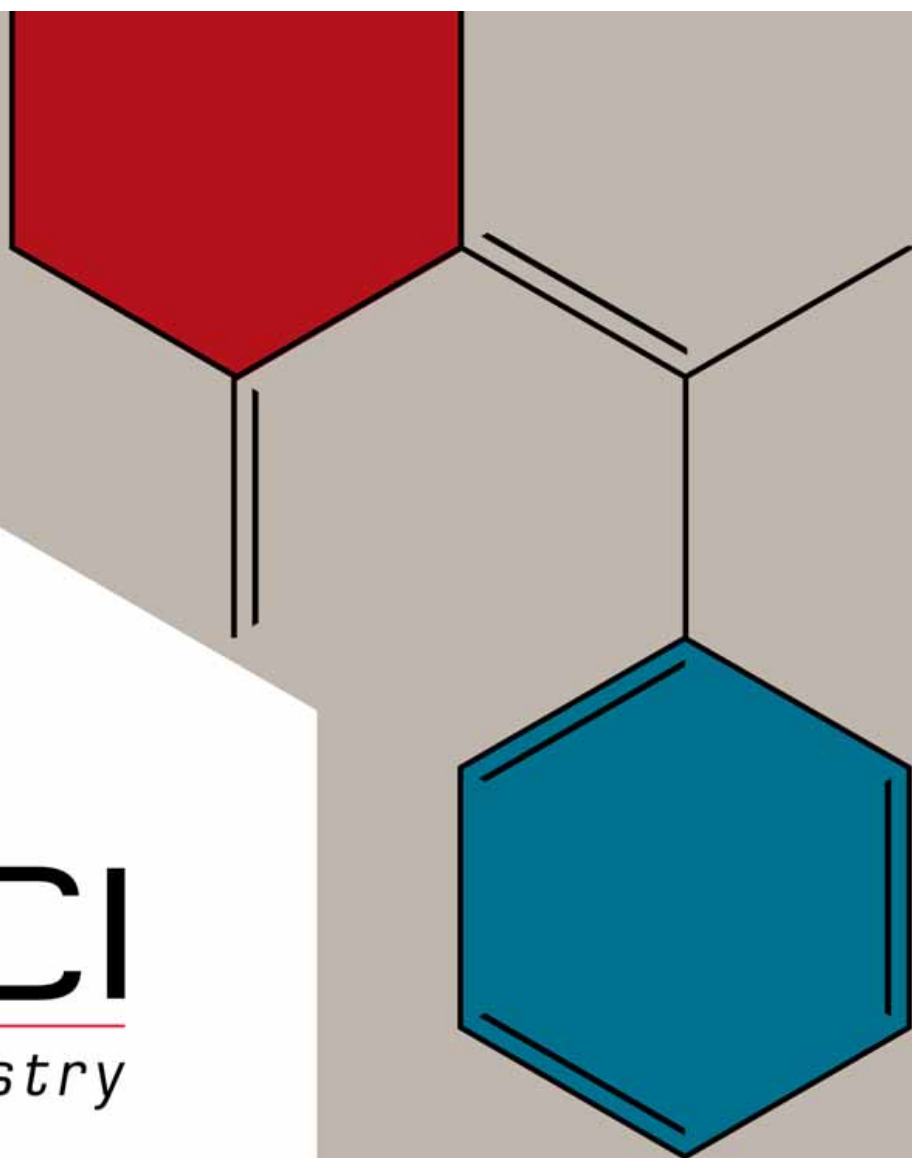




**AECI**

*good chemistry*





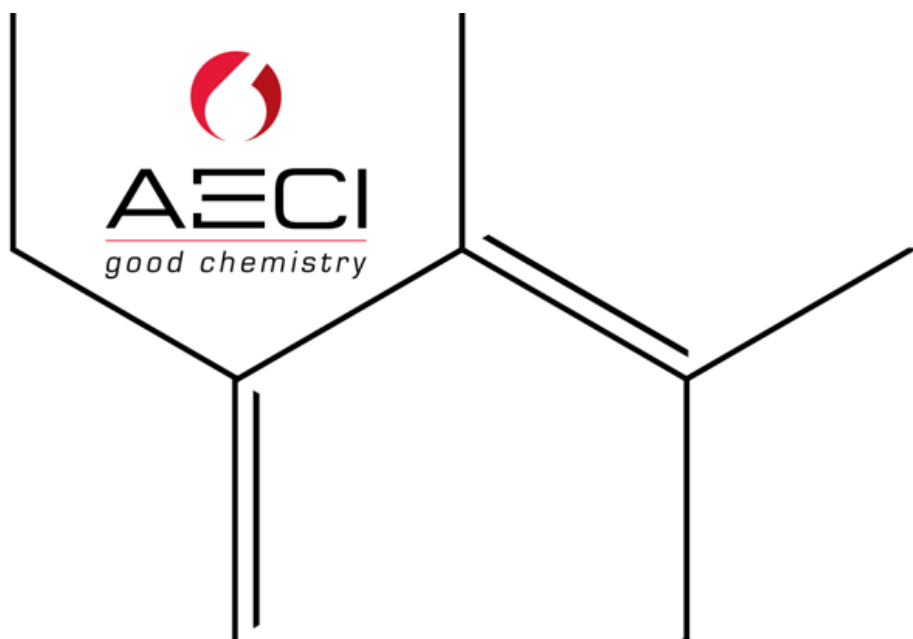
## **Interim financial results**

Presentation to investors, analysts  
and media, 28 and 29 July 2010



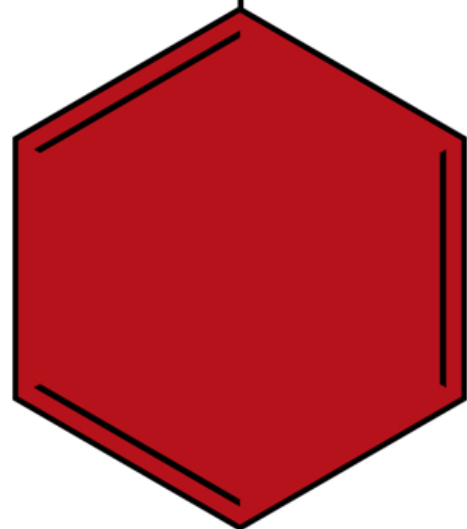
## Presentation structure

- New Executive Committee members
- Overview of results
- Update on strategy
- Financial performance:
  - Group results
  - Mining services
  - Specialty chemicals
  - Property
  - Specialty fibres
- AEL projects update
- Senmin projects update
- Conclusion and outlook
- Questions
- Lunch



  
**AECI**  
*good chemistry*

**Executive Committee**





## Anthony Diepenbroek



Anthony joined the Group as managing director of Heartland, and an AECI Executive Committee member, in 2008.

He has more than 20 years' experience in property- and development-related fields. These include construction and project management; sales and marketing; infrastructure and facilities planning; and the management of property portfolios, assets and property investment funds at executive level.

He has also served as managing director of other JSE Limited-listed entities in the property sector.



## Mark Dytor



Mark was appointed to AECI's executive committee in April this year.

Having joined Chemserve as a sales representative in 1984, and after successfully managing two Chemserve companies, Mark was appointed to Chemserve's executive committee in 1998 and subsequently to its board.

In addition to a portfolio of chairmanships, he has been tasked with the growth of the mining chemicals business. He is also a non-executive director of AEL.



## Graham Edwards



Graham is AECI's chief executive, which position he took up in 2008.

Prior to this, he was managing director of AEL and he has also served as chairman of the DetNet joint venture.

An executive director of AECI since 2007, Graham joined the Group as a design engineer in 1978 and worked in production, engineering, buying and strategic planning.

He was appointed managing director of AEL in 1999.



## Mark Kathan



Mark joined AECI in 2008 as chief financial officer and executive director.

Prior to his AECI appointment, he had worked for 11 years at a JSE Limited-listed international packaging company where he held a senior finance position and was a member of that company's executive.

He has experience in a broad spectrum of finance and business disciplines in South Africa and the rest of Africa.



## Tobie Louw



Tobie joined AEL in 1988 and he returned to this company as managing director in 2008. He also joined AECI's Executive Committee at that time.

Tobie left the AECI Group in 1996, returning to Chemserve in 2000 as managing director of Lake International.

In 2005, he was appointed to Chemserve's executive committee and became managing director of Chemserve Systems.

He joined the Chemserve board in 2007.



## Edwin Ludick



Edwin joined the Chemserve group as a human resources manager in 1991, was appointed to its executive committee in 2008 and to its board in January 2010.

He is currently managing director of Chemserve Systems, having managed other subsidiaries prior to this.

He joined AECI's executive committee in April this year.



