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# AECI Limited

Presentation to  
Investors and Media  
22 and 23 February 2005

# Summary

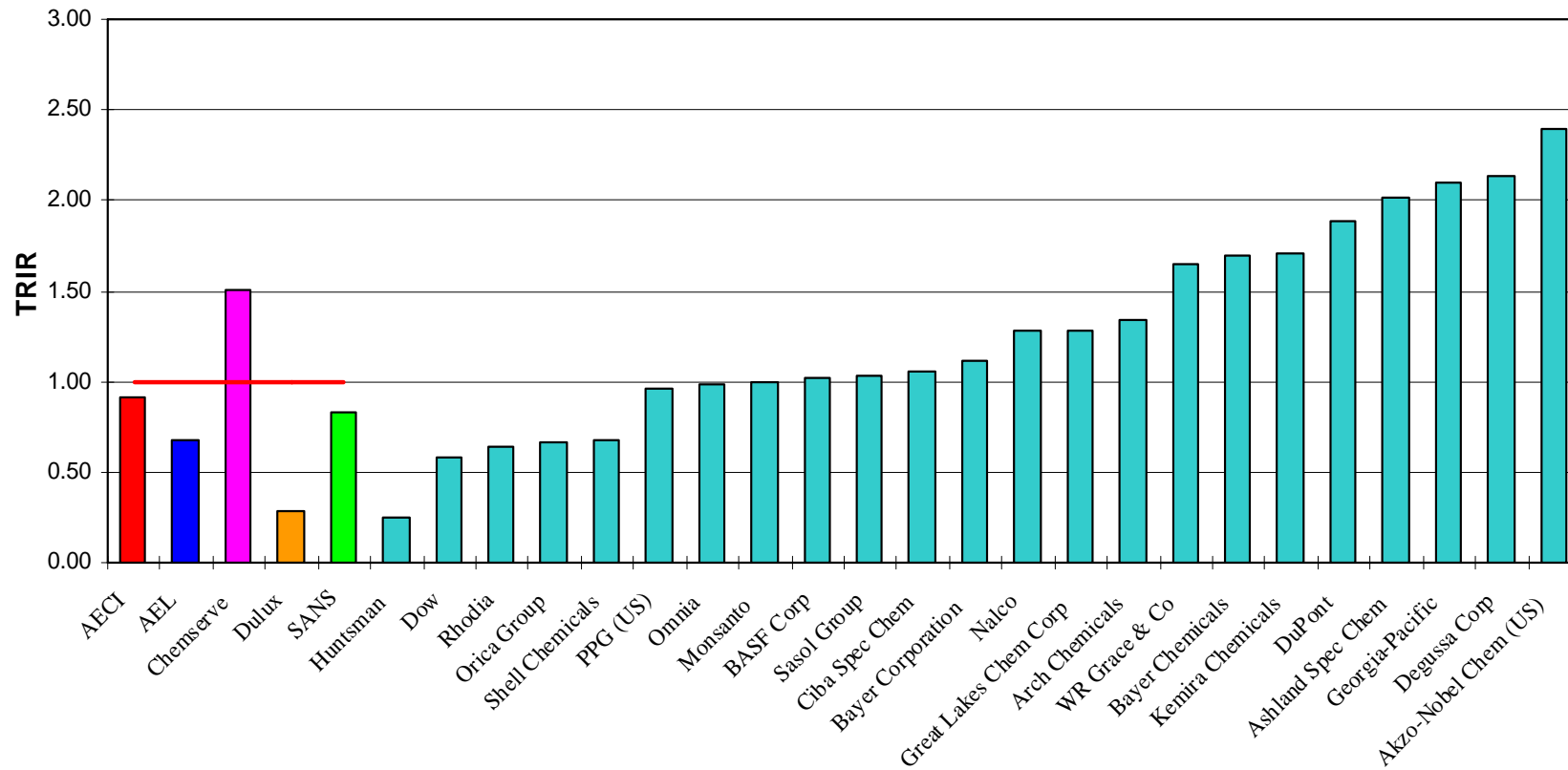
- Solid performance of portfolio against background of relatively strong commodity prices and strengthening rand exchange rate, accompanied by low inflation and interest rates
- Headline earnings increased by 10 per cent to new record of 392 cents per share
- Headline earnings include restructuring charges equivalent to 27 cents per share
- Sound balance sheet; excellent working capital management and prudent capital expenditure continues
- Volumes, in aggregate, higher but selling prices marginally lower

# Summary

- Outstanding performance from property activities
- Trading margin at 9.4% the best in recent history
- Encouraging response to strong rand environment; actions across Group
- Implemented economic empowerment transaction in AEL
- DetNet joint venture now operational
- CSL back on acquisition trail
- SANS' recovery strategy on track

