CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL RESULTS

FOR THE HALF-YEAR ENDED 30 JUNE 2011

GOOD SAFETY PERFORMANCE
maintained

REVENUE
from continuing operations
up 10%
to R5 969 million

HEPS
up 11%
to 265c

DIVIDEND
of 78c declared

ALL STRATEGIC GROWTH PROJECTS
in ramp-up phase

AECI
good chemistry

INCOME STATEMENT

	% change	2011 First half Unaudited R millions	2010 First half Unaudited R millions	2010 Year Audited R millions
Revenue[2]	+10	**5 969**	5 425	11 569
Net operating costs		**(5 423)**	(4 941)	(10 507)
Profit from operations	+13	**546**	484	1 062
Net income/(loss) from Pension Fund employer surplus accounts		**1**	4	(6)
Net income/(loss) from plan assets for post-retirement medical aid liabilities		**14**	6	(5)
		561	494	1 051
Interest expense[3]		**(106)**	(99)	(173)
Interest received		**16**	14	21
Share of profit of associate companies		*****	1	2
		471	410	901
Impairment of goodwill		**–**	–	(28)
Impairment of property, plant and equipment		**–**	(4)	(4)
Gain on acquisition of subsidiary		**–**	–	4
Profit before tax		**471**	406	873
Income tax expense		**(152)**	(117)	(233)
Profit for the period		**319**	289	640
Profit for the period attributable to:				
– ordinary shareholders		**295**	269	600
– preference shareholders		**1**	1	2
– non-controlling interest		**23**	19	38
		319	289	640
Headline earnings are derived from:				
Profit attributable to ordinary shareholders		**295**	269	600
Impairment of goodwill		**–**	–	28
Impairment of property, plant and equipment		**–**	4	4
Loss on disposal of subsidiary		**–**	–	16
Profit on disposal of property, plant and equipment		**(13)**	(1)	(5)
Profit on disposal of associates and investments		**–**	(18)	(22)
Tax effects of the above items		**2**	1	2
Non-controlling interest effects of the above items		**–**	–	(4)
Headline earnings		**284**	255	619
Per ordinary share (cents):				
Headline earnings	+11	**265**	238	577
Diluted headline earnings[4]		**264**	237	575
Basic earnings		**275**	251	559
Diluted basic earnings[4]		**274**	250	558
Dividends declared	+11	**78**	70	205
Dividends paid		**135**	62	132
Ordinary shares (millions)[5]				
– in issue		**107**	107	107
– weighted average number of shares		**107**	107	107
– diluted weighted average number of shares[4]		**108**	108	108

*Nominal amount

STATEMENT OF COMPREHENSIVE INCOME

	2011 First half Unaudited R millions	2010 First half Unaudited R millions	2010 Year Audited R millions
Profit for the period	**319**	289	640
Other comprehensive income net of tax:			
Revaluation of derivative instruments	*****	*	*
Foreign currency translation differences net of deferred tax	**23**	17	(84)
Other	*****	*	*
Total comprehensive income for the period	**342**	306	556
Total comprehensive income attributable to:			
– ordinary shareholders	**320**	288	516
– preference shareholders	**1**	1	2
– non-controlling interest	**21**	17	38
	342	306	556

