



**AECI LIMITED**

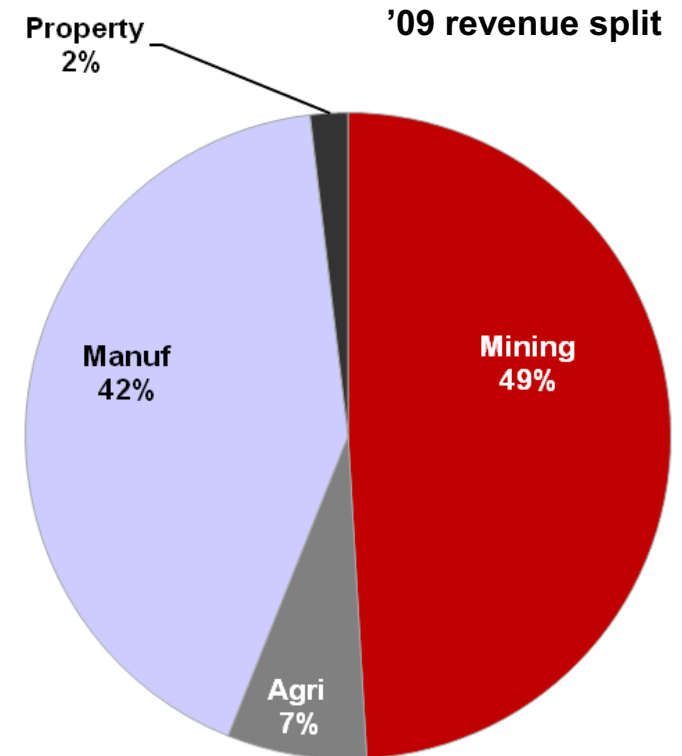
**PRESENTATION  
MERRILL LYNCH SHOWCASE**

**19 MARCH 2010**

**AECI**

# Summary: a chemicals, explosives and property company focused on specialty products and services in Africa

- Chemicals, explosives and land assets
- Specialty product and services group of companies
- Value-adding solutions through science, technology, industry knowledge
- 6 300 employees
- Domiciled in SA; JSE Limited-listed
- Active throughout Africa and other developing countries
- Revenue '09: R10,7bn
- Market cap: R7,4bn (March'10)
- Major capital expenditure cycle nearing completion



# Structure of presentation

- Brief history of AECI
- AECI today
- Portfolio and strategies
  - AEL: Africa's leading explosives supplier
  - CSL: value-adding specialty chemicals and services
  - Heartland: embedded value in land holding
- Outlook

## Brief history

- Roots to 1894 - a Nobel dynamite company at Modderfontein, near Johannesburg
- Listed since 1966; majority ownership/control by ICI and Anglo American for most of its existence
- Evolved into typical chemical conglomerate: ammonia, phosphates, fertilizers, cyanide, fibres, paints, specialties, chlorine, plastics, soda ash, titanium dioxide, biochemistry and more
- Found wanting in focus after SA's readmission to global economy in 1994

## Brief history cont.

- Since 1998 it has:
  - Sold its commodity businesses
  - Closed/exited underperforming assets, and
  - Bought out Anglo American after ICI's exit
- Property business was initiated in the late '90s to sell excess land previously used for explosives operations
- Now 100% free float, focused, specialised businesses and expanding
- AECI embarked on a R2bn capital expenditure programme in '07. New plants being brought into full production