# SHE performance

2004 Total Recordable Incident Rate



# Business environment

- Low inflation and interest rate environment prevailed
- This resulted in strong consumer-driven demand, such as retail, housing and automotive
- Commodity prices including oil remained high, but strong currency restricted inflationary pressures
- The local manufacturing industry is progressively addressing the global competitive environment through productivity measures, cost cutting, aggressive purchasing policies and product rationalisation
- Opportunities for sales price adjustments ahead of cost increases diminished
- Certain raw materials became scarce and prices fluctuated and increased sharply

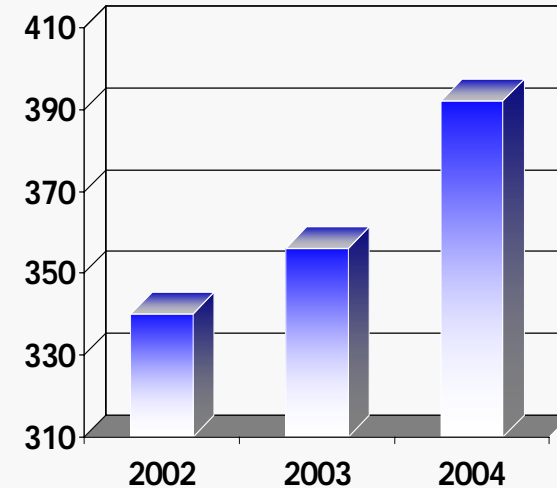
# Chemical industry

- Global industry no benchmark for AECI; we are portfolio of customer focused specialty product and service solutions businesses, operating in global and regional niche markets
- Global industry remains in better shape with improved demand and commodity prices
- Prolonged high cost of natural gas and roller coaster crude oil prices and supply and demand imbalances play havoc with results
- China is an increasing factor in demand and supply for a vast range of products, and an investment base for multinationals

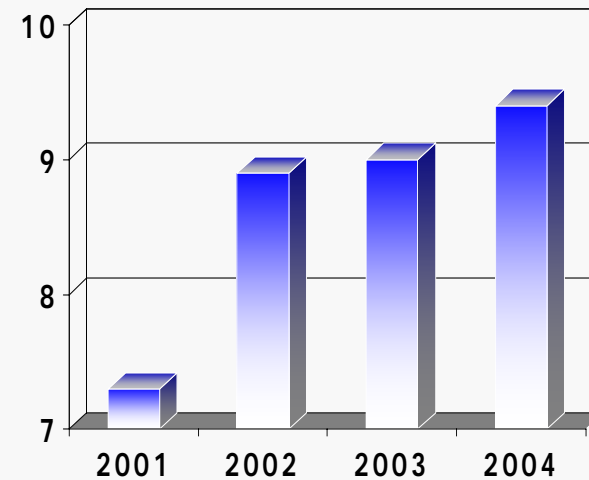
# Results for 2004

- HEPS +10%
- Volumes +4%
- TP Margin 9.4% (9.0%)
- TP increased by 8%
- Exports +2% in rand but +19% in dollars