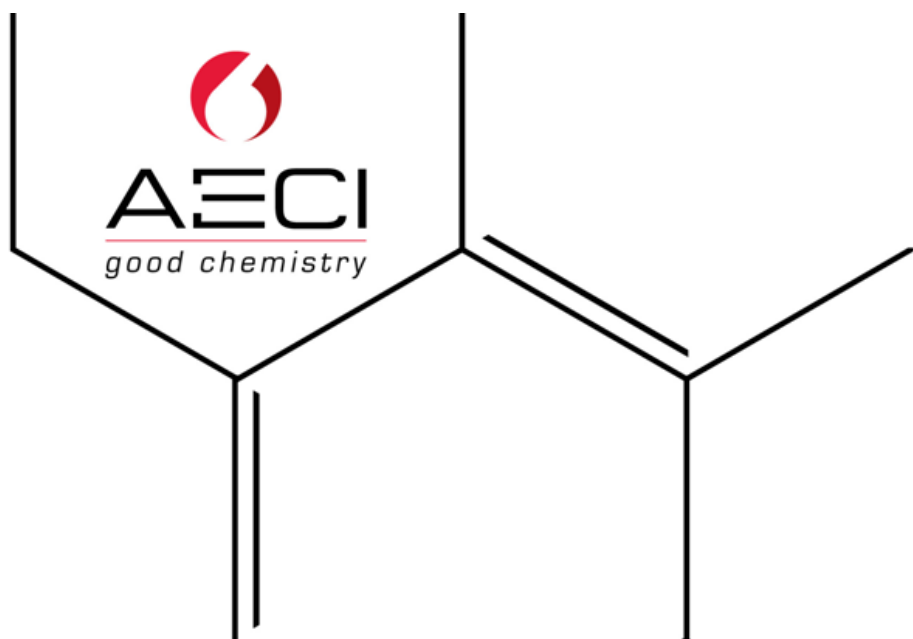
## Schalk Venter



With a qualification in analytical chemistry, Schalk joined Chemserve Systems in 1991 as a sales representative. He was appointed managing director of this subsidiary in 1997 and moved to AECI Coatings in the same capacity in 2001.

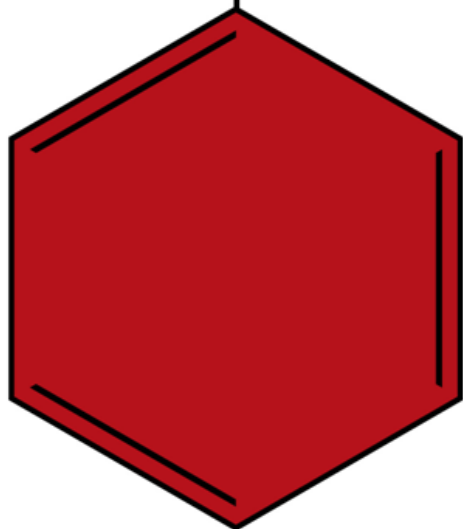
He was appointed to the Chemserve executive committee in 2005 and to its board in 2007.

Schalk is currently managing director of Akulu Marchon and joined AECI's executive committee in April 2010.



  
**AECI**  
*good chemistry*

**Overview**





## Highlights

- HEPS +127%, in line with guidance
- Overall volumes +15%
- Doubling of profit by AEL
- Overall margin improvement to 8,9%
- Interim cash dividend of 70cps declared
- Ramp-up of strategic projects in full swing
- Corporate restructuring progressing well



## Summary

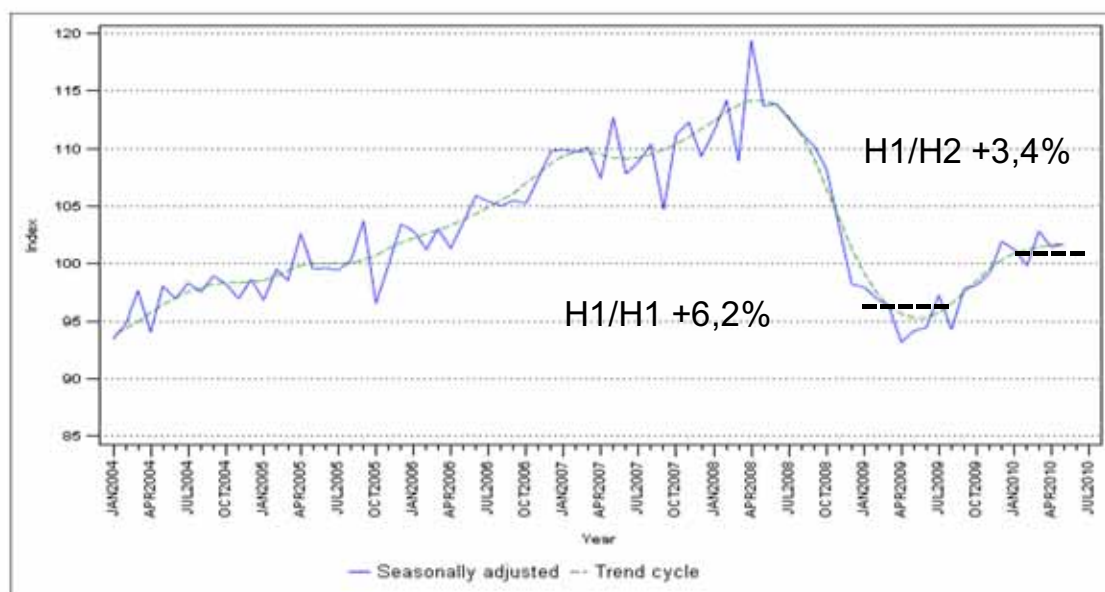
- Global market conditions remain uncertain, with potential for a double-dip recession
- Strong improvement in volumes but recovery in mining and manufacturing flattening
- Revenue R5,4bn, up 3%
- HEPS at 238c, up 127%
- Profit from continuing operations R484m, up 48%
- Net working capital management still tightly controlled
- Gearing remained constant and all covenants easily met
- Benefits of expansion projects in '10 and '11



## Business environment: volume improvement

### SA Manufacturing Volumes

Jan 2004-May 2010

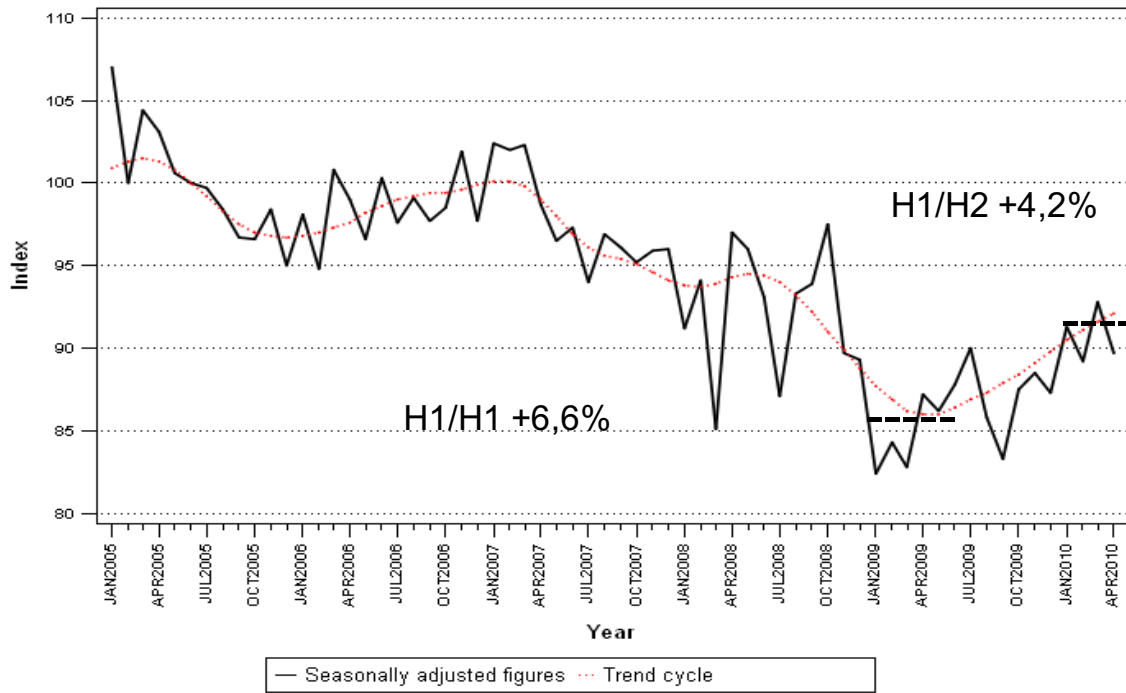


Source StatsSA



## Volume improvement cont.

### SA Mining Volumes Jan 2005 – April 2010



Source: Stats SA



## Business environment cont.

- Volumes recovered off 1H09 lows
  - Rand strength continues to put manufacturing and exports under pressure
  - SA consumer spending starting to improve
- Property development market remains depressed
- Commodity price increase sustained
- Customers very cautious and not making large commitments





