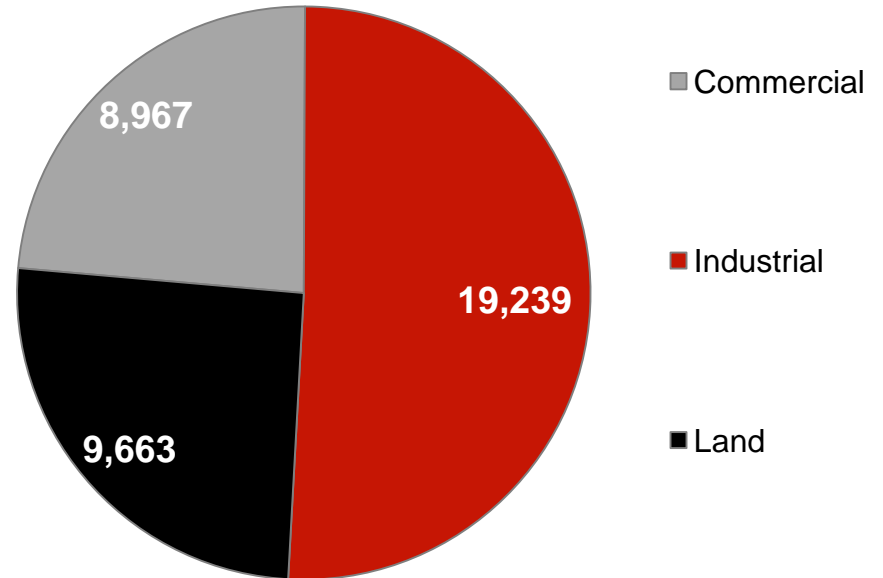
Property: leasing portfolio

Gross lettable area (m²)