Headline earnings per share: cents



Trading margin: per cent

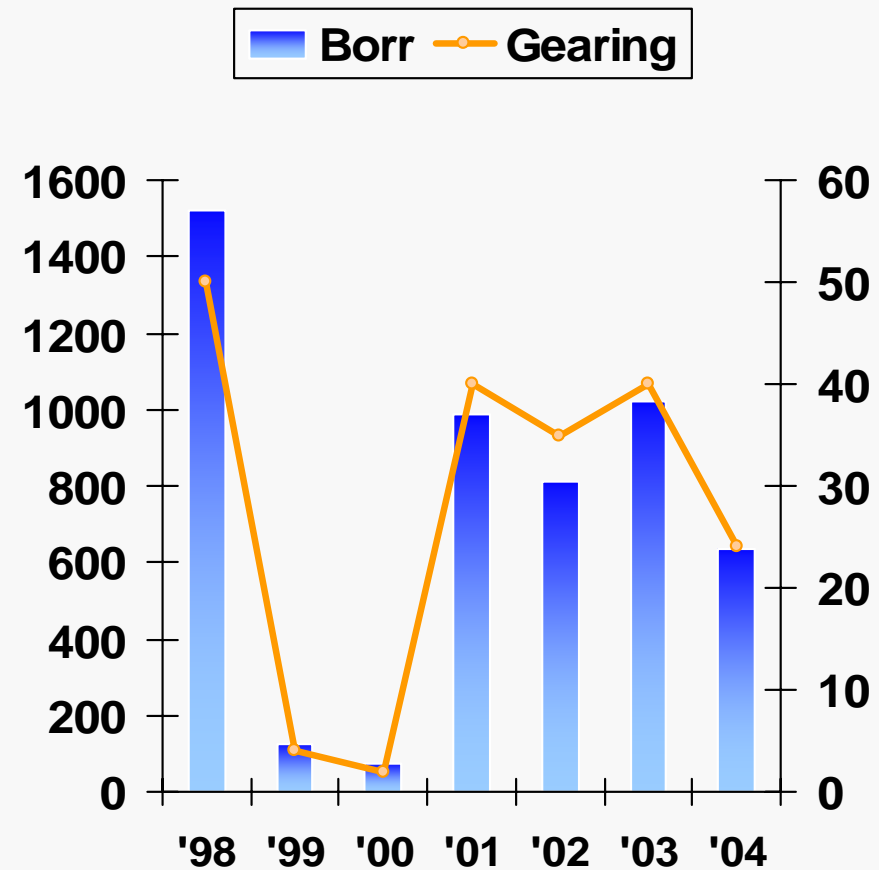


# Solid results due to:

- Robust portfolio: specialised, value add, customer focus, diversified (contribution margins stable)
- Volumes maintained: local economy sound
- Quality properties available when demand improved
- SANS stemmed the rand strength effect
- Excellent balance sheet management

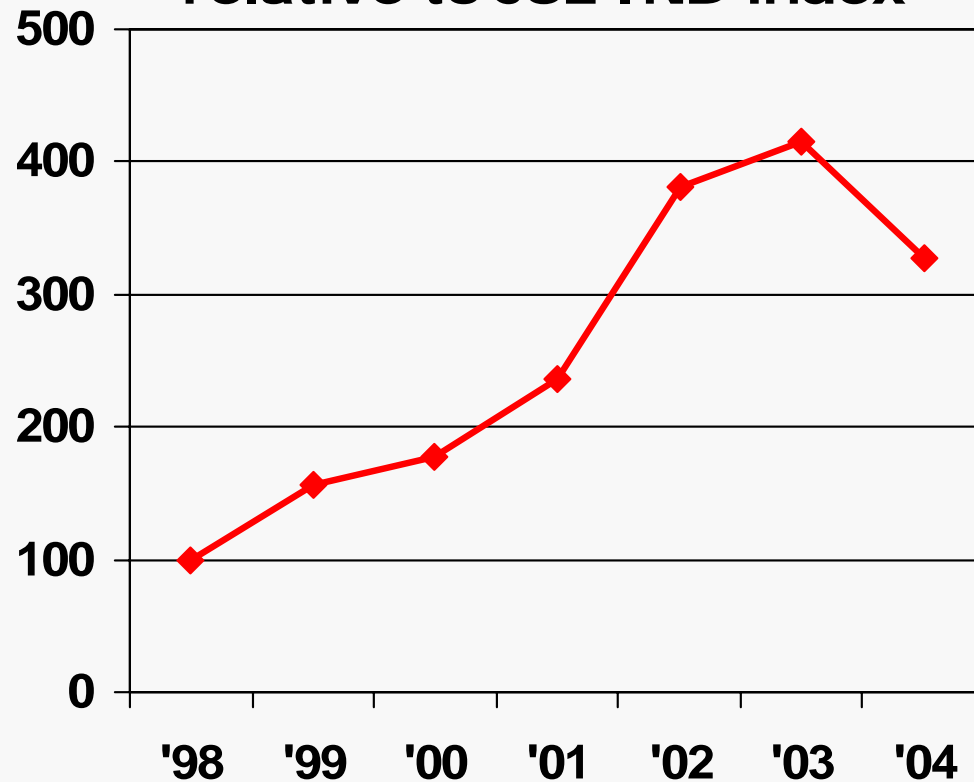
# Financial

- Net borrowings R633m, gearing 24%
- Capital expenditure R277m
- WC 12% at year-end
- Cash interest cover improved to 7 times
- Exceptional charge R23m; includes impairment in Botash and closure of resin plant offset by sale of IP to DetNet
- Finance charges include R13m mark-to-market adjustments