# Strategy update and corporate positioning



## Brand history and positioning





Brand positioning

 **AECI**  

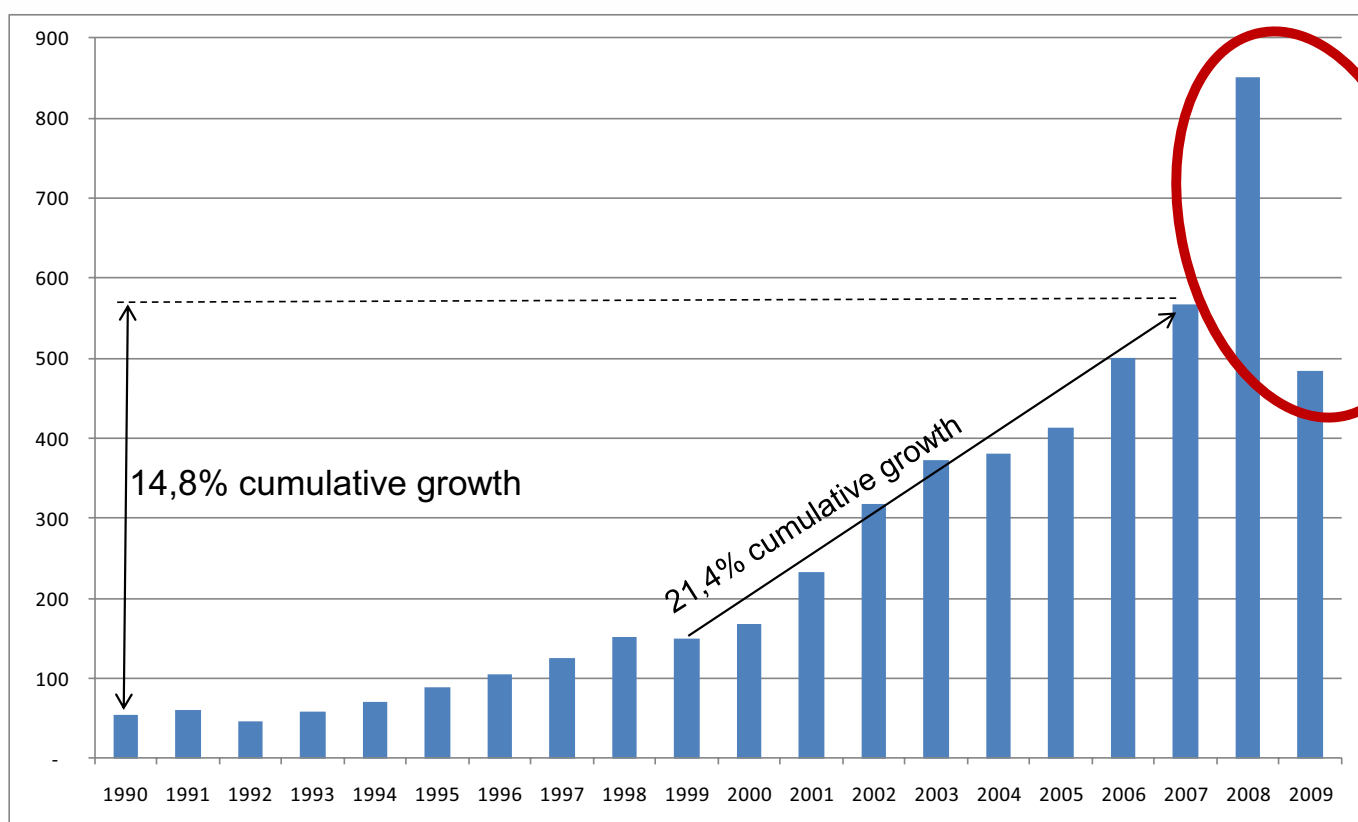
---

*good chemistry*

*inherently*  
 **AECI**

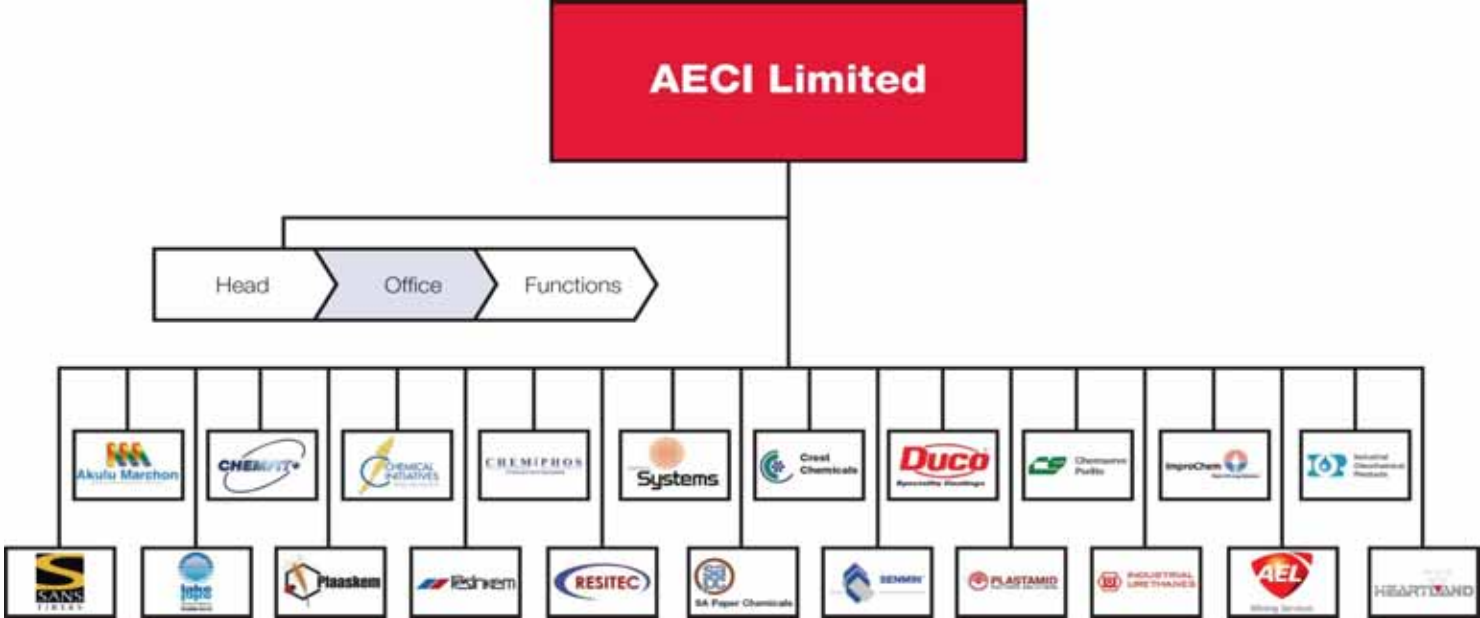


## Strategic analysis: Chemserve's growth model





# New corporate structure





## Vision

To be the chemical and mining services supplier of choice for the customers in our chosen markets

- Africa's leading specialty chemicals, explosives and mining services Group
- Flat structure, diversified portfolio
- World class technology
- International reach
- Excellent land assets



## Strategic direction

- Grow SA business platform
  - Acquisitions
  - Improved governance and risk management
  - Internal efficiency improvements
- Grow out of SA into the rest of Africa
  - Revise business model
  - Leverage the strengths of the current Group footprint
- Focused investment on specific businesses
  - Explosives, mining chemicals, energy, water, food
  - Acquisitions and new market entries
  - Primarily international



## Core strategic pillars and values

### Strategic Pillars

- Service
  - Customer-centric
  - Innovative
  - Unique
  - Value-adding
- Technology
  - World-class
- Cost base
  - Globally competitive
  - Continuous improvement
- Responsibility
  - Business excellence
  - Professionalism
  - Compliance



