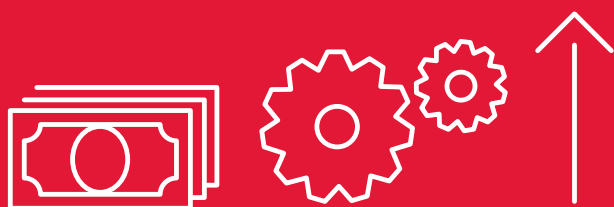
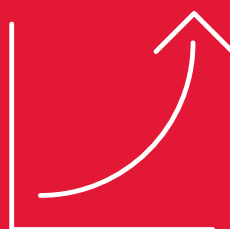


# CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL RESULTS, INTERIM CASH DIVIDEND DECLARATION AND DIRECTORATE CHANGES

PROFIT FROM OPERATIONS  
OF EXPLOSIVES AND  
SPECIALTY CHEMICALS  
+6,6% TO R793M



GROUP REVENUE  
+5% TO R9,1BN

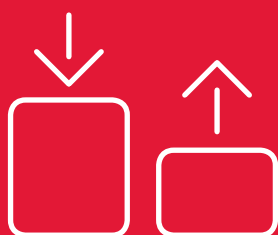


WORLD-CLASS SAFETY  
PERFORMANCE: TRIR OF 0,38



HEPS -48%

HEPS +15% after adjusting for  
Somerset West bulk land sale  
and loss on PRMA settlement



INTERIM CASH DIVIDEND  
+8% TO 135CPS



FOR THE HALF-YEAR  
ENDED 30 JUNE 2016

## INCOME STATEMENT

| R millions  | Notes | % change | 2016                    | 2015                    | 2015            |
|---|-------|----------|-------------------------|-------------------------|-----------------|
|   |       |          | First-half<br>Unaudited | First-half<br>Unaudited | Year<br>Audited |
| <b>REVENUE</b>  | 2     | 5        | <b>9 068</b>            | 8 629                   | 18 446          |
| Net operating costs   |       |          | <b>(8 497)</b>          | (7 638)                 | (16 743)        |
| <b>PROFIT FROM OPERATIONS</b>   |       | (42)     | <b>571</b>              | 991                     | 1 703           |
| Interest expense  |       |          | <b>(154)</b>            | (105)                   | (253)           |
| Interest received   |       |          | <b>26</b>               | 23                      | 66              |
| Share of profit of equity-accounted investees, net of tax             |       |          | <b>28</b>               | 15                      | 28              |
| Impairment of equity-accounted investees                              |       |          | <b>—</b>                | (51)                    | (51)            |
| Profit before tax   |       |          | <b>471</b>              | 873                     | 1 493           |
| Tax expense   |       |          | <b>(146)</b>            | (201)                   | (464)           |
| <b>PROFIT FOR THE PERIOD</b>  |       |          | <b>325</b>              | <b>672</b>              | <b>1 029</b>    |
| Profit for the period attributable to:                                |       |          |                         |                         |                 |
| — Ordinary shareholders   |       |          | <b>309</b>              | 658                     | 1 007           |
| — Preference shareholders   |       |          | <b>2</b>                | 2                       | 3               |
| — Non-controlling interest  |       |          | <b>14</b>               | 12                      | 19              |
|   |       |          | <b>325</b>              | <b>672</b>              | <b>1 029</b>    |
| <b>HEADLINE EARNINGS ARE DERIVED FROM:</b>                            |       |          |                         |                         |                 |
| Profit attributable to ordinary shareholders                          |       |          | <b>309</b>              | 658                     | 1 007           |
| Impairment of goodwill  |       |          | <b>—</b>                | —                       | 4               |
| (Reversal)/recognition of impairment of property, plant and equipment |       |          | <b>(5)</b>              | 1                       | 19              |
| Impairment of equity-accounted investees                              |       |          | <b>—</b>                | 51                      | 51              |
| Gain on bargain purchase  |       |          | <b>—</b>                | (23)                    | (23)            |
| Surplus on disposal of property, plant and equipment                  |       |          | <b>(5)</b>              | (35)                    | (26)            |
| Surplus on disposal of assets classified as held for sale             |       |          | <b>—</b>                | (33)                    | (48)            |
| Foreign exchange losses on net investments in foreign operations      |       |          | <b>14</b>               | —                       | —               |
| Tax effects of the above items  |       |          | <b>(3)</b>              | 13                      | 4               |
| <b>HEADLINE EARNINGS</b>  |       |          | <b>310</b>              | <b>632</b>              | <b>988</b>      |
| <b>PER ORDINARY SHARE (CENTS):</b>                                    |       |          |                         |                         |                 |
| Headline earnings   |       | (48)     | <b>293</b>              | 565                     | 894             |
| Diluted headline earnings   |       |          | <b>290</b>              | 533                     | 870             |
| Basic earnings  |       | (50)     | <b>292</b>              | 588                     | 911             |
| Diluted basic earnings  |       |          | <b>289</b>              | 555                     | 886             |
| Ordinary dividends declared   |       | 8        | <b>135</b>              | 125                     | 260             |
| Ordinary dividends paid   |       |          | <b>260</b>              | 225                     | 350             |
| Special dividend paid   |       |          | <b>—</b>                | 375                     | 375             |