## AECI today: new vision

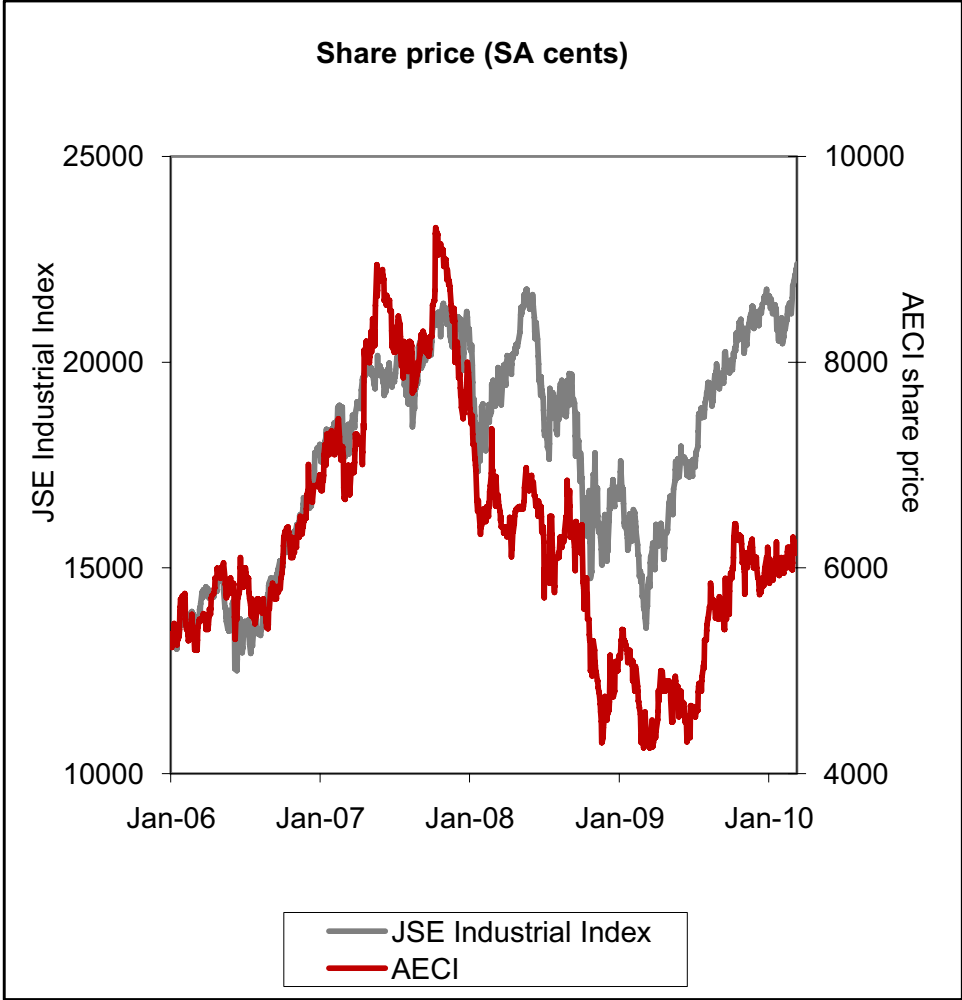
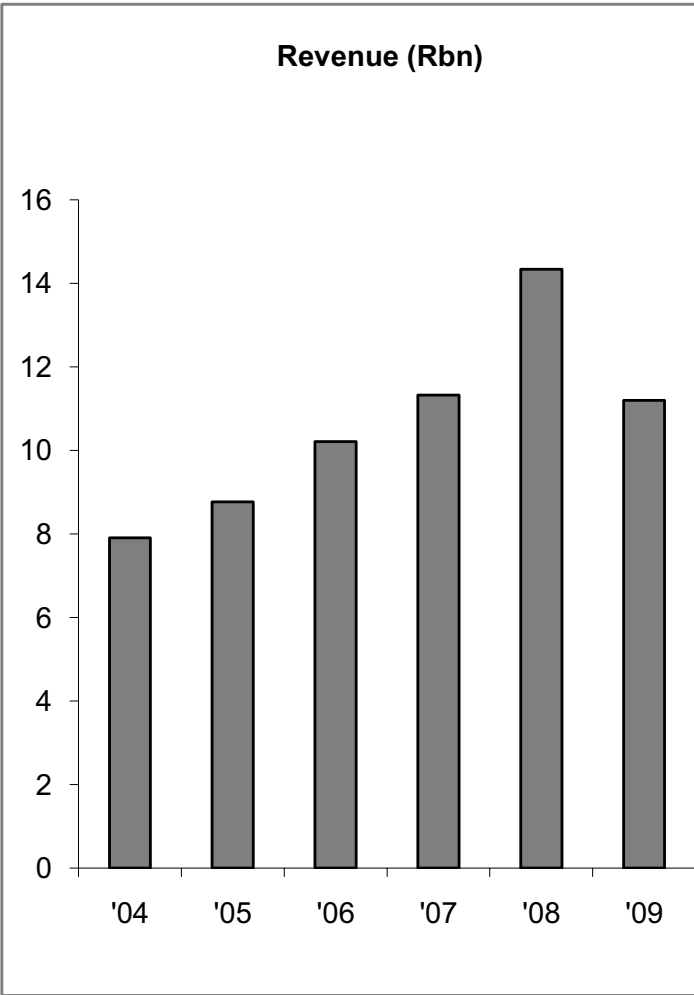
- A customer-focused **value-adding product and service solutions** organisation, based on chemistry
- Regional and global niche markets, emphasis on technical service and applications know-how, low to medium capital nature, aspiring to world class standards
- Each a leader in its field, with strategic technology partnerships for some areas of specialty chemicals
- Portfolio: **mining services, specialty chemicals, property**