### Values

- Innovative creation of value
- Bold
- Engaged
- Green
- Responsible



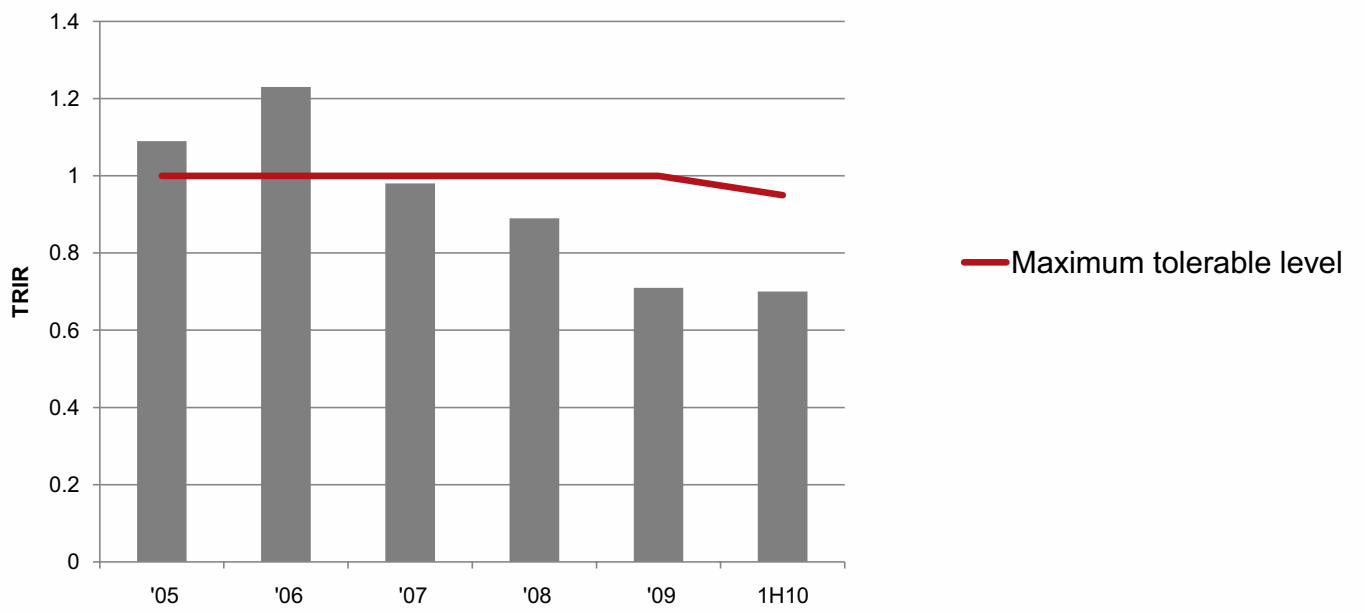
## Freedom supported by a framework

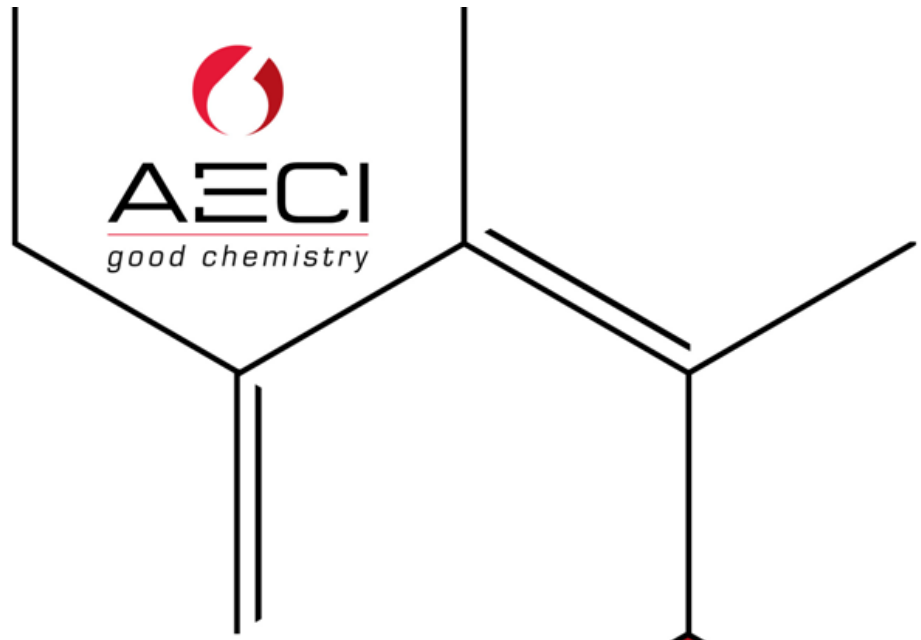




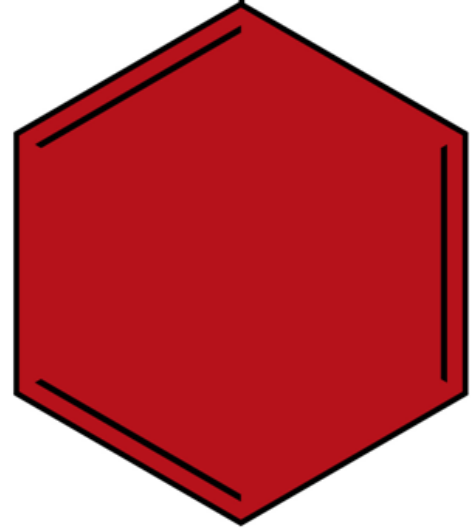
## Safety and health performance

Total Recordable Incident Rate  
employees and contractors



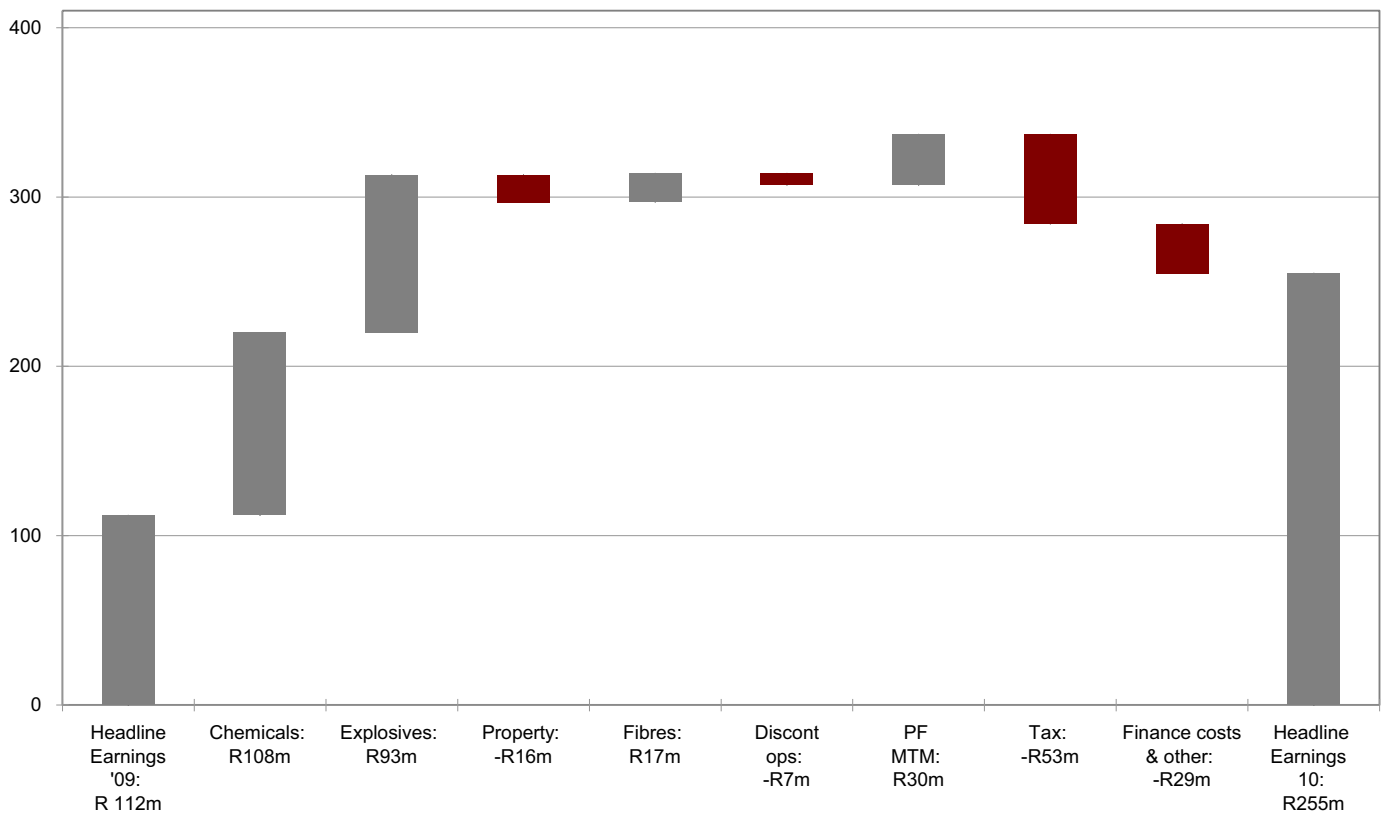


**Financial performance**





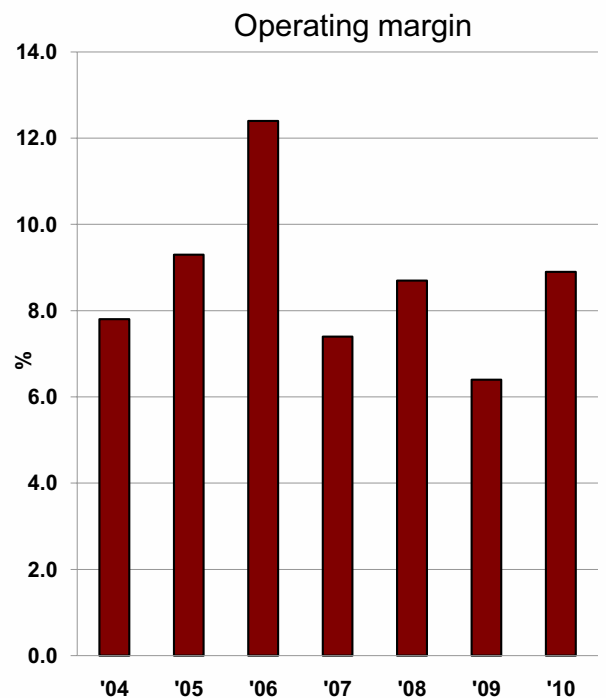
## Results 1H10: Headline earnings





## Results 1H10: operating margin and volumes

- Operating margin improved to 8,9%
  - Volumes +15%
  - Product mix improvements
- Chemicals volumes +16,8%
  - Manufactured volumes +12,7 %
  - Traded volumes +22,8%
- Explosives volumes +10,7% due to foreign expansion
- Foreign sales +17,7% in rand terms largely due to improved explosives volumes outside SA
- In general, market share maintained or improved