## STATEMENT OF COMPREHENSIVE INCOME

| R millions  | 2016                    | 2015                    | 2015            |
|---|-------------------------|-------------------------|-----------------|
|   | First-half<br>Unaudited | First-half<br>Unaudited | Year<br>Audited |
| <b>PROFIT FOR THE PERIOD</b>  | <b>325</b>              | 672                     | 1 029           |
| <b>OTHER COMPREHENSIVE INCOME NET OF TAX</b>                        |                         |                         |                 |
| Items that may be reclassified subsequently to profit or loss:      |                         |                         |                 |
| Foreign currency translation differences                            | <b>(172)</b>            | 91                      | 808             |
| Items that will not be reclassified subsequently to profit or loss: |                         |                         |                 |
| Remeasurement of defined-benefit obligations                        | <b>—</b>                | 4                       | 820             |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                    | <b>153</b>              | 767                     | 2 657           |
| Total comprehensive income attributable to:                         |                         |                         |                 |
| — Ordinary shareholders   | <b>141</b>              | 752                     | 2 619           |
| — Preference shareholders   | <b>2</b>                | 2                       | 3               |
| — Non-controlling interest  | <b>10</b>               | 13                      | 35              |
|   | <b>153</b>              | <b>767</b>              | <b>2 657</b>    |

## STATEMENT OF CHANGES IN EQUITY

| R millions                                       | 2016                 | 2015                 | 2015         |
|--|----------------------|----------------------|--------------|
|  | First-half Unaudited | First-half Unaudited | Year Audited |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b> | <b>153</b>           | 767                  | 2 657        |
| Dividends paid                                   | (286)                | (692)                | (838)        |
| Share-based payment reserve                      | 7                    | 32                   | (17)         |
| Shares repurchased                               | (39)                 | —                    | (563)        |
| Equity at the beginning of the period            | 9 042                | 7 803                | 7 803        |
| <b>EQUITY AT THE END OF THE PERIOD</b>           | <b>8 877</b>         | <b>7 910</b>         | <b>9 042</b> |
| Made up as follows:                              |                      |                      |              |
| Ordinary share capital                           | 110                  | 116                  | 110          |
| Share premium                                    | —                    | 496                  | —            |
| Reserves   | 1 445                | 966                  | 1 605        |
| Foreign currency translation reserve             | 1 288                | 767                  | 1 455        |
| Share-based payment reserve                      | 157                  | 199                  | 150          |
| Retained earnings                                | 7 203                | 6 242                | 7 217        |
| Non-controlling interest                         | 113                  | 84                   | 104          |
| Preference share capital                         | 6                    | 6                    | 6            |
|  | <b>8 877</b>         | <b>7 910</b>         | <b>9 042</b> |

## RECONCILIATION OF WEIGHTED AVERAGE NUMBER OF SHARES

| Millions   | 2016                 | 2015                 | 2015         |
|--|----------------------|----------------------|--------------|
|  | First-half Unaudited | First-half Unaudited | Year Audited |
| <b>WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AT THE BEGINNING OF THE PERIOD</b> | <b>132,4</b>         | 138,3                | 138,3        |
| Weighted average number of unlisted ordinary shares held by consolidated EST     | (10,1)               | (10,1)               | (10,1)       |
| Weighted average number of contingently returnable ordinary shares held by CEDT  | (4,4)                | (4,4)                | (4,4)        |
| Weighted average number of shares held by consolidated subsidiary                | (11,9)               | (11,9)               | (11,9)       |
| Weighted average number of shares repurchased during the period                  | (0,2)                | —                    | (1,4)        |
| <b>WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR BASIC EARNINGS PER SHARE</b>   | <b>105,8</b>         | 111,9                | 110,5        |
| Dilutive adjustment for potential ordinary shares                                | 1,2                  | 6,7                  | 3,1          |
| <b>WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE</b> | <b>107,0</b>         | <b>118,6</b>         | <b>113,6</b> |