## AECI today

	<b>'06</b>	<b>'07</b>	<b>'08</b>	<b>'09</b>
Revenue	R10,2bn*	R11,3bn	R12,8bn	R10,7bn
Profit from ops	R1 102m*	R807m	R1 035m	R767m
RONA (%)	24,8	16,5	20,3	17,7
Employees	7 700	7 120	6 450	6 330
Market cap	R8,2bn	R9,5bn	R6,1bn	R7,4bn

\* includes unusually large disposal of property

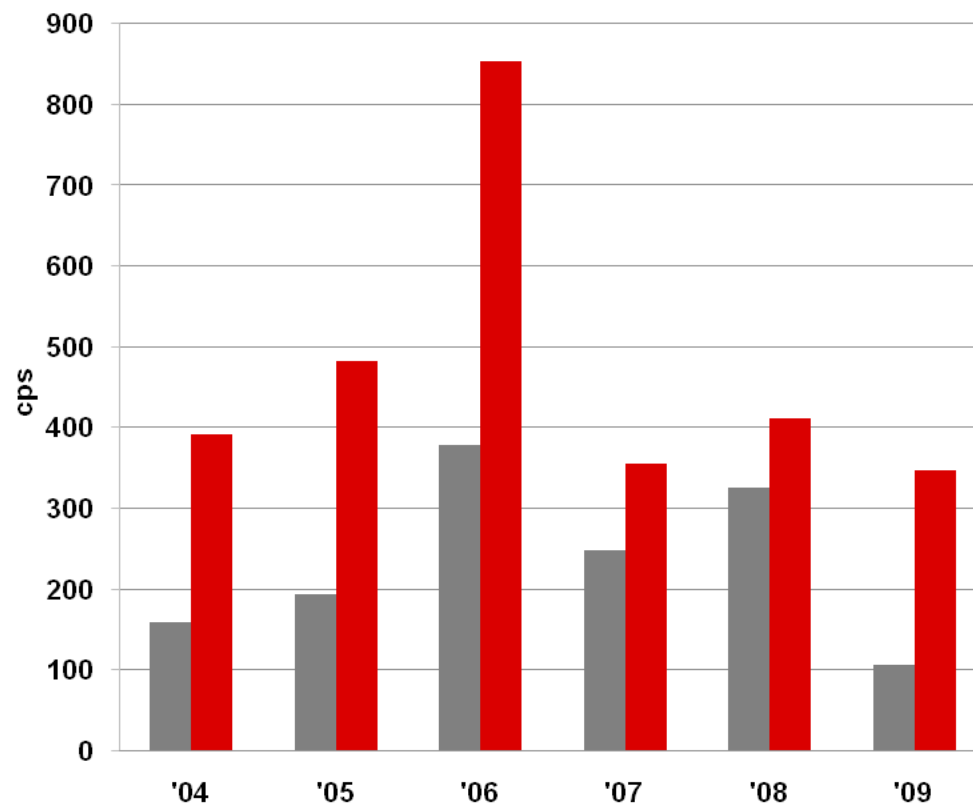