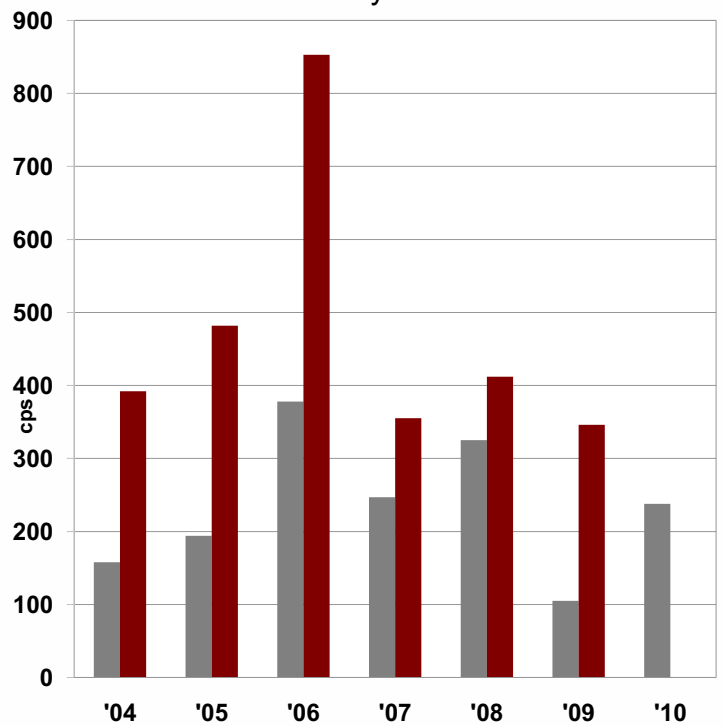




## HEPS

- HEPS up 127%
- No significant “non-trading” effects
- Operating profit from continuing operations up 48%

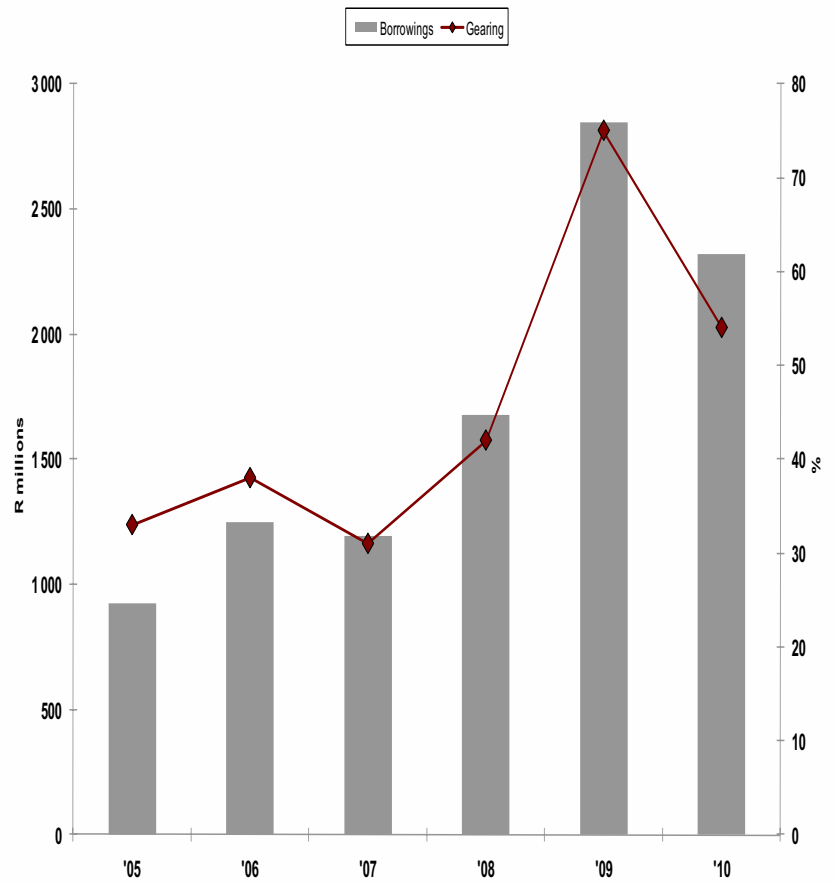
Half- and full-year HEPS





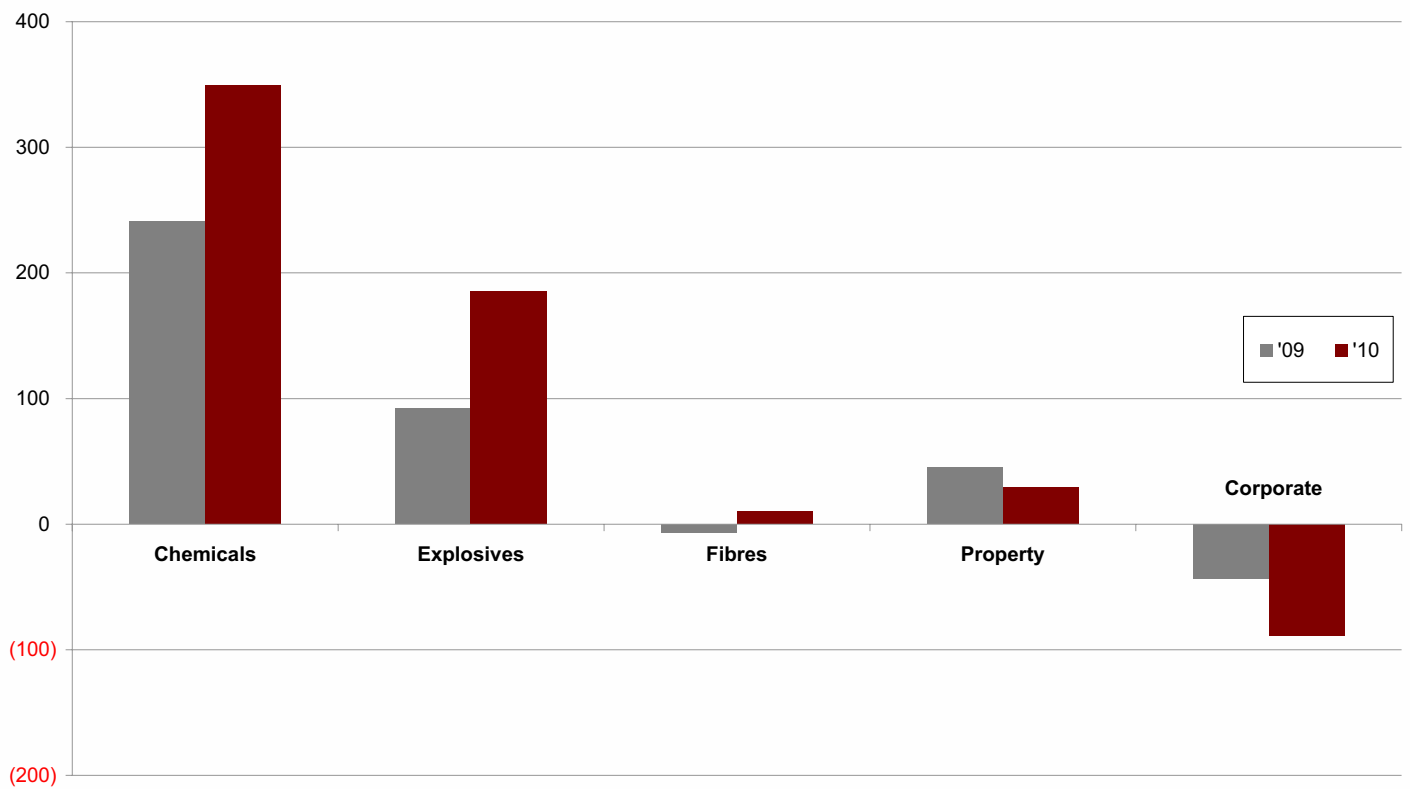
## Results 1H10 cont.

- Capex R305m – incl. R213m for expansion projects
- NWC at 18,7% slightly outside target range
  - Inventories and debtors on target
  - Creditors: early payment benefits utilised
- Borrowings at R2 321m
- Gearing 54%
- Cash interest cover 4,8x
- All loan covenants met
- Cash dividend 70cps





## Results 1H10: profit from continuing operations (Rm)



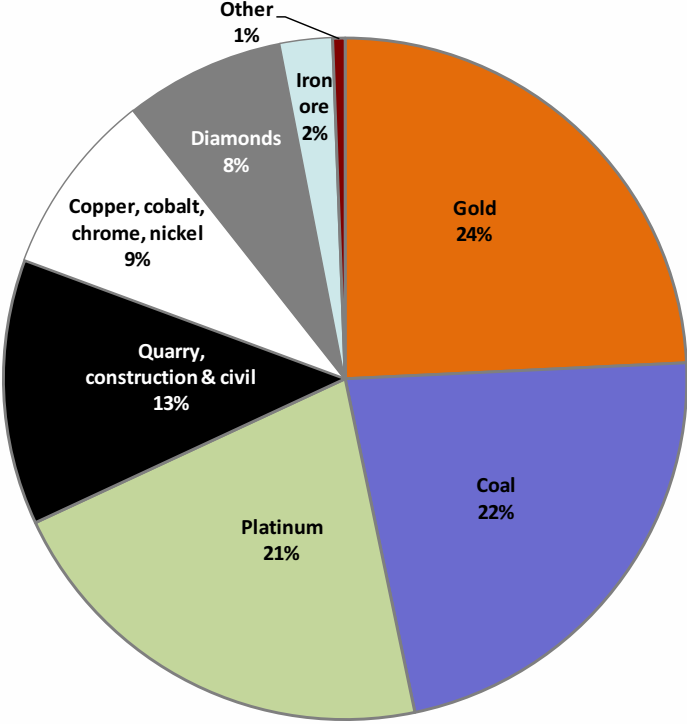


## Mining services: environment

- Pressure on volumes from
  - Wet weather curtailing coal operations
  - Quarrying remained flat; later recovery in surface platinum
  - Continued softening of SA gold
- Volume growth from
  - Central Africa
  - Indonesia: site deployment continued
  - South America: start-up volumes with channel partners
- Foreign demand for products remained firm
- Slow rise in ammonia input costs indicating market activity