## INDUSTRY SEGMENT ANALYSIS

| First-half Unaudited             | REVENUE      |              | PROFIT FROM OPERATIONS |            | NET ASSETS   |              |
|----------------------------------|--------------|--------------|------------------------|------------|--------------|--------------|
|                                  | 2016         | 2015         | 2016                   | 2015       | 2016         | 2015         |
| Explosives                       | 4 154        | 3 956        | 220                    | 212        | 3 614        | 3 656        |
| Specialty chemicals              | 4 983        | 4 393        | 573                    | 532        | 5 554        | 5 435        |
| Property                         | 195          | 607          | 44                     | 393        | 228          | 575          |
| Group services and inter-segment | (264)        | (327)        | (266)                  | (146)      | 125          | (153)        |
|                                  | <b>9 068</b> | <b>8 629</b> | <b>571</b>             | <b>991</b> | <b>9 521</b> | <b>9 513</b> |

Net assets consist of property, plant, equipment, investment property, intangible assets, goodwill, inventory, accounts receivable and assets classified as held for sale, less accounts payable.

# STATEMENT OF FINANCIAL POSITION

| R millions                                   | Notes | 2016                   | 2015                   | 2015                 |
|--|-------|------------------------|------------------------|----------------------|
|  |       | At 30 Jun<br>Unaudited | At 30 Jun<br>Unaudited | At 31 Dec<br>Audited |
| <b>ASSETS</b>                                |       |                        |                        |                      |
| <b>NON-CURRENT ASSETS</b>                    |       |                        |                        |                      |
|  |       | <b>7 918</b>           | 7 061                  | 8 374                |
| Property, plant and equipment                |       | 4 168                  | 4 084                  | 4 296                |
| Investment property                          |       | 139                    | 136                    | 137                  |
| Intangible assets                            |       | 243                    | 234                    | 257                  |
| Goodwill                                     |       | 1 593                  | 1 345                  | 1 590                |
| Pension fund employer surplus accounts       | 3     | 730                    | 144                    | 982                  |
| Investments in associates                    |       | 232                    | 212                    | 250                  |
| Investments in joint arrangements            |       | 298                    | 311                    | 313                  |
| Other investments                            |       | 28                     | 94                     | 27                   |
| Deferred tax                                 |       | 487                    | 501                    | 522                  |
| Loans receivable                             |       | —                      | *                      | —                    |
| <b>CURRENT ASSETS</b>                        |       |                        |                        |                      |
|  |       | <b>7 587</b>           | 8 274                  | 9 420                |
| Inventories                                  |       | 3 173                  | 3 001                  | 3 358                |
| Accounts receivable                          |       | 3 279                  | 3 738                  | 3 825                |
| Other investments                            |       | 69                     | —                      | 67                   |
| Loans to joint arrangements                  |       | 40                     | —                      | —                    |
| Assets classified as held for sale           |       | —                      | 2                      | —                    |
| Tax receivable                               |       | 85                     | —                      | 56                   |
| Cash   |       | 941                    | 1 533                  | 2 114                |
| <b>TOTAL ASSETS</b>                          |       | <b>15 505</b>          | <b>15 335</b>          | <b>17 794</b>        |
| <b>EQUITY AND LIABILITIES</b>                |       |                        |                        |                      |
| <b>EQUITY</b>                                |       |                        |                        |                      |
|  |       | <b>8 877</b>           | 7 910                  | 9 042                |
| Ordinary share capital and reserves          |       | 8 758                  | 7 820                  | 8 932                |
| Non-controlling interest                     |       | 113                    | 84                     | 104                  |
| Preference share capital                     |       | 6                      | 6                      | 6                    |
| <b>NON-CURRENT LIABILITIES</b>               |       |                        |                        |                      |
|  |       | <b>2 819</b>           | 1 613                  | 1 871                |
| Deferred tax                                 |       | 355                    | 162                    | 427                  |
| Non-current borrowings                       |       | 1 763                  | 401                    | 672                  |
| Contingent consideration                     |       | 74                     | —                      | 70                   |
| Non-current provisions and employee benefits | 3     | 627                    | 1 050                  | 702                  |
| <b>CURRENT LIABILITIES</b>                   |       |                        |                        |                      |
|  |       | <b>3 809</b>           | 5 812                  | 6 881                |
| Accounts payable                             |       | 3 074                  | 3 027                  | 4 003                |
| Current borrowings                           |       | 699                    | 2 720                  | 2 620                |
| Contingent consideration                     |       | —                      | —                      | 15                   |
| Loans from joint arrangements                |       | 34                     | 34                     | 36                   |
| Tax payable                                  |       | 2                      | 31                     | 207                  |
| <b>TOTAL EQUITY AND LIABILITIES</b>          |       | <b>15 505</b>          | <b>15 335</b>          | <b>17 794</b>        |