# Revenue and share price performance



# HEPS

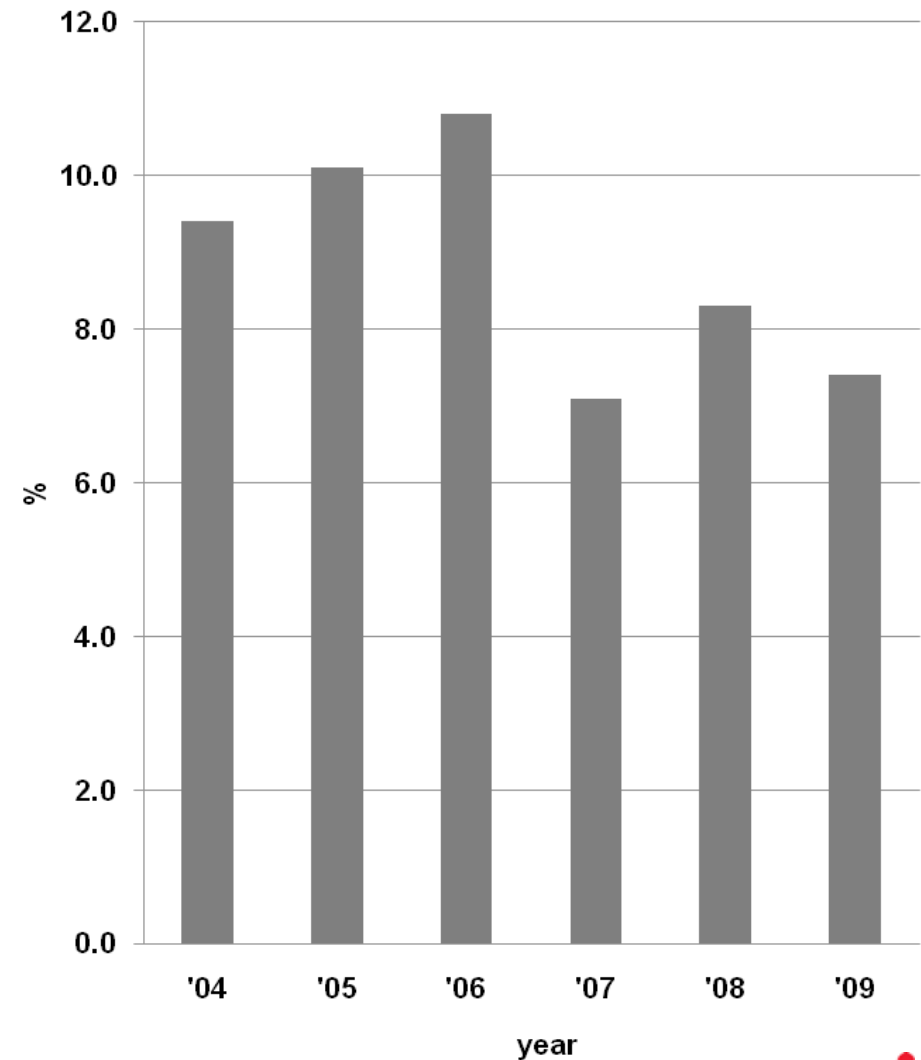
- HEPS down 16%
- Significant issues:
  - Bad debt write-off: 110cps
  - Forex and inventory revaluation adjustments: 84cps (77cps)
  - Restructuring costs: 34cps
  - “Non-trading profit”: 102cps
- Trading profit from continuing operations down 25,9%
- SANS Bellville closed