*Nominal amount

STATEMENT OF FINANCIAL POSITION

	2011 30 June Unaudited R millions	2010 30 June Unaudited R millions	2010 31 Dec Audited R millions
Assets			
Non-current assets	**5 756**	5 581	5 667
Property, plant and equipment	**3 622**	3 451	3 564
Investment property	**446**	446	440
Goodwill	**1 074**	1 063	1 035
Pension Fund employer surplus accounts	**231**	240	230
Investments	**26**	22	20
Loan receivables	**20**	12	22
Deferred tax	**337**	347	356
Current assets	**5 461**	4 603	4 647
Inventories	**2 180**	1 828	1 892
Accounts receivable	**2 421**	2 080	2 023
Cash and cash equivalents	**860**	695	732
Total assets	**11 217**	10 184	10 314
Equity and liabilities			
Ordinary capital and reserves	**4 489**	4 159	4 314
Non-controlling interest	**169**	132	148
Preference share capital	**6**	6	6
Total shareholders' interest	**4 664**	4 297	4 468
Non-current liabilities	**1 817**	2 570	2 200
Deferred tax	**117**	86	121
Non-current borrowings	**709**	1 697	1 133
Non-current provisions	**991**	787	946
Current liabilities	**4 736**	3 317	3 646
Accounts payable	**2 158**	1 873	2 176
Current borrowings	**2 452**	1 319	1 368
Tax payable	**126**	125	102
Total equity and liabilities	**11 217**	10 184	10 314

STATEMENT OF CASH FLOWS

	2011 First half Unaudited R millions	2010 First half Unaudited R millions	2010 Year Audited R millions
Cash generated by operations	**807**	664	1 654
Dividends received	**–**	–	2
Interest paid	**(119)**	(143)	(268)
Interest received	**16**	14	21
Income tax paid	**(88)**	(112)	(209)
Changes in working capital	**(731)**	(265)	*
Expenditure relating to non-current provisions	**(25)**	(1)	(37)
Expenditure relating to retrenchments and restructuring	**–**	(4)	(33)
Cash (utilised)/available from operating activities	**(140)**	153	1 130
Dividends paid	**(146)**	(67)	(146)
Cash flows from operating activities	**(286)**	86	984
Cash flows from investing activities	**(256)**	(280)	(581)
Proceeds from disposal of investments and businesses	**–**	32	35
Investments	**(57)**	(7)	(7)
Net capital expenditure	**(199)**	(305)	(609)
Net cash (utilised)/generated	**(542)**	(194)	403
Cash flows from financing activities	**662**	206	(299)
Finance lease receivables	**2**	1	11
Borrowings	**660**	205	(310)
Increase in cash and cash equivalents	**120**	12	104
Cash and cash equivalents at the beginning of the period	**732**	668	668
Translation gain/(loss) on cash	**8**	15	(40)
Cash and cash equivalents at the end of the period	**860**	695	732

*Nominal amount

STATEMENT OF CHANGES IN EQUITY

	2011 First half Unaudited R millions	2010 First half Unaudited R millions	2010 Year Audited R millions
Total comprehensive income for the period	**342**	306	556
Dividends paid	**(146)**	(67)	(146)
Equity at the beginning of the period	**4 468**	4 058	4 058
Equity at the end of the period	**4 664**	4 297	4 468
Made up as follows:			
Ordinary share capital	**107**	107	107
Share premium	**108**	108	108
Reserves	**189**	270	164
Property revaluation surplus	**237**	237	237
Foreign currency translation reserve net of deferred tax	**(56)**	22	(81)
Other	**8**	11	8
Retained earnings	**4 085**	3 674	3 935
Preference share capital	**6**	6	6
Non-controlling interest	**169**	132	148
	4 664	4 297	4 468

OTHER SALIENT FEATURES

	2011 First half Unaudited R millions	2010 First half Unaudited R millions	2010 Year Audited R millions
Capital expenditure – property, plant and equipment[3]	**229**	305	634
– expansion	**109**	213	385
– replacement	**120**	92	249
Capital commitments[6]	**142**	156	88
– contracted for	**117**	97	49
– not contracted for	**25**	59	39
Future rentals on property, plant and equipment leased	**141**	124	196
– payable within one year	**30**	28	96
– payable thereafter	**111**	96	100
Contingent liabilities	**48**	87	97
Net borrowings	**2 301**	2 321	1 769
Gearing (%)	**49**	54	40
Current assets to current liabilities	**1,2**	1,4	1,3
Net book value per ordinary share (cents)	**4 186**	3 878	4 022
Depreciation	**191**	154	332
ZAR/US$ closing exchange rate (rand)	**6,79**	7,66	6,65
ZAR/US$ average exchange rate (rand)	**6,88**	7,50	7,32