\* Nominal amount.

## STATEMENT OF CASH FLOWS

|  | 2016                    | 2015                    | 2015            |
|--|-------------------------|-------------------------|-----------------|
| R millions   | First-half<br>Unaudited | First-half<br>Unaudited | Year<br>Audited |
| <b>CASH GENERATED BY OPERATIONS</b>                                    | <b>1 122</b>            | 1 284                   | 2 607           |
| Dividends received   | 45                      | —                       | 30              |
| Interest paid  | (150)                   | (105)                   | (253)           |
| Interest received  | 26                      | 23                      | 66              |
| Tax paid   | (421)                   | (252)                   | (532)           |
| Changes in working capital   | (275)                   | (898)                   | (215)           |
| Cash outflows relating to defined-benefit costs                        | (13)                    | (59)                    | (286)           |
| Cash outflows relating to non-current provisions and employee benefits | (26)                    | (42)                    | (62)            |
| Settlement of performance shares                                       | (23)                    | —                       | (94)            |
| <b>CASH AVAILABLE FROM/(UTILISED IN) OPERATING ACTIVITIES</b>          | <b>285</b>              | (49)                    | 1 261           |
| Dividends paid   | (286)                   | (692)                   | (838)           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                            | <b>(1)</b>              | (741)                   | 423             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                            | <b>(270)</b>            | (246)                   | (844)           |
| Net investment activities  | (51)                    | (15)                    | (298)           |
| Net capital expenditure  | (219)                   | (231)                   | (546)           |
| <b>NET CASH UTILISED BEFORE FINANCING ACTIVITIES</b>                   | <b>(271)</b>            | (987)                   | (421)           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                            | <b>(857)</b>            | 1 083                   | 691             |
| Non-current loans receivable   | —                       | 4                       | 4               |
| Share repurchase   | (39)                    | —                       | (563)           |
| Borrowings   | (818)                   | 1 079                   | 1 250           |
| <b>NET (DECREASE)/INCREASE IN CASH</b>                                 | <b>(1 128)</b>          | 96                      | 270             |
| Cash at the beginning of the period                                    | 2 114                   | 1 376                   | 1 376           |
| Translation (loss)/gain on cash  | (45)                    | 61                      | 468             |
| <b>CASH AT THE END OF THE PERIOD</b>                                   | <b>941</b>              | <b>1 533</b>            | <b>2 114</b>    |

## OTHER SALIENT FEATURES

|  | 2016                    | 2015                    | 2015            |
|--|-------------------------|-------------------------|-----------------|
| R millions   | First-half<br>Unaudited | First-half<br>Unaudited | Year<br>Audited |
| Capital expenditure                                    | 236                     | 272                     | 583             |
| — expansion  | 77                      | 146                     | 275             |
| — replacement  | 159                     | 126                     | 308             |
| Capital commitments                                    | 277                     | 537                     | 436             |
| — contracted for                                       | 71                      | 304                     | 71              |
| — not contracted for                                   | 206                     | 233                     | 365             |
| Future rentals on property, plant and equipment leased | 271                     | 304                     | 331             |
| — payable within one year                              | 84                      | 61                      | 112             |
| — payable thereafter                                   | 187                     | 243                     | 219             |
| Net borrowings   | 1 521                   | 1 588                   | 1 178           |
| Gearing (%)*   | 17                      | 20                      | 13              |
| Current assets to current liabilities                  | 2,0                     | 1,4                     | 1,4             |
| Net asset value per ordinary share (cents)             | 7 966                   | 6 724                   | 8 096           |
| Depreciation and amortisation                          | 326                     | 298                     | 590             |
| ZAR/US\$ closing exchange rate (rand)                  | 14,72                   | 12,28                   | 15,48           |
| ZAR/US\$ average exchange rate (rand)                  | 15,43                   | 11,91                   | 12,76           |

\* Borrowings less cash, as a percentage of equity.