Half- and full-year HEPS



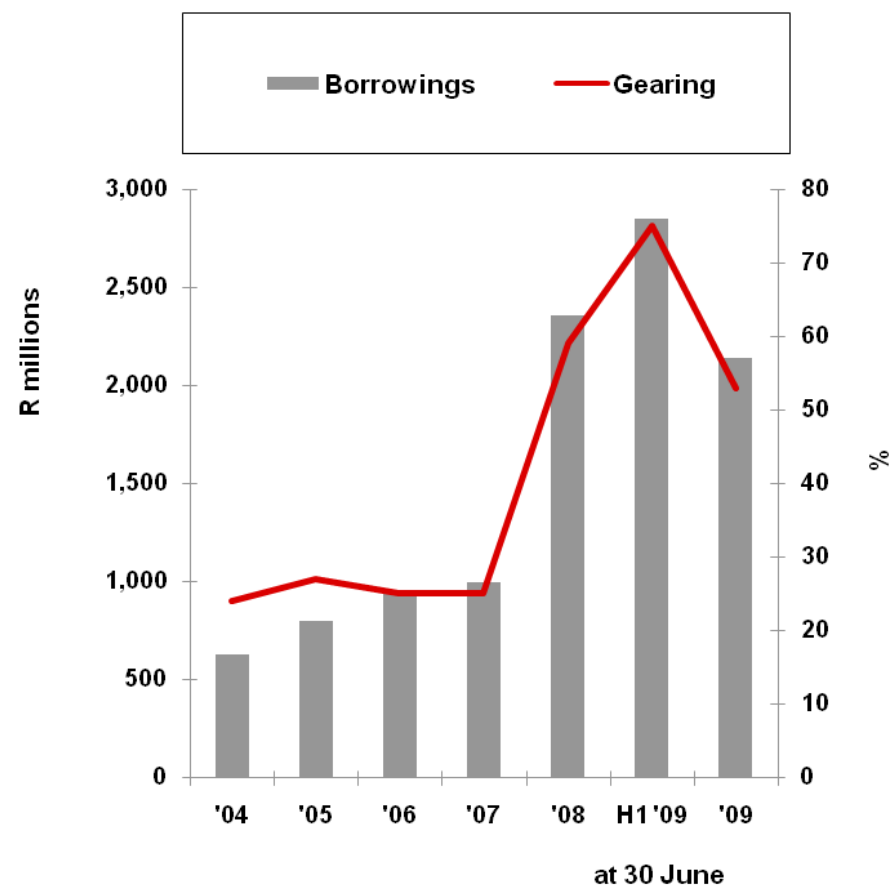
## Trading margin and volumes

- Trading margin remained depressed
- Chemserve volumes -27%
- AEL volumes up 2,7% due to foreign expansion
- Foreign sales down 25,4% in rand terms largely due to reduced sulphur prices
- In general, market share maintained or improved

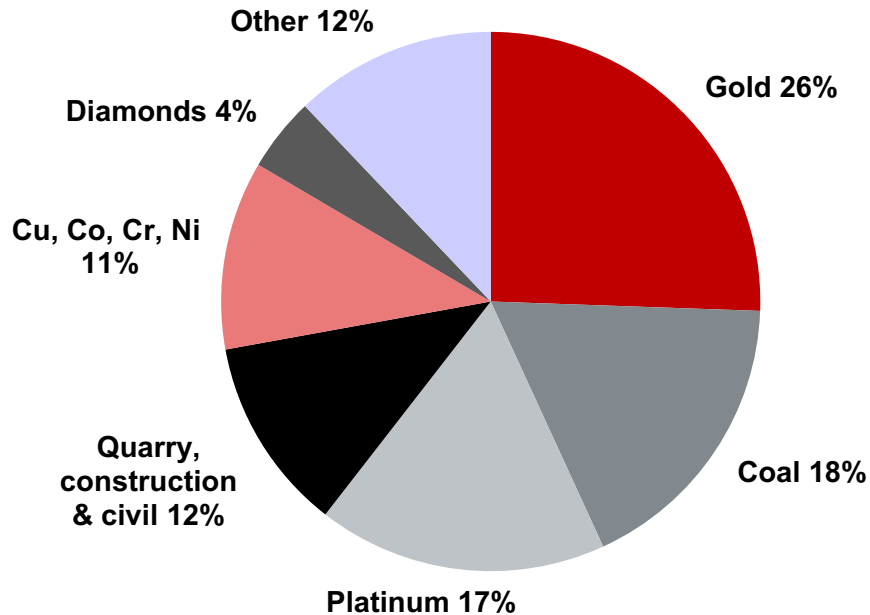


## Statement of financial position

- Capex R1,2bn – incl. R963m for expansion projects
- NWC improved to 15,9% from 19,2%
- Borrowings down R216m to R2 143m
- Gearing 53%
- Cash interest cover 3,5x
- All loan covenants met
- Cash dividend of 62cps



## AEL Mining Services: '09 sales by industry



- Africa's leading supplier of explosives, initiating systems and value-adding services
- Bulk explosives plants
  - 6 countries
  - throughout African continent
  - expanding into selected developing markets
  - DetNet: global JV in electronic detonators with Dyno Nobel