# Mining services: sales by sector



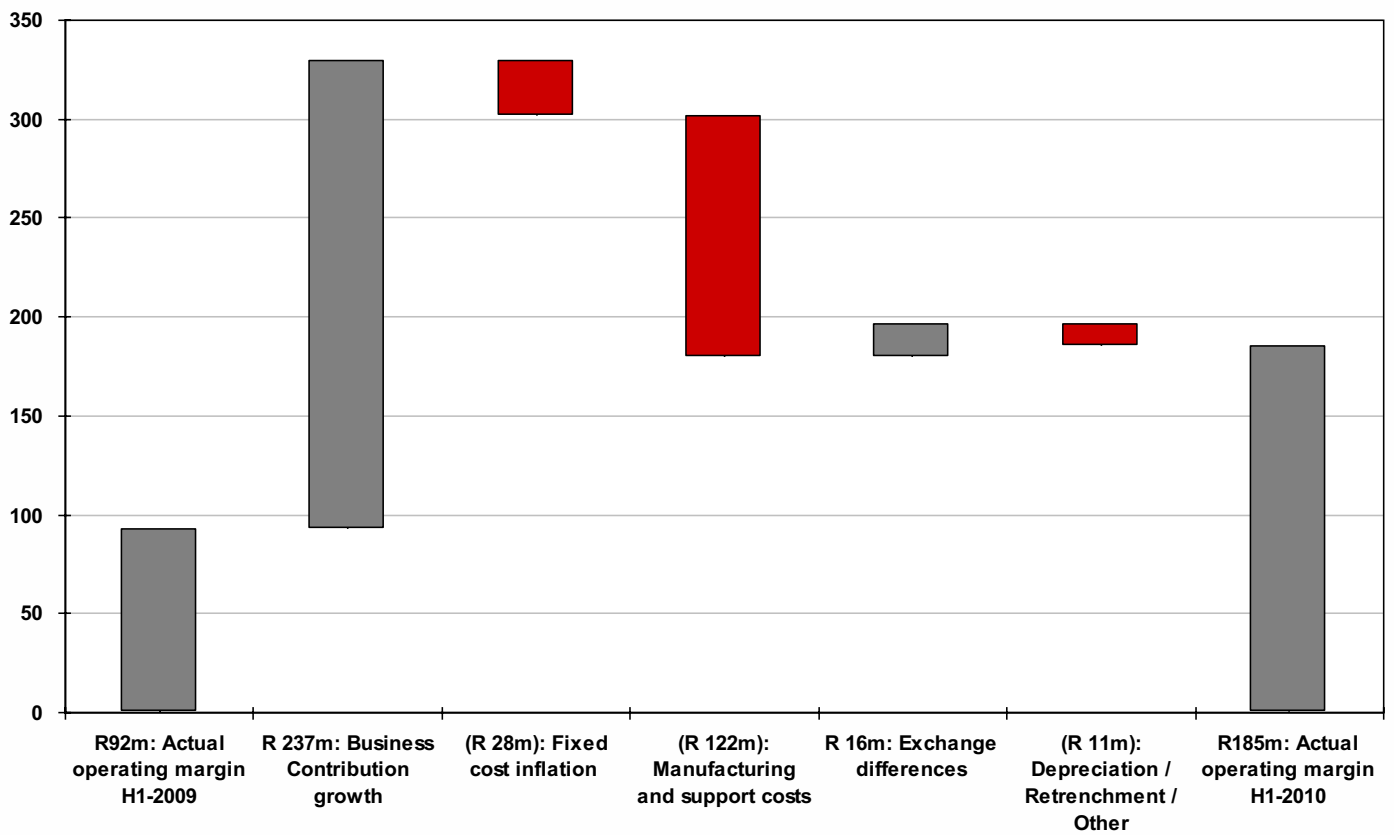


## Mining services: performance

- Revenue R2 289m +17%
  - TP R185m +100%
  - Trading margin (%) 8,1 4,7 in 1H09
- 
- Results reflect market recovery and new projects
  - May and June softer than expected – cautious for 2H10
  - Year-on-year weighted volume growth +10,7%
  - WC reflects up from 16,9% to 19,1% - reflects growth outside SA



## Mining services: 1H10 performance



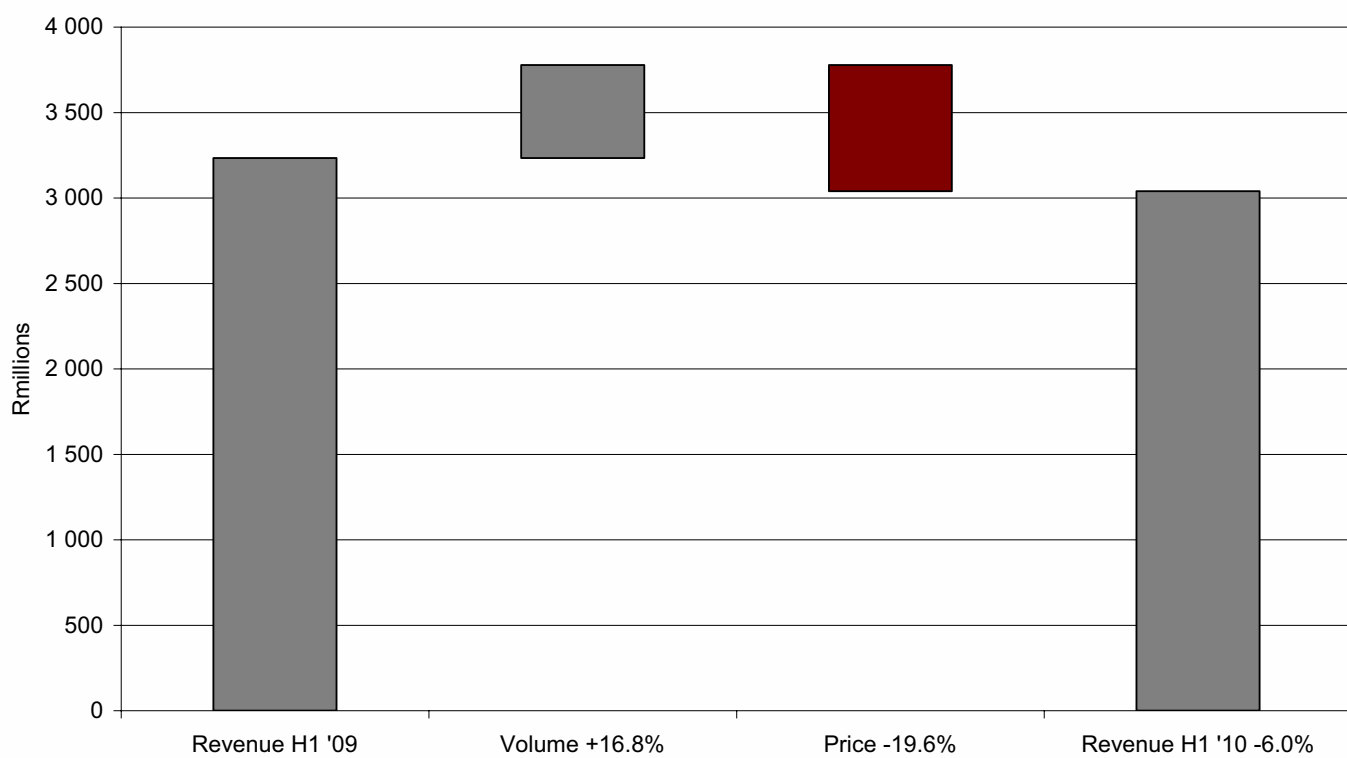


## Specialty chemicals cluster: environment

- Good start to the year from a low base
- Prices under pressure due to strong rand – av. R/US\$ 7,50 1H10 vs 9,00 1H09
- Commodity prices increasing but volatile
- Quality of business and earnings improvement



## Specialty chemicals: price and volume analysis





## Specialty chemicals: performance cont.

- Revenue R3 039m -6%
- TP R349m 45%
- Trading margin (%) 11,5 7,5 in 1H09
  
- Volumes +16,8%
- Traded volumes +22,8%; manufactured volumes +12,7%
- Prices -19,6%
- WC remains a focus and under control
- Excellent performances from Crest, IOP, Lake, Perlite; Senmin solid
- Excellent recovery in CI, Duco and ImproChem
- Provision made for closure of Plastamid