## NOTES

(1) Basis of preparation and accounting policies

The condensed consolidated unaudited interim financial results are prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting, the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial results are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements.

The preparation of these condensed consolidated financial results for the half-year ended 30 June 2016 was supervised by the Financial Director, Mr KM Kathan CA(SA) AMP (Harvard). The condensed consolidated financial results have not been audited or reviewed by the Company's auditor, KPMG Inc.

(2) Revenue includes foreign and export revenue of R3 351 million (2015: R3 096 million).

(3) Settlement of post-retirement medical aid obligations

It was stated in AECI's 2015 integrated report that voluntary alternative benefit offers had been made to active employees eligible for a post-retirement medical aid subsidy in order to settle their defined-benefit entitlements. The offers were made to eligible employees who are contributing members of the AECI Employees Provident Fund ("AEPF"), the AECI Defined Contribution Pension Fund ("ADCPF") and the AECI Employees Pension Fund.

The offers were funded from employer surplus accounts ("ESA"), with a section 15E transfer from the ESA of the AECI Pension Fund to the AEPF and the ADCPF required to enable the settlement. The section 15E transfer was approved by the Financial Services Board. The ESA transfers took place in March 2016 and the settlement offers were implemented in June 2016 for those employees who had accepted the offer.

The amount transferred from the ESA was R258 million and the related liability derecognised had a carrying amount of R122 million. This resulted in a loss on settlement of R136 million, which is included in net operating costs for the period and in HEPS.

(4) Share repurchase

During the period AECI completed the repurchase of shares in terms of the general authority to do so approved by shareholders at the Annual General Meeting held on 1 June 2015. 442 212 shares were repurchased at a cost of R38,5 million. An authority to repurchase a further 5% of the issued capital, under specified terms and conditions, was approved by shareholders at the AGM on 30 May 2016.

(5) Contingent liabilities

At 30 June 2016 there had been no formal response by the Competition Commission ("Commission") of South Africa in respect of the investigations into price fixing at Akulu Marchon. However, correspondence from the Commission was received on 21 July 2016 and the Company is considering this prior to responding to the Commission, which response is expected by 2 August 2016.

The Group is also involved in various other legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, no provision has been made in respect of these legal proceedings and they are not likely to have a material adverse effect on the Group.

(6) The AECI Group entered into various sale and purchase transactions with related parties in the Group in the ordinary course of business on an arm's length basis, the nature of which is consistent with those previously reported. All transactions and balances with these related parties have been eliminated appropriately in the consolidated results.

(7) The AECI Group measures forward exchange contracts at fair value using inputs as described in level 2 of the fair value hierarchy. The fair values for forward exchange contracts are based on quotes from brokers. Similar contracts are traded in an active market and the quotes reflect the actual transactions on similar instruments. The carrying values of all other financial assets or liabilities approximate their fair values based on the nature or maturity period of the financial instrument. There were no transfers between levels 1, 2 or 3 of the fair value hierarchy during the half-year ended 30 June 2016.

(8) The condensed consolidated unaudited interim financial results do not include all of the disclosures required for full financial statements and should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2015.

## COMMENTARY

### Financial performance

AECI's Explosives and Specialty Chemicals core businesses achieved improvements in revenue and profit from operations compared to the first six months of 2015. Revenue in Explosives grew by 5% to R4 154 million (2015: R3 956 million) and profit from operations by 3,8% to R220 million (2015: R212 million). In Specialty Chemicals revenue was 13,4% higher at R4 983 million (2015: R4 393 million) and a 7,7% increase to R573 million was achieved in profit from operations (2015: R532 million). The combined profit from operations, therefore, grew by 6,6% to R793 million.