# Share price

**AECI share price  
relative to JSE IND index**



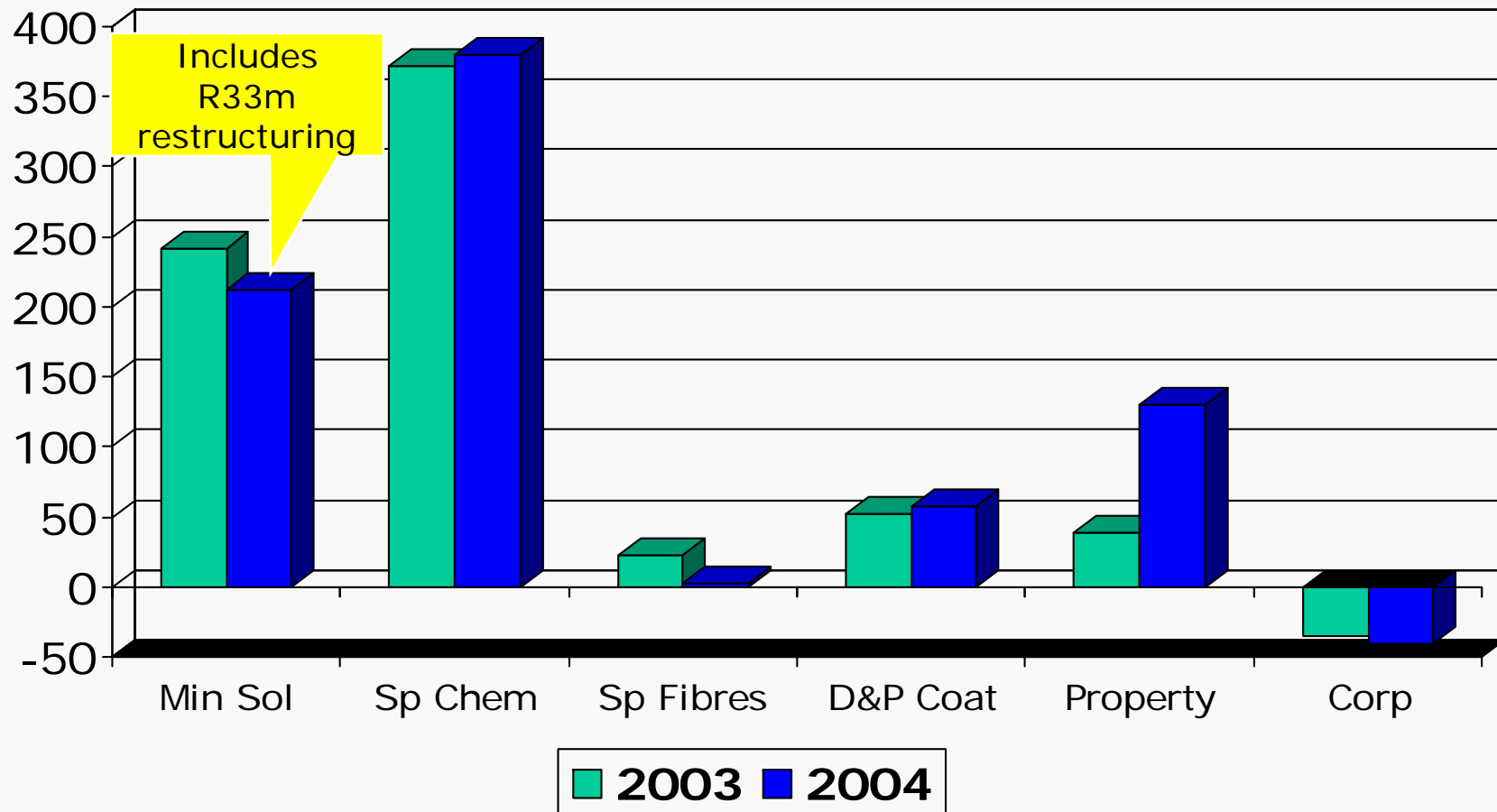
➤ Relative rating to industrials (at year end) declined from recent trend; but has improved in January

Graph adjusted for R6 special dividend (November 1999)