## Property: performance

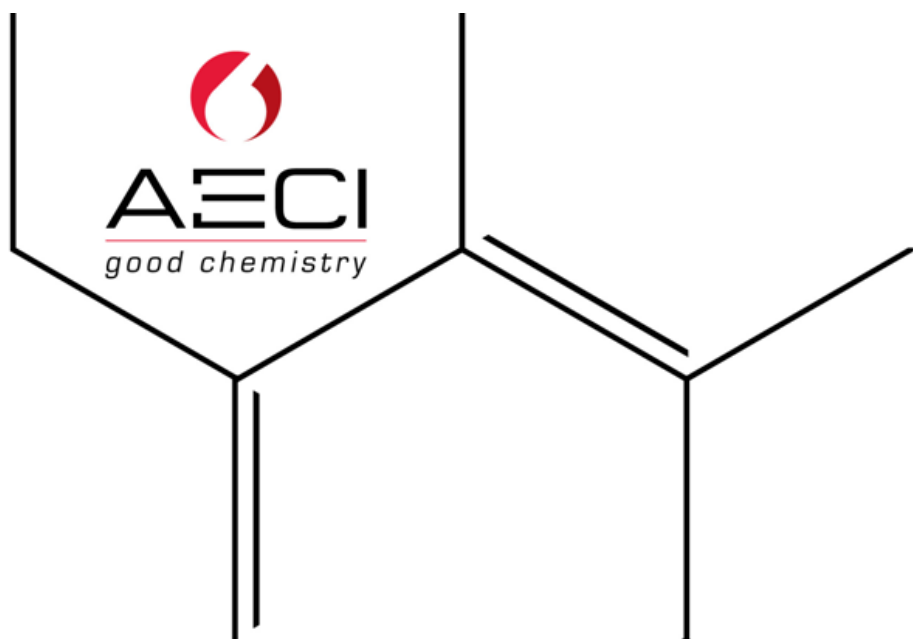
- Revenue R168m +11%
- TP R29m -36%
  
- Tough trading conditions but positive indications
  - Industrial enquiries increasing
- Filling the pipeline - proceeding well with further 40ha expected to come on stream 2H10
- Vacancies reduced from 24% to 18%
- Initiative to selectively invest in top structures as catalyst for land sales gathering momentum
- Successful launch of Gautrain enhances exposure to Modderfontein site



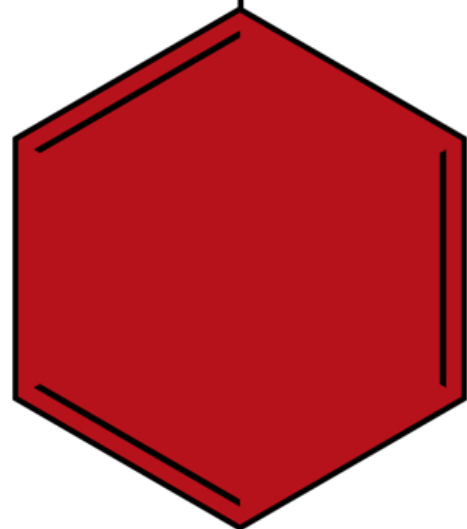
## Specialty Fibres: performance

• Revenue	US\$17,3m	+61%
• TP	US\$1,3m	>100%
• Trading margin (%)	7,5	- 4,7 in 1H09

- Recovery in global automotive market - volumes +59%
- Margins pressurised
- Good progress on Bellville machine relocation – start-up earlier than initially proposed
- Capacity sold out for the remainder of the year
- Cash positive and self-sustaining



**Strategic projects**  
AEL and Senmin





## AEL Mining Services: ISAP

- Total capex spend: R155m year-to-date
- ISAP automated shocktube plant
  - All ISAP plants in full operation, producing for market
  - All key technology challenges overcome
  - Out of pioneering and into full operational ramp-up
  - Extruded tubing at 80% of target volume
  - Detonator plant 45%+ and auto assembly 30%+ of target volume
  - Sophisticated integrated plant – cautious with safety
  - Products well received
- Shocktube market conversion
  - 90% of SA market converted
  - Replacing conventional shocktube as ISAP ramps up
  - Conversion complete during '11



## AEL Mining Services: ISAP cont.

- Next steps
  - Debottlenecking and peripheral equipment installation
  - Growing exports have kept conventional plants open
  - Conventional plants will start shutting down in 2H10
  - Complete the development of delay powders for low volume product ranges (<10% of total volume)
- ISAP strategic targets and investment returns
  - Will fully convert from capped fuse to shocktube
  - ISAP product is cutting edge
  - A safer process
  - ISAP has impacted positively on exports growth and AEL brand
  - Capex to date: R554m
  - Cash neutral in '10 and circa R120m to reduce in '11
  - Project continues to meet investment hurdle rate

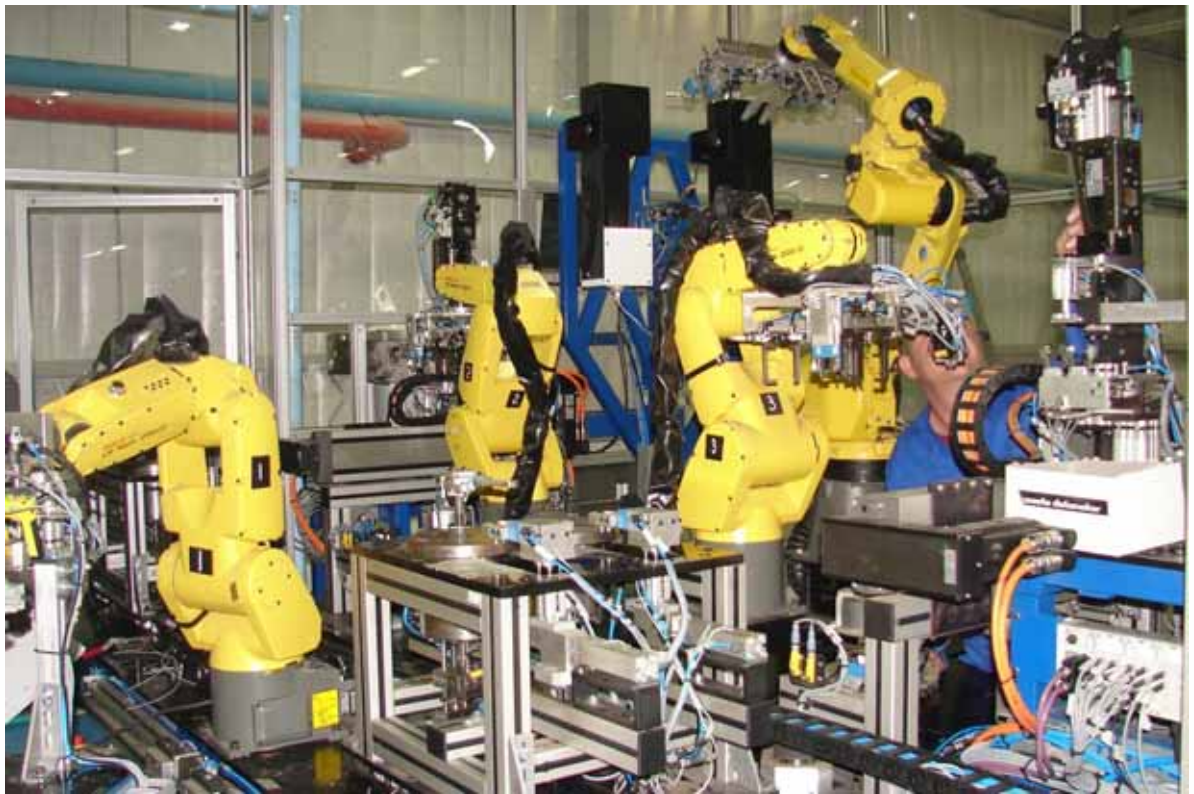


## AEL Mining Services: other projects

- Africa investments
  - Lumwana Zambia volumes on the rise
  - Further DRC deployment for copper
  - Debswana cut 8 diamond projects
- Indonesian investments
  - All projects running satisfactorily
  - KPC meeting volume and value targets and under-spent
  - Continue interest in AEL



## AEL Mining Services: ISAP





## AEL Mining Services: Indonesia





## Specialty chemicals: growth strategies

- CS<sub>2</sub> plant commissioned and run at nameplate capacity
- Solid xanthate plants technology proved
  - Rates limited by dryer operation
  - New dryer ordered – planned to be operational by Jan. '11
- AM and PAM
  - Biofermentation process fully operational
  - Acrylamide produced successfully (bioconversion)
  - First batch of polyacrylamide currently being produced
  - Process guarantees by BASF underway
  - Plan to produce 6 000t - 7 000t to end-'10