INDUSTRY SEGMENT ANALYSIS

	Revenue First half Unaudited R millions		Profit from operations First half Unaudited R millions		Net assets 30 June Unaudited R millions	
	2011	2010	**2011**	2010	**2011**	2010
Mining services	**2 542**	2 286	**200**	185	**2 685**	2 434
Specialty chemicals	**3 280**	3 039	**386**	349	**4 055**	3 828
Property	**194**	168	**36**	29	**751**	691
Specialty fibres (USA)	**165**	129	**27**	10	**160**	153
Group services and intersegment	**(212)**	(197)	**(103)**	(89)	**(66)**	(111)
	5 969	5 425	**546**	484	**7 585**	6 995

Net assets consist of property, plant, equipment, investment property, goodwill, inventory and accounts receivable, less accounts payable.

NOTES

(1) Basis of preparation
The condensed consolidated unaudited interim financial results are prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards, the presentation and disclosure requirements of IAS 34 – Interim Financial Reporting, the AC500 series issued by the Accounting Practices Board, the Listings Requirements of the JSE Limited, and in the manner required by the South African Companies Act No. 71 of 2008. Accounting policies have been applied consistently by all entities in the Group and are consistent with those applied in the previous reporting period. The preparation of these condensed consolidated unaudited interim financial results for the half-year ended 30 June 2011 was supervised by the Financial Director, Mr KM Kathan CA(SA).

(2) Includes foreign and export revenue of R1 665 million (2010 first half: R1 460 million).

(3) Interest capitalised in the period amounting to R14 million (2010 first half: R46 million).

(4) Calculated in accordance with IAS33. The Company has purchased call options over AECI shares which will obviate the need for the Company to issue new shares in terms of the AECI share option scheme. In practice, therefore, there will be no future dilution.

(5) Net of 11 884 699 (2010: 11 884 699) treasury shares held by a subsidiary company.

(6) Not included in capital commitments for the current year are acquisitions already approved by the Board amounting to R114 million (2010 first half: nil).

(7) The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The accounting policies involving particular complex or subjective judgements or assessments are deferred tax assets, environmental remediation, asset lives and residual values and post-retirement benefit obligations.

COMMENTARY

Performance

The Group delivered an improvement in performance for the first six months of 2011 compared to that for the corresponding period last year, despite volatile trading conditions in both the mining and manufacturing sectors.

Revenue from continuing operations increased by 10% to R5 969 million (2010: R5 425 million), assisted by global increases in commodity prices but tempered by the continued strength of the rand, which averaged R6,88/1US$ in the half-year (2010: R7,50/1US$). Volumes were 2,3% higher. Headline earnings of R284 million improved by 11% (2010: R255 million) and profit from operations was 13% higher at R546 million (2010: R484 million).

Headline earnings were negatively impacted by a higher tax charge due to the higher dividend paid in May as well as additional tax provisioning resulting from the Founders Hill judgement.

The Board has declared an interim cash dividend of 78 cents per ordinary share (2010: 70 cents cash dividend).

In 2010, the Group achieved its best ever safety performance. A high degree of focus in this area was maintained and additional initiatives are being implemented to achieve further improvements.

Mining services

Revenue from AEL Mining Services ("AEL") was 11% higher at R2 542 million (2010: R2 286 million), driven by a 16% escalation in ammonia prices. This also resulted in higher working capital levels. Overall volumes grew by 2,5%. Profit from operations improved by 8% to R200 million (2010: R185 million) and the operating margin was 7,9% (2010: 8,1%). The mining services environment has become more competitive and a substantial portion of AEL's business was subjected to tender processes in the half-year. Following these processes, AEL was able to retain more than 90% of its business and the market share changes did not impact performance for the period. A mechanical failure on one of AEL's nitric acid plants, at Modderfontein, negatively impacted results for the period.