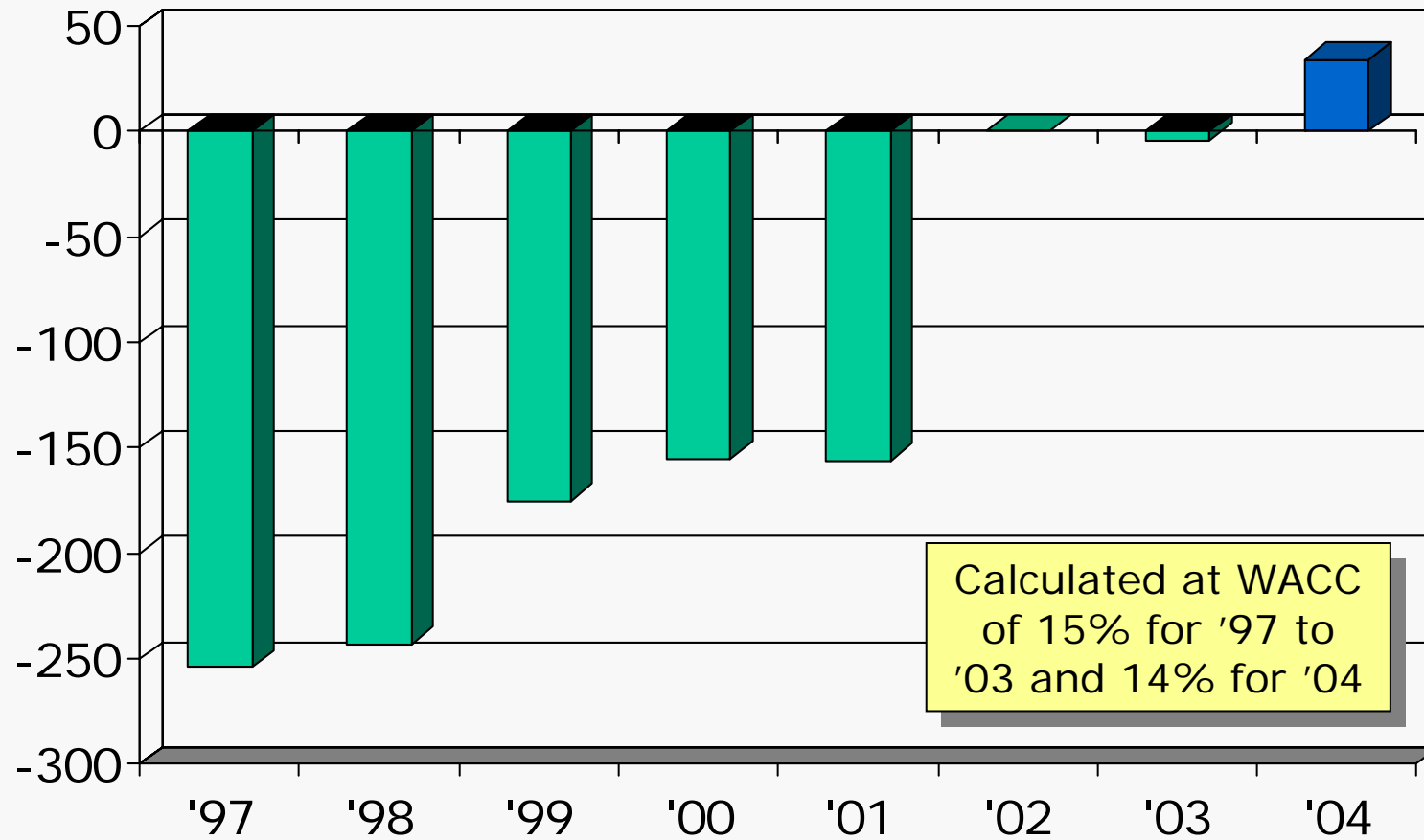
# Economic empowerment

- The R1.6billion AEL/Tiso transaction now operational. Tiso participates at strategic level. AEL community trust established
- Selective investigation in CSL continues, and good progress with first empowered transaction at subsidiary level

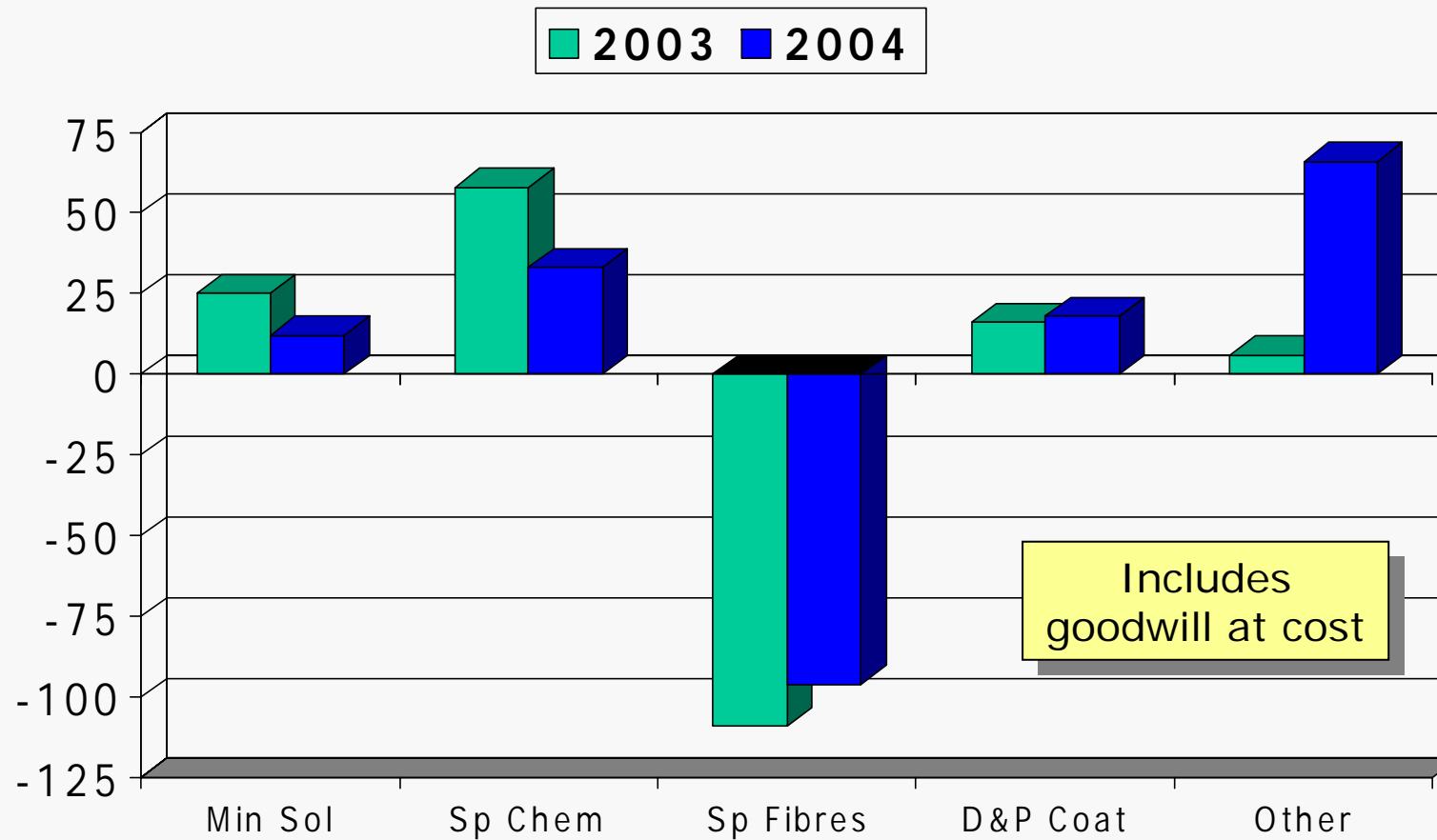
# Segmental trading profit (Rm)