This performance was enabled by volume growth in some sectors, the contributions from 2015's acquisitions, the benefits of good cost management initiatives undertaken in the prior year, and market share increases.

The businesses delivered their results in an environment that remained constrained, both locally and globally. The global resources sector was under pressure, while the growth rate in South Africa's manufacturing sector was insignificant and the agricultural sector in a number of Southern African countries continued to be hampered by the effects of the drought.

The Property segment has no land remaining for redevelopment in the short term. The once-off bulk sale of the Group's surplus property assets at Somerset West was concluded in June 2015. This contributed R294 million to profit from operations and boosted headline earnings per share ("HEPS") and earnings per share ("EPS") by 230 cents.

HEPS and EPS in the current period were also negatively impacted by the settlement cost (non-cash) of the post-retirement medical aid ("PRMA") liability. This cost, funded from the employer surplus account allocated to the Company by the AECI Pension Fund, was in excess of the carrying amount of the liability. The difference was accounted for as a loss on settlement, in accordance with IAS 19 Employee Benefits. The estimated pre-tax loss for the period was R136 million, a 93 cents per share effect.

The Group's revenue increased by 5% to R9 068 million (2015: R8 629 million), of which 37% was generated outside South Africa (2015: 36%). Growth in local revenue was curtailed by challenging conditions in the coal and iron ore mining sectors. Profit from operations of R571 million was 42% lower than the R991 million achieved in 2015. Headline earnings declined by 51% from R632 million to R310 million. HEPS was 293 cents (2015: 565 cents), a 48% decline, and EPS was 292 cents (2015: 588 cents).

The benefits of the restructuring of the Group's post-retirement obligations are being realised and the anticipated annual savings of R120 million are on track.

The Board has declared an interim cash dividend of 135 cents per ordinary share, an increase of 8% from the prior corresponding period.

## Safety

The Group's businesses operate on five continents and in 30 countries and, while the safety target remains zero harm to employees and contractors, the 12-month Total Recordable Injury Rate ("TRIR") was 0,38 (0,33 in June 2015). This performance compares favourably with that of AECI's peers. The TRIR measures the number of incidents per 200 000 hours worked.

## Segmental performance

### Explosives

AEL Mining Services' ("AEL") revenue and profit from operations improved in the reporting period. The operating margin was 5,3%, in line with 2015, reflecting the full effects of margin contraction subsequent to customers' retendering processes in the second half of 2015. AEL retained the majority of its business in these processes and there were some market share gains. Overall explosives volumes were down marginally, by 0,5%.

In South Africa, the explosives volume decline was 2,8% as customers restructured their mining plans to optimise returns, targeted high-grade ores and experienced numerous section 54 stoppages. In iron ore, customers cut their output significantly. This resulted in AEL's revenue declining by almost R100 million. A further R100 million decline in revenue was experienced in the coal mining sector, largely because a customer remained under business rescue.

AEL secured two significant additional open pit contracts, effective from May and June 2016, and these are expected to assist the Company's performance in the second half-year.

In initiating systems, the ISAP facility was fully loaded during the period and record detonator production of 11,6 million units was achieved in June. Improved trading conditions for gold and platinum miners enabled the increase.

In the rest of Africa, overall volumes were 1,7% lower. Most copper miners cut their production rates as a consequence of the lower copper price and unusually high rainfall in the DRC's Katanga province curtailed output. A solid performance was achieved by AEL in the highly competitive markets of North and West Africa. These results were assisted by the effects of an improved gold price.

In AEL's International business, mainly Indonesia and Australia, volumes grew by 7,4%. The businesses in both countries are profitable, albeit with margins remain under sustained pressure.

Volumes sold to AEL's largest customer in Indonesia stabilised. Operations at the BBRI facility in Indonesia, an ammonium nitrate plant in which AEL has a minority ownership stake (42,6%), were in line with expectations. Due to lower volumes mined by customers owing to persistently low thermal coal prices in the period, the facility was not fully optimised.

The issue regarding long cycles for input VAT refunds in Indonesia remains unresolved.

There was good volume growth in Australia, following the ramp-up of AEL's manufacturing facility in Bajool, Queensland, in the first half of 2015. Additional products have been approved for use in the Australian market and this will assist AEL in growing its position in the region.

AEL's capital expenditure for the period was R147 million, of which R33 million was for investments at customer sites to support growth.