## Specialty chemicals: growth strategies CS<sub>2</sub>



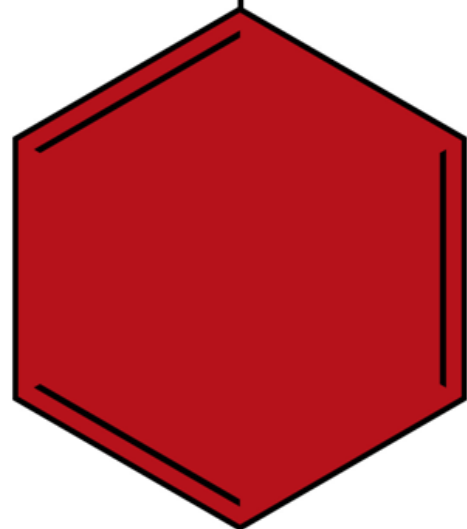


## Specialty chemicals: growth strategies PAM





**Conclusion and outlook**



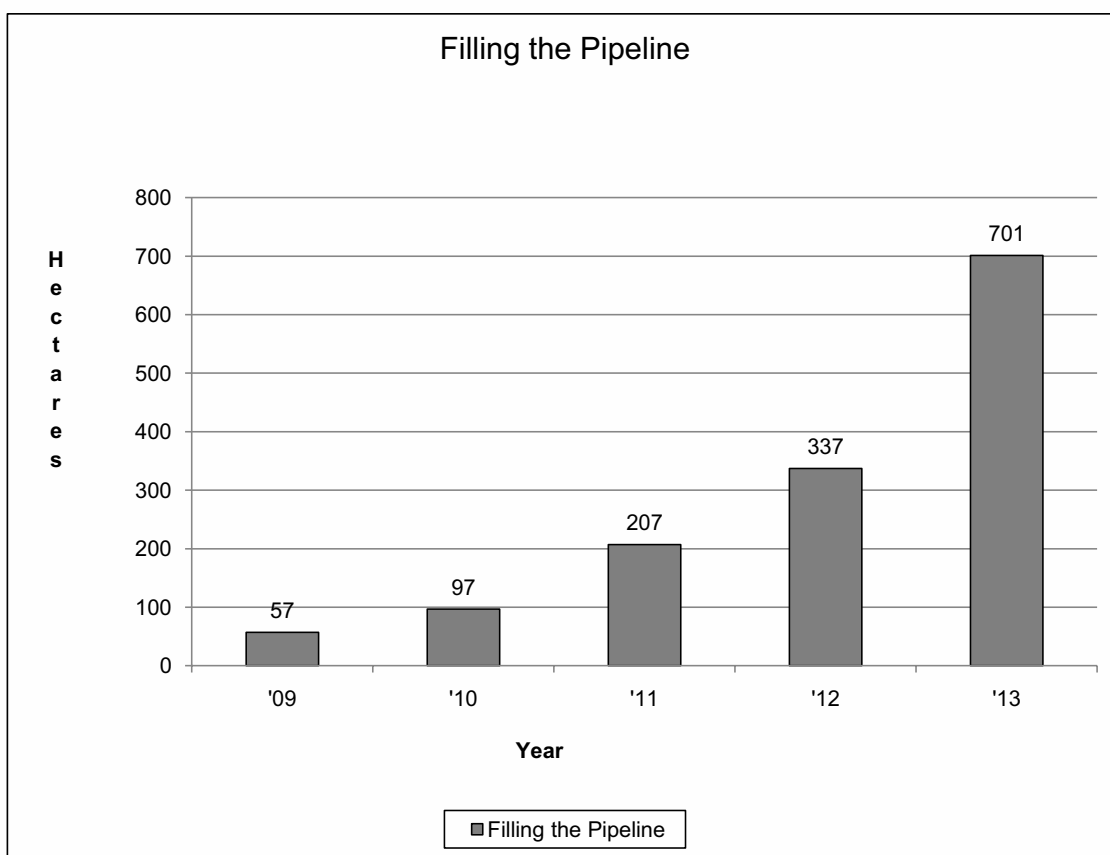


## Corporate issues

- Resitec plant (Brazil) ramping up steadily
- Sulphonation plant complete and producing to nameplate capacity
- Corporate restructuring scheduled for completion in August
- New financial reporting consolidation system being implemented
- Enterprise wide risk management project underway
- BBEE: employee and community trust share option transaction still planned for 4Q10 or 1H11

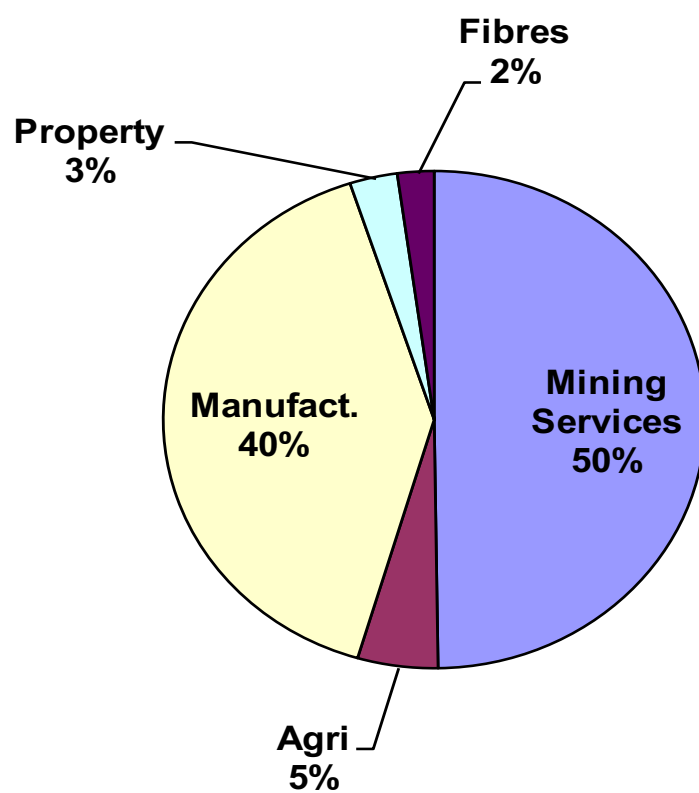


## Outlook: property market remains depressed



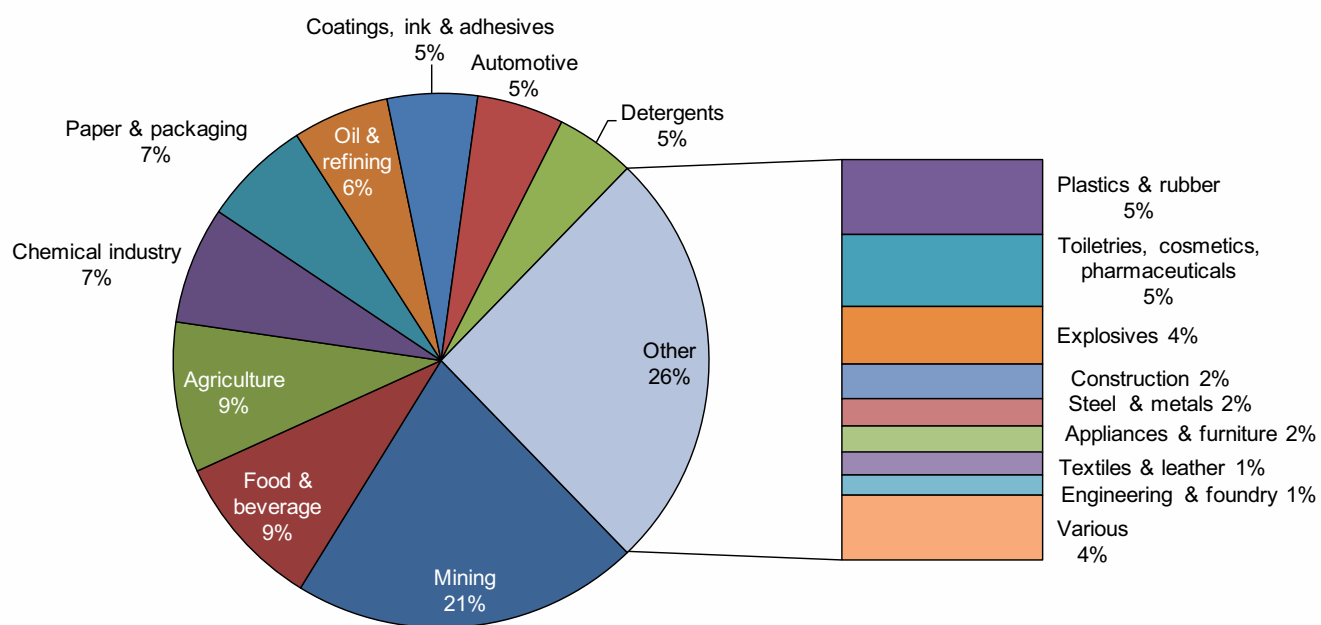


## Markets: 1H10 sales split



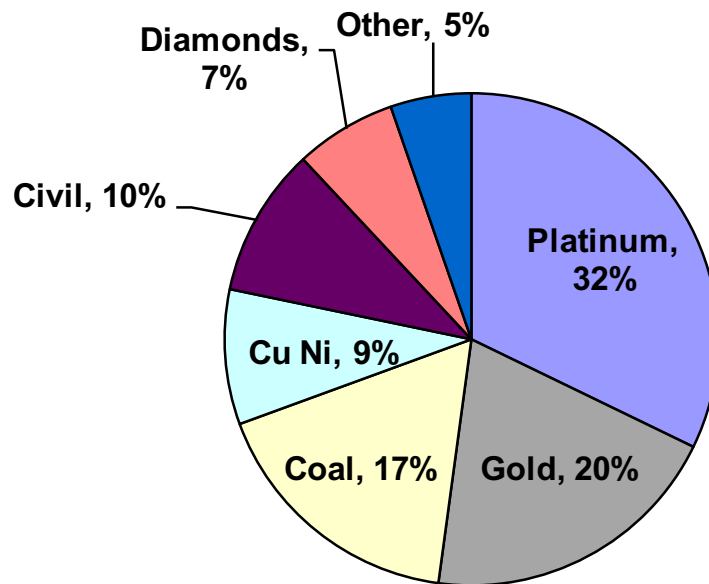


## Specialty chemicals: 1H10 sales by sector





## Markets: 1H10 mining sales split





## Outlook

- Mining and manufacturing volumes appear to have stabilised
- R/US\$ rate remains a challenge for further growth
- Property unlikely to recover significantly in next 12 months
- Current restructuring of businesses complete
- Market share and margins have been maintained (at least)
- Businesses well positioned to take advantage of market growth
- Ramp-up of new plants will have positive impact on margins and revenue



## Calendar

- AEL Mining Services – presentation and visit 28 October
- Financial year-end 31 December
- 2010 financial results released 22 February