# Group EVA (Rm)



# EVA by business (Rm)



# Mining solutions

- Revenue R2 140m (+3%); TP R212m (-12%)
- Margin 9.9% (11.5%)
- Trading profit before restructuring charge is R245m (+2%) and margin unchanged at 11.5%
- Restructuring: R33m charge recognised in period and 130 people retrenched
- Significant progress made in restructuring the business and footprint reduction nearly complete. Also, new investments in packaged Anflex and bulk explosives plants brought on line in Modderfontein. Automation programme on track.

# Mining solutions

- Volumes down due to decline in gold mining, importation of Chinese Shocktube and industrial action on platinum mines in H2, somewhat offset by growth in West Africa
- Imports of state-subsidised initiators from China continues although penetration in to South Africa slower than anticipated
- African markets stable, except Zimbabwe where competitor attack destroyed value
- Opportunity for PPAN exports to Australia

# Mining solutions

- DetNet progress
  - Joint venture approved and in operation
  - Development and testing of first new product (HotShot) completed
  - First HotShot product has now in USA and is undergoing proving trials
- Presentation on mining solutions and property activities on Friday, 15 April at Modderfontein



First shipment of  
HotShot to USA

# Specialty chemicals

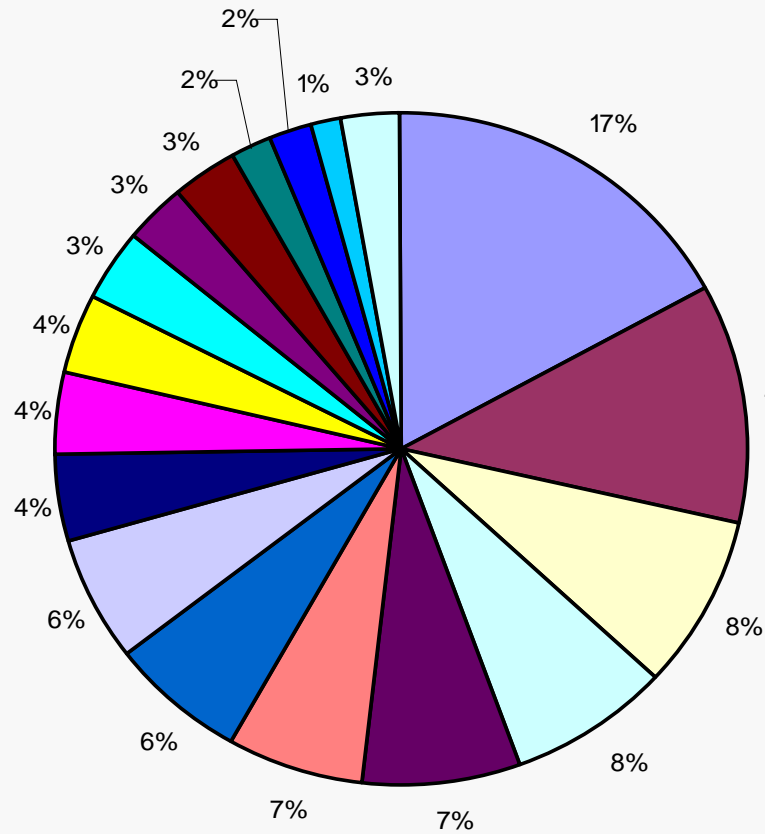
- Revenue R3 302m (+3%); TP R380m (+2%)
- Margin 11.5% (11.6%)
- Maintained high trading margin trend, to validate robust specialty chemical model
- Company performances in portfolio ranged from pedestrian to brilliant
- Rand strength put pressure on prices and export-driven customers