### Specialty Chemicals

Specialty Chemicals delivered another robust result with a volume increase of 2,4% despite minimal growth in the local manufacturing sector. Most businesses in the segment delivered improved performances and there was particularly pleasing growth in Senmin, ImproChem, Chemical Initiatives, ChemSystems and SANS Technical Fibers. The operating margin was a pleasing 11,5% (2015: 12,1%).

Senmin, a supplier of mining chemicals and related services, increased its volumes by 6,3% as exports into the rest of Africa, Eastern Europe and Australia grew.

At ImproChem, a leading provider of water treatment solutions in Africa, solid results were achieved in most of the sectors in which the company operates notwithstanding the continued effects of severe drought conditions. Advances in servicing the public water sector in the rest of Africa were particularly encouraging.

Nulandis, which supplies agrochemicals to customers in South Africa and the rest of Africa, performed in line with expectations. It benefitted from the contribution of Farmers Organisation which was acquired with effect from 1 June 2015.

The inclusion of the results of Southern Canned Products, which was acquired with effect from 1 August 2015, contributed to the results of the Food Additives and Ingredients strategic pillar. Lake Foods' performance, however, was compromised by adverse conditions in South Africa's poultry industry.

Capital expenditure for the Specialty Chemicals segment was R67 million, of which R42 million was for expansion.

### Property

All land surplus to AECI's operational requirements and available for redevelopment was disposed of in the prior two financial years. The Group's remaining property activities comprise mainly the leasing of buildings and the provision of services at the Umbogintwini Industrial Complex in KwaZulu-Natal.

Results in the prior corresponding period included the bulk sale of the Somerset West site. Hence revenue from the Property segment declined to R195 million (2015: R607 million) and profit from operations was R44 million (2015: R393 million).



## Cash utilisation

Capital expenditure, which was curtailed to below depreciation and amortisation for the period, was R236 million (2015: R272 million). Of this amount, R159 million was replacement capital.

Gearing at 17% was lower than June 2015's 20% but higher than the 13% level of December 2015. Concerted efforts to reduce net working capital yielded results, with the ratio to revenue at the end of the period having improved to 17,9% from 21,2% in June 2015. In the prior corresponding period, the proceeds from the Somerset West bulk transaction had yet to be received.

Cash interest cover was at 8,4 times (2015: 15,1 times) and was affected by higher interest rates and the share repurchase programme which was completed during the period. Consequently, net interest paid increased to R124 million (2015: R82 million).

During June 2016 R843 million in dividend proceeds from the Group's African subsidiaries was repatriated to South Africa. These funds were used to settle short-term borrowings.

## Share repurchase

AECI completed its share repurchase programme in May 2016. This programme commenced in August 2015. The Company purchased 5% of its issued share capital, for a total of R601 million, in line with the shareholder authority approved at the Annual General Meeting ("AGM") held on 1 June 2015. All the repurchased shares were cancelled. An authority to repurchase a further 5% of the issued capital, under specified terms and conditions, was approved by shareholders at the AGM on 30 May 2016.

## Changes to the Board of Directors

Schalk Engelbrecht, Richard Dunne and Litha Nyhonyha have advised the Board of their intention to retire from their positions as Non-executive Directors of the Company. Schalk will retire as Chairman of the Company and the Board at the end of February 2017, Richard will retire at the Annual General Meeting of the Company's shareholders in 2017, and Litha intends leaving the Board at the end of December 2016.

Schalk has served as Chairman since 2012 and he was AECI's Chief Executive from 2003 to 2008. He is also Chairman of the Nominations Committee and a member of the Remuneration Committee. His successor as Chairman will be appointed in due course. Richard joined the Board in 2007. He is currently Chairman of the Audit and Remuneration Committees, a member of the Nominations and Risk Committees and chairs the Financial Review and Risk Committee ("FRRC") of the Specialty Chemicals segment. Litha was appointed to the Board in 2006. He is currently a member of the Audit, Nominations and Remuneration Committees as well as a member of AEL's FRRC.

Graham Dempster and Khotso Mokhele joined the Board as Non-executive Directors during the period, with effect from 31 January 2016 and 1 March, respectively.

AECI is pleased to announce that Moses Kgosana will also join the Board as a Non-executive Director on 1 September 2016. He is past Chief Executive of KPMG in South Africa and was Chairman of KPMG Africa, representing the region on the KPMG EMA and KPMG International Boards. The Company welcomes Moses and looks forward to benefitting from his input and expertise.