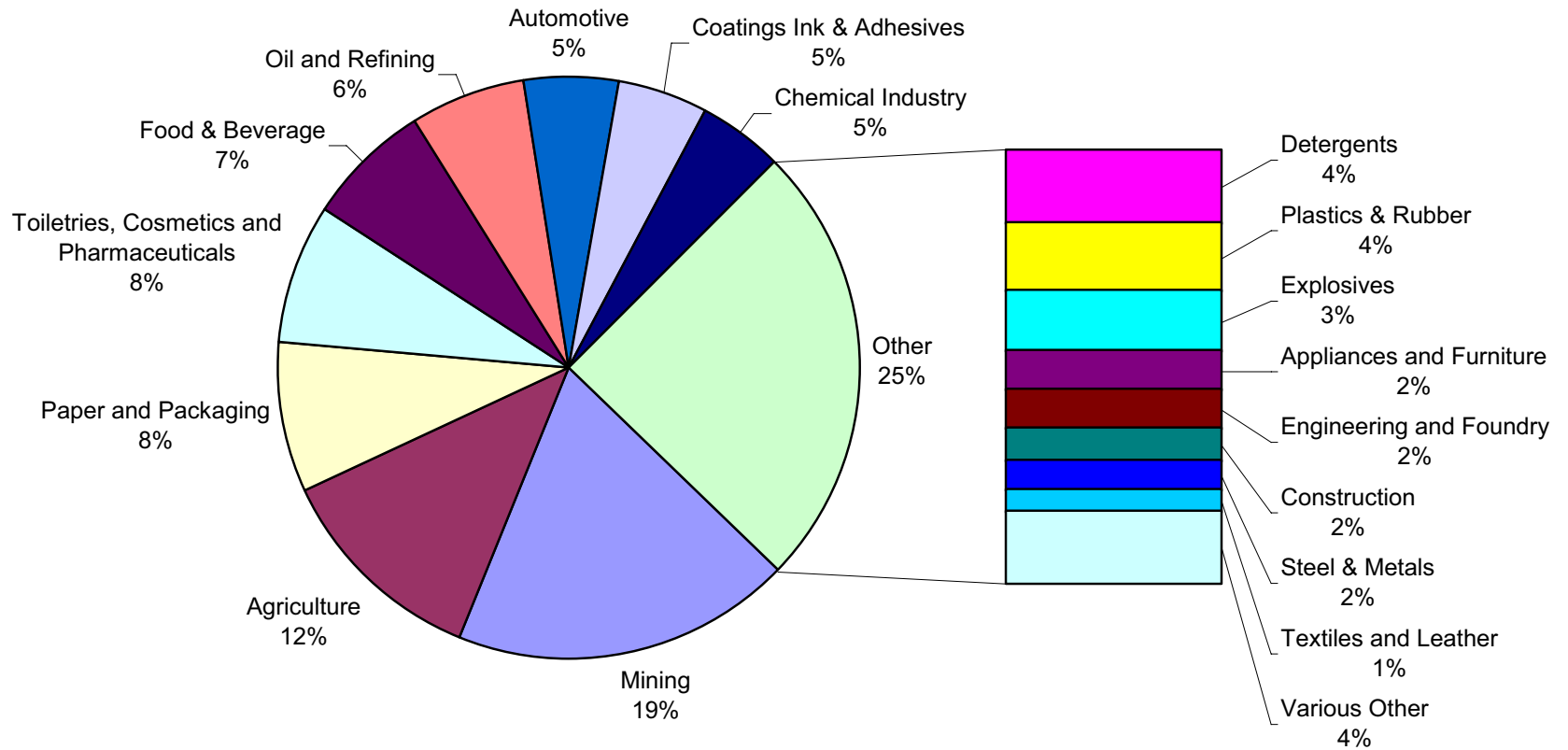
## AEL Mining Services cont.

- Strategy: develop, manufacture, supply value-adding services, initiating systems and explosives to mining, quarrying and allied industries in Africa and selected developing markets
- Leading supplier in Africa - market share around 55%, hub explosives plants in 6 countries and distribution to others
- World class product and service offering with leading initiating system products
- AEL embarked on major (approx. R800m) capital programme to facilitate production of leading edge quality and cost shocktube, and international expansion
- Projects being ramped-up in '10
- Pleasing progress in international expansion

## Chemical Services

- Strategy: manage a portfolio of 20 autonomous businesses based on chemistry and strong service element
- Strength: value-add service models, appetite for growth, successful acquisition history, attraction to global alliances, regional knowledge, and world-class technology licences
- Currently expanding out of Southern Africa, with technology unrestricted by licences; strong focus on mining chemicals; Brazil country strategy

# Chemical Services: '09 sales by industry



Up: paper and packaging, food and beverage, personal care, oil and refining, coatings and adhesives