# Specialty chemicals

- Mining chemical cluster established, with high service package and local production key initiatives
- AECI Coatings returns improved; alternative broad supplier technology strategy implemented, resin manufacturing closed
- Acquisitions: First Chemicals (chemical trading) from August, UAP (distributor of specialty agro-chemicals) in January 2005 and Chemiphos (producer of food-grade phosphates) subject to regulatory approvals

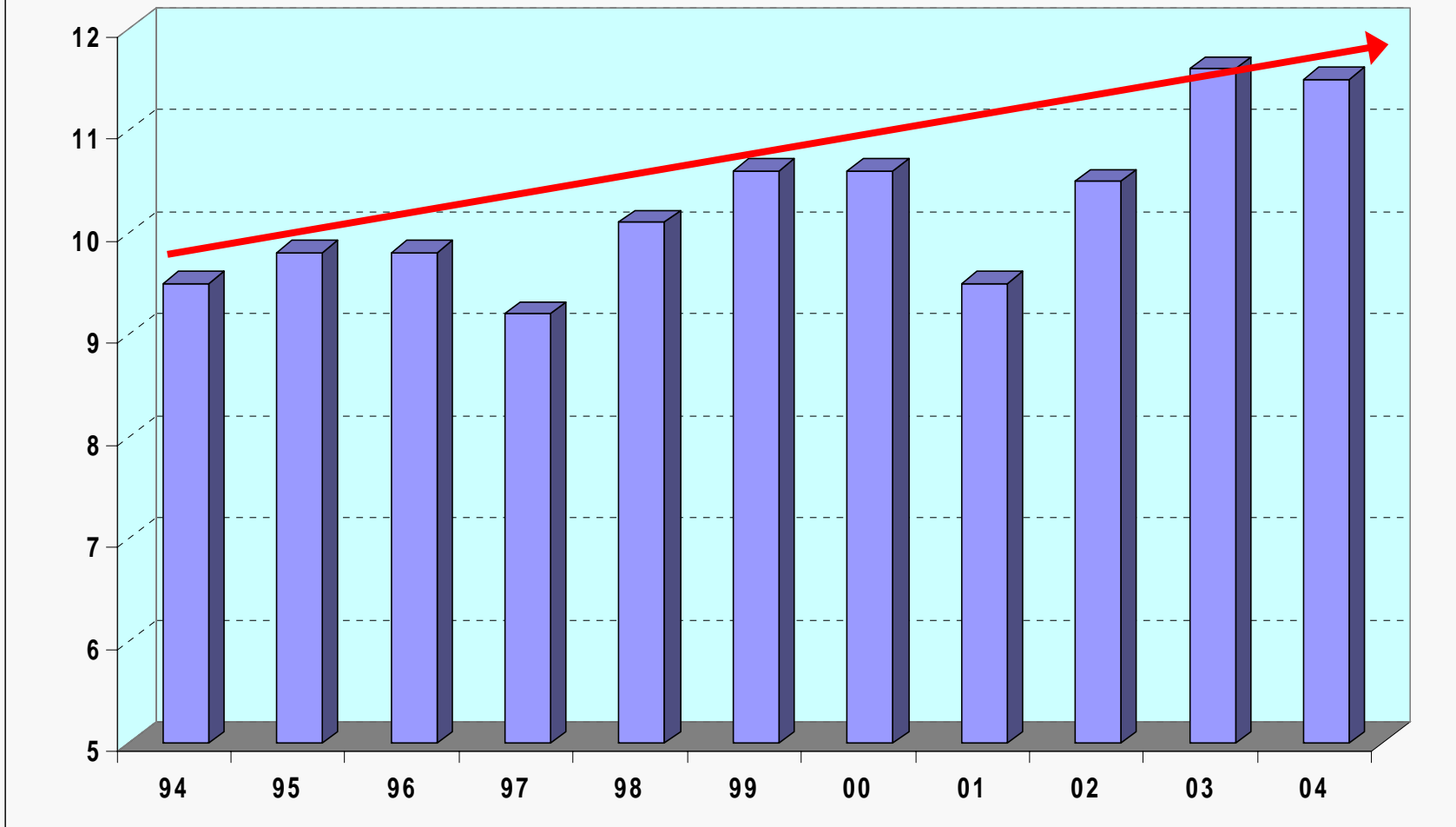
Specialty chemicals

Diversified portfolio



- Mining
- Paper and packaging
- Automotive
- Chemical Industry
- Detergents
- Agriculture
- Plastics & Rubber
- Coatings Ink & Adh.
- Food & Beverage
- Toiletries, cosmetics and Pharmaceuticals
- Engineering and foundry
- Construction
- Appliances and furniture
- Oil and refining
- Textiles and tanning
- Explosives
- Steel & metal
- Other