## Outlook

Conditions in the global and local trading environment are likely to remain difficult. Growth rates are forecast to remain at low levels overall and there is no indication of any meaningful recovery in either commodity prices or the resources sector.

In South Africa, economic growth will also remain subdued, interest rates are in a moderate upward cycle, the rand exchange rate against major currencies remains weak and volatile, and uncertainty persists in the labour relations arena. A return to normalised rainfall patterns in the coming summer season will be a driving factor in the second half-year, particularly in the agricultural, food and beverage and general industrial sectors.

AECI believes that it is well placed to sustain its underlying performance. New contracts gained by AEL, the contributions of recent acquisitions, market share gains, and the benefits of a diversified portfolio and extensive geographic footprint are expected to assist. AECI's businesses service a broad spectrum of customers in many countries, particularly in Africa. The Group has extensive logistics and warehousing capability on the continent and this competitive advantage continues to be leveraged.

The focus on the careful management of costs, working capital and capital expenditure will be maintained for the most effective cost base possible. In this regard, Group-wide collaboration, innovation and strategic sourcing initiatives are expected to deliver enhanced efficiencies and savings. The weak rand exchange rate presents opportunities for exports and import replacements and these continue to be pursued.

Any forecast information contained in this announcement has not been reviewed or reported on by the Company's external auditors.

**Schalk Engelbrecht**  
Chairman

**Mark Dytor**  
Chief Executive

Woodmead, Sandton  
26 July 2016

**Directors:** S Engelbrecht (Chairman), GW Dempster, MA Dytor (Chief Executive)<sup>†</sup>, RMW Dunne<sup>\*\*</sup>, Z Fuphe, G Gomwe<sup>\*\*\*</sup>, KM Kathan (Financial Director)<sup>†</sup>, LL Mda, KDK Mokhele, AJ Morgan, LM Nyhonyha, R Ramashia.

<sup>†</sup>Executive <sup>\*\*</sup>British <sup>\*\*\*</sup>Zimbabwean

**Group Company Secretary:** EN Rapoo



# NOTICE TO SHAREHOLDERS

## Declaration of interim cash dividend no. 165

NOTICE IS HEREBY GIVEN that on Monday, 25 July 2016, the Directors of AECI declared a gross interim cash dividend of 135 cents per share in respect of the six-month period ended 30 June 2016. The dividend is payable on Monday, 5 September 2016 to holders of ordinary shares recorded in the register of the Company at the close of business on the record date, being Friday, 2 September 2016.

The last day to trade "cum" dividend will be Tuesday, 30 August 2016 and shares will commence trading "ex" dividend as from the commencement of business on Wednesday, 31 August 2016.

A South African dividend withholding tax of 15% will be applicable to all shareholders who are not either exempt or entitled to a reduction of the withholding tax rate in terms of a relevant Double Taxation Agreement, resulting in a net dividend of 114,75000 cents per share to those shareholders who are not eligible for exemption or reduction. Application forms for exemption or reduction may be obtained from the Transfer Secretaries and must be returned to them on or before Tuesday, 30 August 2016.

The issued share capital at the declaration date is 121 829 083 listed ordinary shares, 10 117 951 unlisted redeemable convertible B ordinary shares and 3 000 000 listed cumulative preference shares. The dividend has been declared from the income reserves of the Company.

Any change of address or dividend instruction must be received on or before Tuesday, 30 August 2016.

Share certificates may not be dematerialised or rematerialised from Wednesday, 31 August 2016 to Friday, 2 September 2016, both days inclusive.

### By order of the Board

EN Rapoo  
Group Company Secretary

Woodmead, Sandton  
26 July 2015

## Transfer Secretaries

### COMPUTERSHARE INVESTOR SERVICES (PTY) LTD

70 Marshall Street  
Johannesburg  
2001

### COMPUTERSHARE INVESTOR SERVICES PLC

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Sandton

## Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)  
1 Merchant Place, cnr Fredman Drive and Rivonia Road,  
Sandton, 2196

## AECI Limited

(Incorporated in the Republic of South Africa)  
Registration number 1924/002590/06  
Tax reference number 9000008608  
("AECI" or "the Company")  
Share code: AFE  
ISIN: ZAE000000220