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# Empowerment Transaction

Sale of 25.1%  
of  
African Explosives Limited  
to  
Tiso Consortium



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## AECI Rationale

- Part of AECI's empowerment initiatives - employment equity, skills development, affirmative procurement
- To assist customers in terms of the Mining Charter
- Detailed selection process
- Compatible, value-adding partner
- Fair value, arms-length transaction
- Cash proceeds utilised for reduction in AECI's borrowings

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## Empowerment Consortium - Tiso

- Established in 2001 by Fani Titi, Nkululeko Sowazi and David Adomakoh
- Long-term investor in the natural resources value-chain and investment banking
- Majority black-owned and managed
- Tiso Foundation (registered PBO) a 20% shareholder
- 18 dedicated individuals with a broad range of skills and experience

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## Tiso Rationale

- Business development opportunities due to synergies with mining investments
- Exposure across the mining sector value-chain
- Partnership with a first league player
- Strategic minority investment complementing
  - principal mining investments
  - the development of an operational mining services platform
- Committed, active long-term investor

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## Empowerment Consortium - AEL CDT

- AEL Community Development Trust (CDT) holds 25% of EmpCo
- Funded by R6.275m interest-free loan from AECI
- Governed by Board of Trustees
- Objective: deploy benefits in communities where majority of AEL employees live, principally Tembisa and Alexandra

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## Broad-Based Shareholding

- Tiso Foundation holds 20% of Tiso
- Overall effective 40% broad-based shareholding in EmpCo
- AEL social responsibility expenditure to be channelled through CDT

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## Business Effects

- Mining Charter requires SA mining industry to source an increasing proportion of inputs from “preferred suppliers” over time
- AEL first empowered SA explosives supplier
- AEL becomes a “preferred supplier” to the SA mining industry
- Expect continued support by customers
- Partnership with Tiso will add considerable value to AEL over time

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## The Transaction

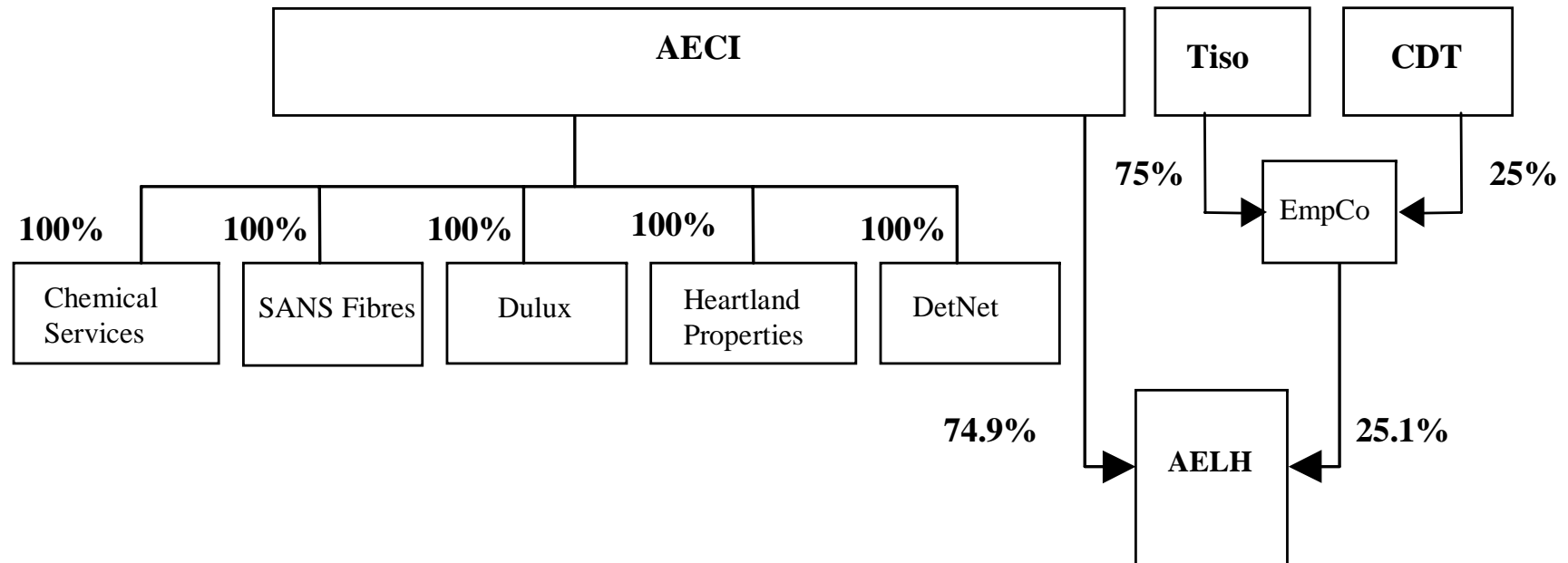
- AECI's explosives business, excluding DetNet, sold to new company (AELH) for R1 605m
- AELH funding R100m equity, R1 505m shareholder loans
- 25.1% sold to empowerment consortium for R401m
- Interest held through SPV (EmpCo)
- Consortium 75% Tiso, 25% AEL CDT