CSL Trading profit margin %



# Specialty fibres

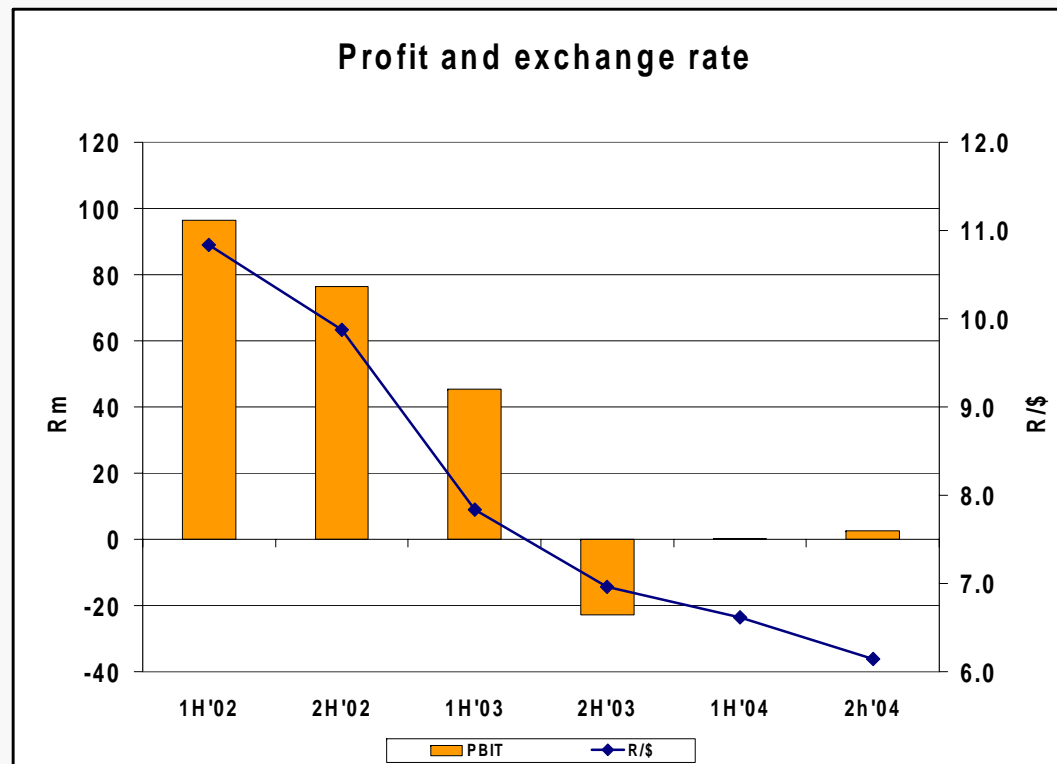
- Revenue R1 595m (-7%); TP R3m
- Trading profit includes cost of R6m for ongoing restructuring of business, now essentially complete
- In dollar terms revenue increased; volume up 5%
- Restructuring resulted in R60m reduction in annualised fixed costs
- USA JV approaching break-even; good volume growth
- Continued good demand for PET

# Specialty fibres

- Future strategy
  - Product development strategy to fill LDI plants on track, particularly airbag for automotive
  - HDI yarn margin focus by selective growth in specialised markets
  - Costs, efficiencies, yields
  - Debottlenecking PET

# Specialty fibres

- Overriding factor remains currency strength against dollar



# Decorative & packaging coatings

- Revenue R671m (+2%)
- TP R59m (+13%); Margin 8.8% (7.9%)
- Best margin in recent history
- Exceptional performance in South Africa, in contrast to unfavourable market conditions and currency issues elsewhere
- Thrusts include broader exposure to specialist building suppliers and hardware stores and new product lines

# Property

- Revenue R352m (+70%); TP R130m (+233%)
- Healthy demand continued in all areas for commercial, residential and retail sectors
- Outstanding net cash flow of R270m
- 1 100ha of the original 3 700ha excess land available has been sold (including 350ha in 2004)

# Outlook

- Progressive benefits of actions taken to emerge more fully in 2005; particularly cost reductions, acquisitions, property pipeline and innovative growth
- Expect relatively strong commodity prices and rand exchange rate accompanied by low inflation and interest rate environment to continue