Down: automotive, appliances, detergents, agriculture and mining

## Chemical Services cont.

- Additional growth strategy by embarking on major capital investment programme to support mining chemicals thrust
- Major capital projects (R1 200m)
  - Mining chemicals: carbon disulphide, xanthates upgrade and PAM facility
  - Plants started coming on line in '09 and most will be complete by 1Q10
  - Sulphonation plant now on-line
  - Expanding in oleo chemistry in Brazil and investigating further acquisitions
- Major bad debt in Zambia (selling sulphur) resulted in R125m write-off in '10

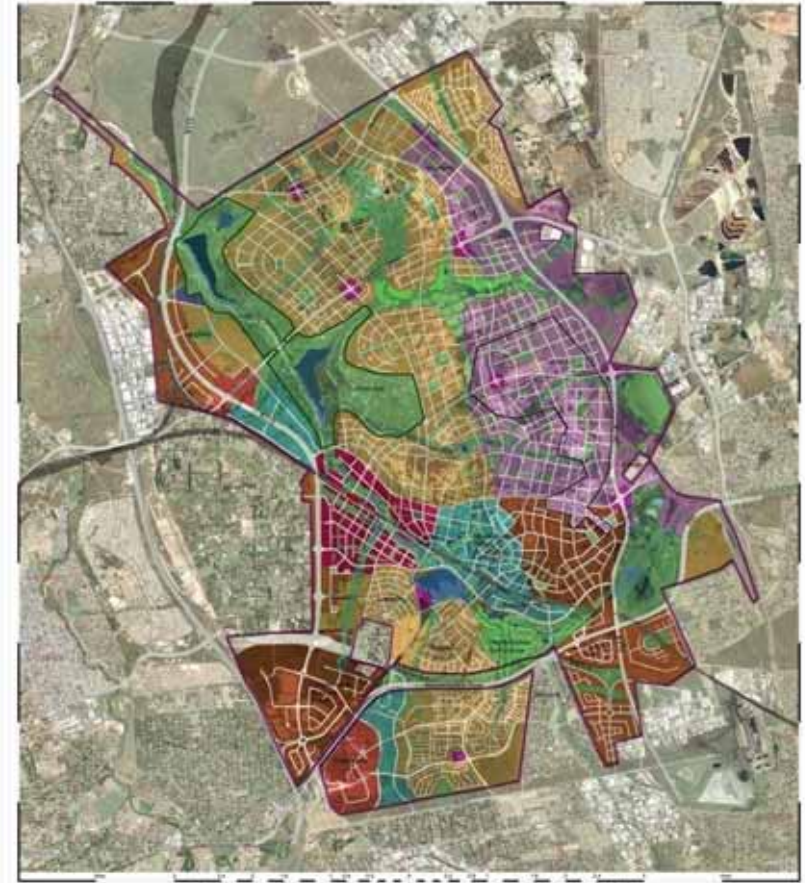
## Heartland

- Strategy: manage the realisation of land and related assets that have become surplus to the Group's operational requirements in a responsible and controlled way
- Develop long-term plans for land in prime locations at Modderfontein (Johannesburg) and at Somerset West (Cape Town)
- 1 500ha of the original 3 770ha of excess land available sold by December '08

# Heartland Development Sites



- |                         |                           |                                 |
|-------------------------|---------------------------|---------------------------------|
| Open Space System       | Lower Density Residential | Office Parks                    |
| Precincts               | High Density Residential  | Mixed Use                       |
| Possible Future Station | Industrial                | Local Activity Nodes            |
| Existing Railway line   | Business Estate           | Working and Beach Road Precinct |



- |                                |                           |               |
|--------------------------------|---------------------------|---------------|
| Urban Park Area                | Predominantly Residential | Office Parks  |
| Open Space System              | Industrial                | Institutional |
| Water Courses and Water Bodies | Business Estate           | Mixed Use     |
| Gautrain Station               | Local Activity Node       | Regional Road |
| Gautrain Alignment             |                           |               |