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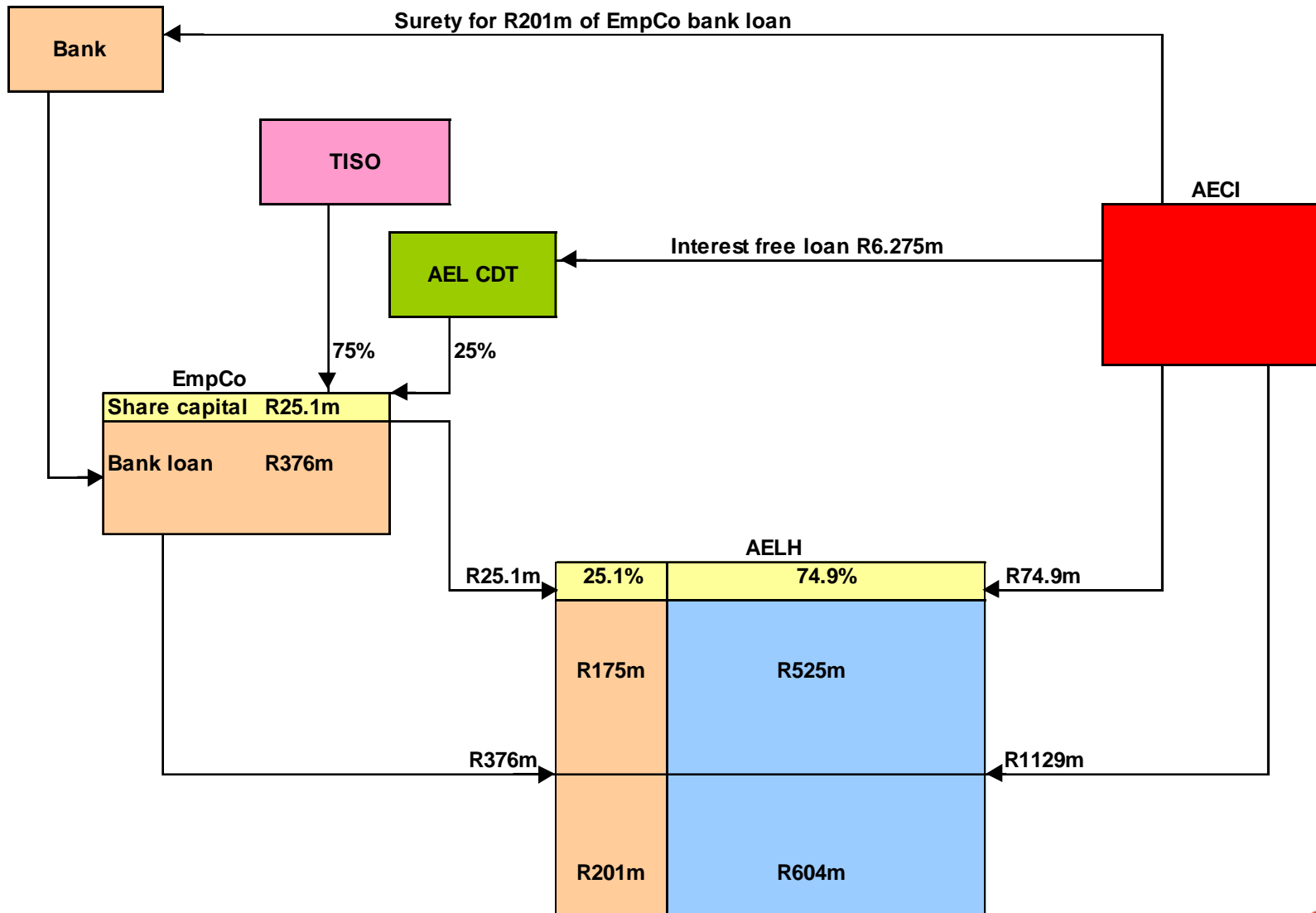
## The Transaction (cont.)