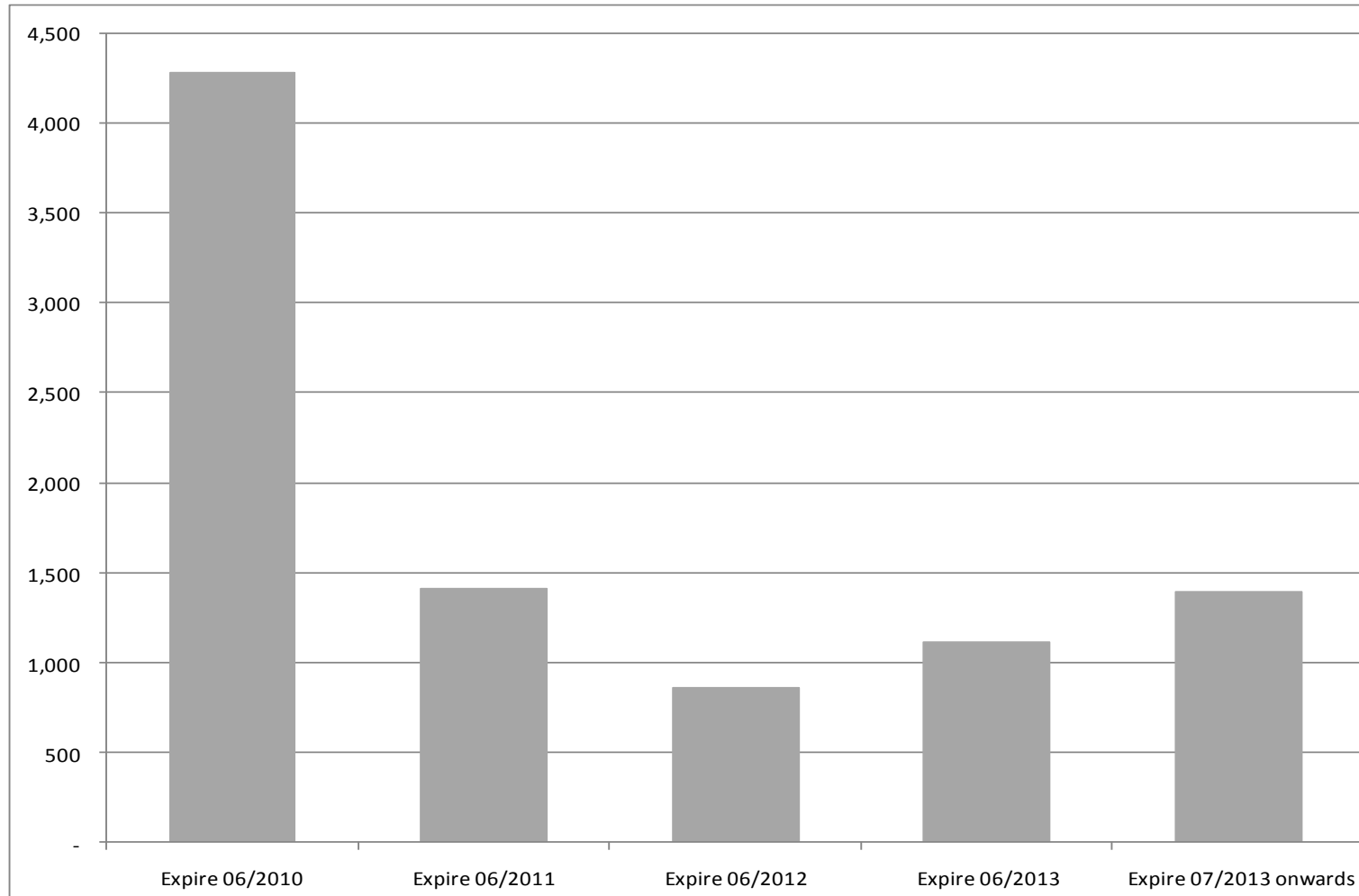
Total: 329 000m²

Segmentation by net income (R000's) – June '09



Total: R37,9 million

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



Mean length of lease is 3 years with staggered renewals

Specialty fibres

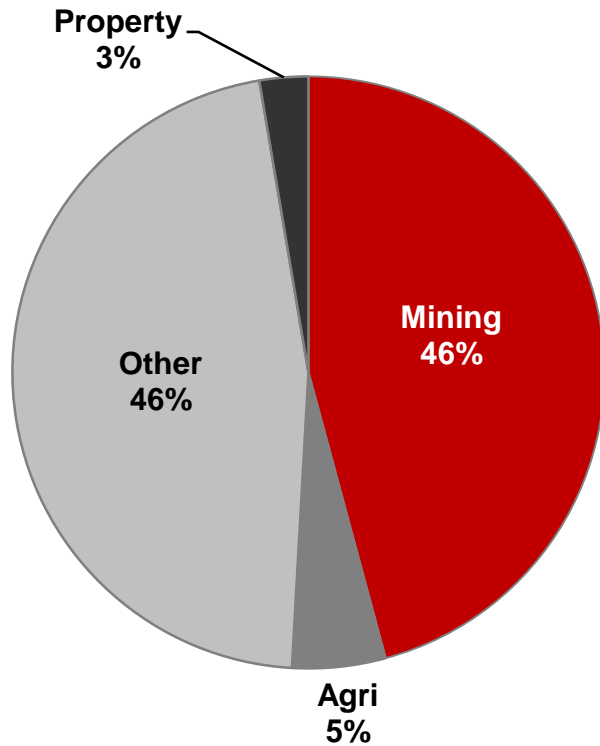
- SANS Technical Fibres USA
 - Automotive industry slump in US had major negative influence
 - Revenue down 38% in US\$ terms
 - Loss of R7m for H109
 - Volumes improved in June
- Cash converted from Bellville closure
 - Assets and working capital of R280m
 - After retrenchments, cash of R146m generated
 - Fixed assets being stripped and sold
 - Land will then be sold/let (1H10)

Corporate positioning confirmed

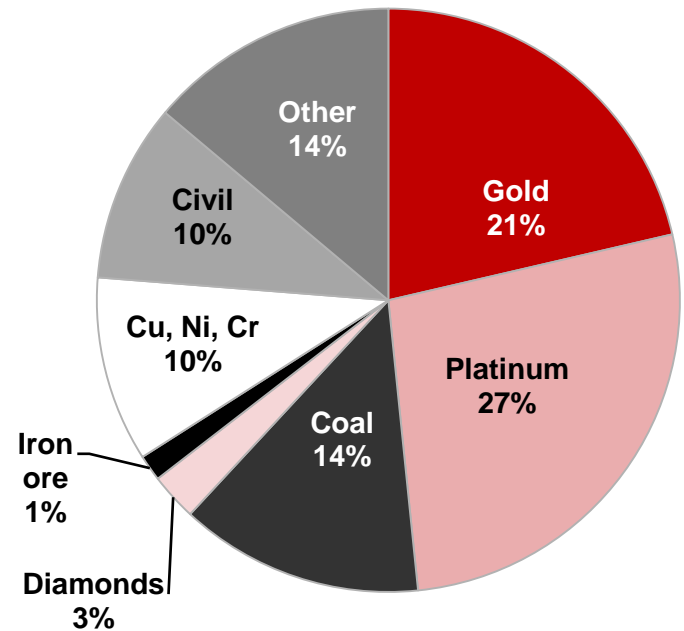
- AEL: grow into balanced international explosives business
- CSL: continued growth in SA, Africa, mining chemicals and country step-out
- Heartland - independent review findings:
 - Listing or unbundling would not add value to shareholders
 - Current business model has best prospect of optimising value, especially considering current point in property cycle
 - Implement strategies to accelerate realisation
 - More detailed and transparent reporting
- Proposed BBBEE transaction on hold due to market volatility

Positioning, drivers of growth and outlook

'09 revenue split



'09 mining sector sales



Positioning, growth drivers and outlook

- Maintain tight control on cash, grow margins and improve cost base
- Major focus on completing capital projects and bring into beneficial use
- Retain market share and grow in selected markets
- Rate of decline of volumes slowing, in some cases a bottom has been established
- June closing R/\$ rate of R7,72 represents a relatively low base for H2
- Restructuring charges in H2 likely to be similar to H1



Calendar

- 29 September '09: Chemserve capex programme update and Senmin site visit
- 31 December '09: financial year-end
- 24 February '10: '09 financial results released presentation, Johannesburg
- 25 February '10: presentation, Cape Town

Chemserve update: programme outline

29 September '09

- 10:00 Presentation @ Emerald Casino Resort, Vanderbijlpark
Lunch
- 12:45 Depart for site visit to Senmin, Sasolburg
- 15:30 Return to Emerald Casino Resort

- Accommodation available @ R805 pp (B&B) (quote AECI as the reference for this rate)

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