## Heartland cont.

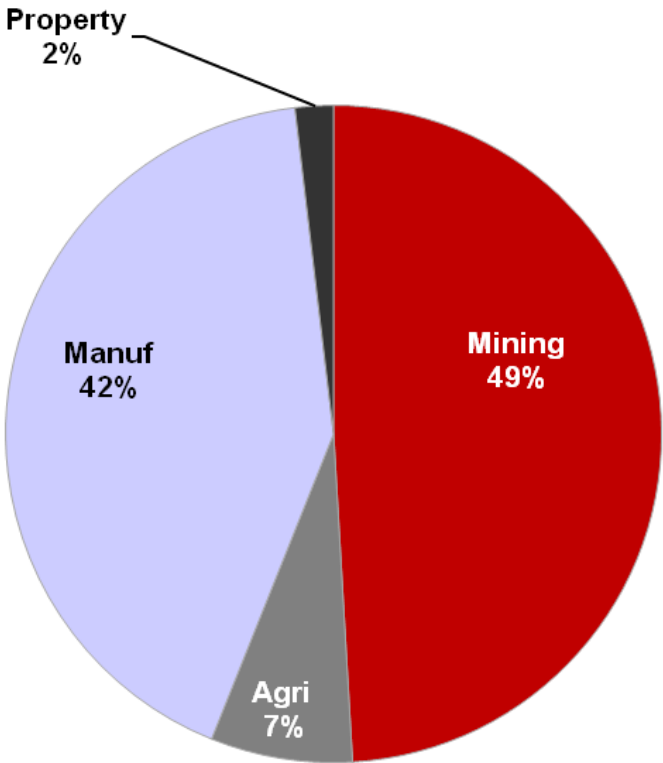
- Independent valuation of land at Modderfontein and Somerset West surplus to requirements
- Old Mutual Investment Group Property Investments performed valuation
- 15 year cash flow of sales and costs
- 25% real discount rate applied
- Value of R2,5 bn (at 1 July '08)
- Current carrying value in books is R430m
- Does not take into account remediation spend or other properties that AECI owns

## AECI outlook

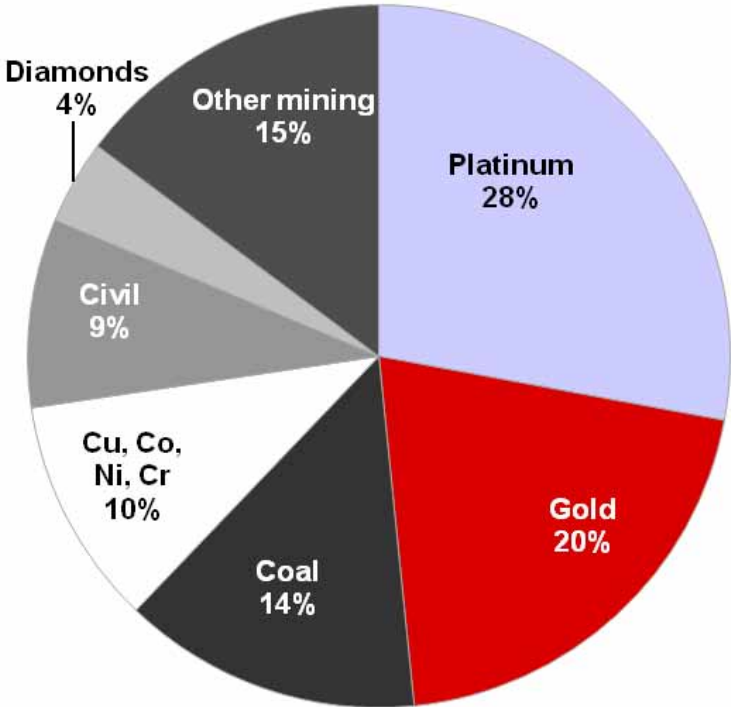
- Phase of transformation and consolidation complete
- Now in growth phase
- Group to benefit from major investment programmes and property development activities, mainly in '10 and '11
- Seeking selective international growth opportunities for mining services and specialty chemicals
- Business model of margin management offsets input (raw material, currency) volatility in the long term

# Positioning, drivers of growth and outlook

'09 revenue split



'09 mining sector sales



## Positioning, growth drivers and outlook

- Mining volumes appear to have bottomed
- Manufacturing volumes fragile at current R/US\$ rates but also appear to have bottomed
- Property unlikely to recover significantly in next 12 months
- Cost base of all businesses now in line with current levels of throughput
- Market share and margins have been (at least) maintained
- Businesses well positioned to take advantage of market growth
- Ramp-up of new plants will have positive impact on margins and revenue

# Thank you