In South Africa, strong growth was recorded in AEL's Surface and Massive businesses servicing the platinum, diamonds and chrome mining sectors. Volumes in deep level mining continued to decline. Coal mining was adversely affected by exceptionally high rainfall in the early part of the year.

Good growth was delivered by the copper mining sector in Central Africa and diamond mining in Botswana continued to perform creditably. The contribution from gold mining in West and East Africa remained flat.

The International business maintained its steady growth trend in South East Asia, notwithstanding the effects of very high rainfall in the period.

Pleasing ramp-up of the Initiating Systems Automation Programme (ISAP) project at Modderfontein continued, with about 40 million detonators manufactured by end-June. The target date for full ramp-up of ISAP remains the first half of 2012. The retrenchment of employees from conventional shock tube manufacturing facilities has commenced although the process has been somewhat delayed to an extent owing to high shocktube demand, the building of inventories and a fire on a conventional plant. As a result, full ISAP-related cost savings are only expected in the second half of the year.

Specialty chemicals

Revenue improved by 8% to R3 280 million (2010: R3 039 million). Volume growth for the period reflected a moderate improvement of 2%, owing to the recovery in mining and in certain manufacturing sectors. The rally in commodity chemical prices drove prices higher although this was offset to some extent by the effects of the strong local currency. Profit from operations improved by 11% to R386 million (2010: R349 million) and the operating margin was 11,8% (2010: 11,5%).

Excellent performances were delivered by ImproChem, Industrial Oleochemical Products, Lake International and Resitec and the results of Crest Chemicals were also pleasing. Senmin had a slow start to the year due to delays in the final certification of its polyacrylamide facility. For the six months overall, however, the business delivered another solid performance. The new xanthates dryer is currently being installed and commissioned and will remove the bottleneck that previously constrained plant output.

As of 1 July 2011, Infigro and SA Paper Chemicals (SAPC) were merged. This new structure provides the business with critical mass to operate in the focused areas of paper chemicals, perlite and leather chemicals.

Two acquisitions were completed in the second quarter. Qwemico has been integrated into Plaaskem and T&C Chemicals into ImproChem and SAPC. The acquisition of the remaining 20% of Cobito was finalised in July 2011 and the acquisition of Croxton Chemicals, to be integrated into Crest Chemicals, will be finalised in the second half-year. The total investment for these transactions is R161 million.

Property

Heartland's operating profit improved by 24% to R36 million (2010: R29 million), primarily based on income from the leasing and services businesses. The property development market remained subdued and no marked changes to this environment are expected in the immediate future.

Two property sales were finalised during the period. This is somewhat encouraging as is the increased rate at which enquiries are being received for industrial, warehousing and office space. Bulk infrastructure development, in line with market demand, is commencing at Longlake in Modderfontein.

In the current rental portfolio, which has performed extremely well in the past, the trend is towards increased vacancy rates and a reduction in tenant retentions. This is attributable predominantly to the weakening of South Africa's manufacturing sector.

Specialty fibres

SANS Technical Fibers, in the USA, achieved a 28% improvement in revenue to R165 million (2010: R129 million), with volume growth of 14% in a global growth environment for the automotive and footwear sectors. Profit from operations more than doubled to R27 million (2010: R10 million). The higher operating margin of 16,4% is largely due to enhanced efficiencies resulting from additional capacity installed in 2010.

Finance and taxation

The Group's strategic capital investment programme is nearing completion. In the first half, R229 million (2010: R305 million) was invested with R109 million of this for expansion projects.

Gearing increased to 49% from 40% in December 2010, mainly owing to an increase in working capital. Higher commodity prices and the building of inventories, to minimise the disruption of products and services to customers during the period of anticipated industrial action, were key in this regard. Net working capital as a percentage of sales was 20,2% (2010: 18,7%) and net interest cover was at 7,3 times (2010: 4,8 times).