- EmpCo funding R25.1m equity, R376m bank loans
- R6m loan finance from AECI to CDT
- Repayment of shareholder loans expected in ~ 7 years from AEL cash flow and external refinancing
- AECI underwrites R200m of EmpCo bank loan as surety
- Effective date 1 July 2004

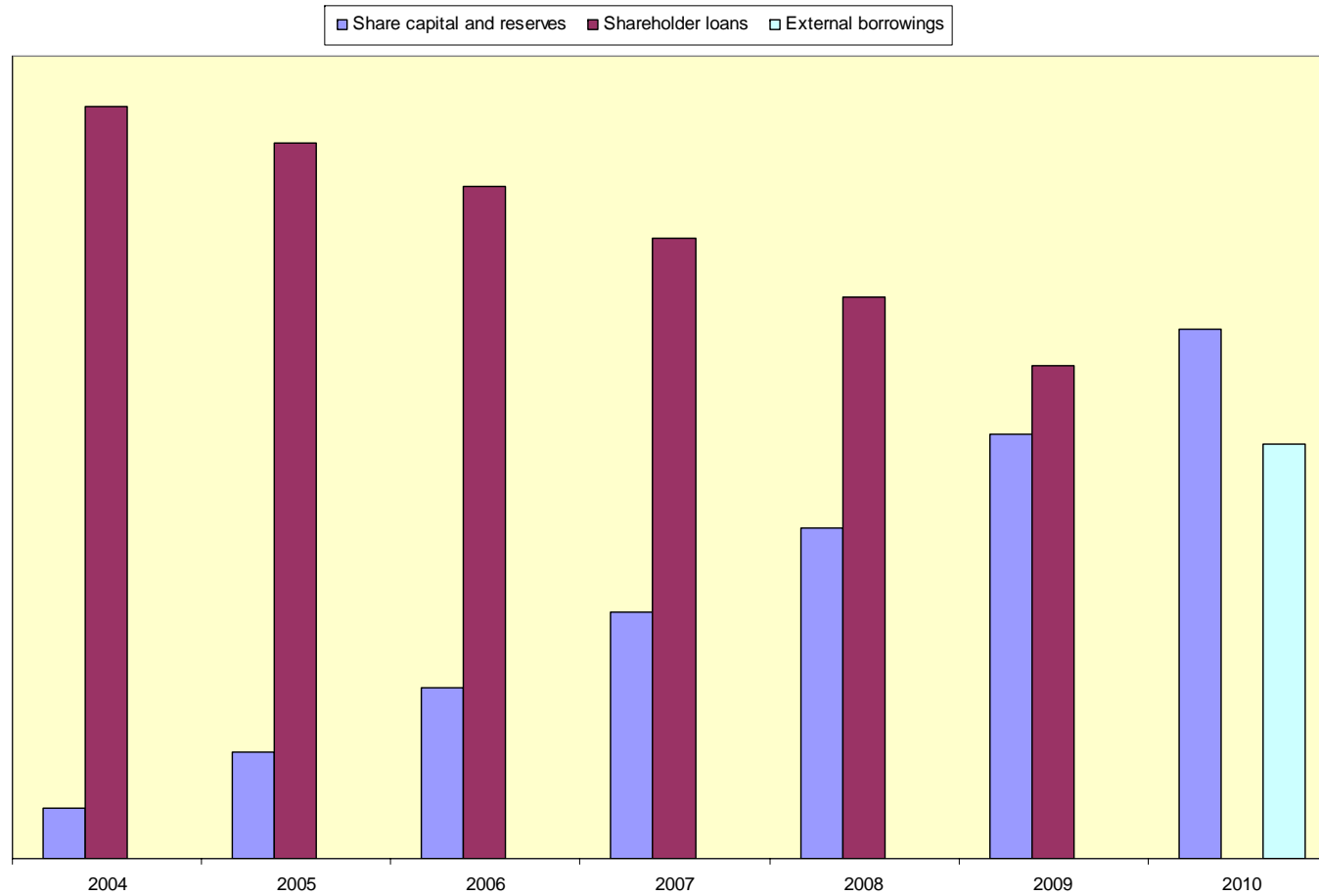
# Structure



# AELH Financing Structure



# AEHL Balance Sheet Structure



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## AECI Financial Effects

- AEL free cash flow to repay shareholder loans
- *Pro forma* effects on AECI 2003 results:
  - Heps down 5.6% to 336c
  - Eps down 7.5% to 233c
  - NAV and tangible NAV unchanged
  - Had proceeds been invested at AECI's WACC, Heps up 1.1% and Eps up 1.7%

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# Summary

- Sale of 25.1% of AEL to Tiso-led consortium for R401m
- 40% broad-based shareholding
- Sustainable transaction
- First empowered explosives supplier to SA mining industry