Taxation judgement – Founders Hill (Pty) Limited

The Supreme Court of Appeal (SCA) handed down its decision in the Founders Hill (Pty) Limited case in May. The SCA found in favour of the South African Revenue Service (SARS) with regard to the capital versus revenue nature of proceeds of land sales at Founders Hill. The SCA held that that the land was trading stock when Founders Hill (Pty) Limited acquired it from AECI Limited. However, SARS was directed to reverse the interest charged in the assessments owing to the fact that AECI Limited had taken tax advice and that proper disclosure of the transactions had been made in the relevant tax returns. Founders Hill (Pty) Limited has requested leave to appeal the decision of the SCA from the Constitutional Court. SARS and the Minister of Finance have lodged an opposing affidavit.

AECI has provided R40 million for all taxes assessed in respect of three other subsidiaries that have tax issues similar to those of Founders Hill (Pty) Limited.

B-BBEE transactions

As indicated in February 2011, the AECI Board has pursued the B-BBEE transaction that was initially contemplated in 2009. Two B-BBEE transactions are currently being proposed to shareholders:

- the acquisition of the Kagiso Tiso Holdings consortium's shareholding in AEL Mining Services in exchange for ordinary shares in AECI;
- the issue of new shares to facilitate the establishment of an Employee Share Trust and a Community Share Trust.

Changes to the Board

At the Annual General Meeting (AGM) of shareholders in May, Fani Titi indicated that he will step down as Chairman of the Company at the next AGM, scheduled for May 2012. The Board is pleased to announce that Schalk Engelbrecht will assume the role of Chairman at that time. In the period under review, the Board welcomed Liziwe Mda as a Non-Executive Director and Nomini Rapoo as Company Secretary.

Outlook and strategic focus

Historically, the AECI Group trades better in the second half-year owing to seasonal effects in agricultural and the consumer sectors. However, the potential impact on Group companies and their customers resulting from the current industrial action is of concern.

AECI management's focus for the rest of 2011 will remain on:

- the successful incorporation of acquisitions into existing businesses in the specialty chemicals cluster;
- the continued ramp-up of ISAP and of Senmin's new plants;
- the careful management and reduction of working capital levels; and
- cost-focused leadership.

Fani Titi
Chairman

Graham Edwards
Chief Executive

Woodmead, Sandton
25 July 2011

Directors: F Titi (Chairman), GN Edwards (Chief Executive) †, RMW Dunne *, S Engelbrecht, Z Fuphe, KM Kathan †, MJ Leeming, LL Mda, LM Nyhonyha, AJ Morgan, R Ramashia.

†Executive *British

Company Secretary: EN Rapoo

NOTICE TO SHAREHOLDERS

Cash dividend declaration
Interim ordinary cash dividend no. 155

Notice is hereby given that on Monday, 25 July 2011 the Directors of AECI declared an interim cash dividend of 78 cents per share, in respect of the six month period ended 30 June 2011, payable on Monday, 12 September 2011 to ordinary shareholders recorded in the books of the Company at the close of business on Friday, 9 September 2011.

The last day to trade cum dividend will be Friday, 2 September 2011 and shares will commence trading ex dividend as from Monday, 5 September 2011.

Any change of address or dividend instruction must be received on or before Friday, 2 September 2011.

Share certificates may not be dematerialised or rematerialised from Monday, 5 September 2011 to Friday, 9 September 2011, both days inclusive.

This announcement will be mailed to all recorded shareholders on or about Tuesday, 26 July 2011.

By order of the Board

EN Rapoo
Company Secretary

Woodmead, Sandton
25 July 2011

Transfer secretaries

Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 and Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS 99 7NH, England

Registered office

1st Floor, AECI Place, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton

Sponsor: Rand Merchant Bank (A division of FirstRand Bank Limited)

AECI LIMITED

(Incorporated in the Republic of South Africa)

(Registration No 1924/002590/06)

SHARE CODE: AFE ISIN NO: ZAE000000220

("AECI" or "the Company")