

AECI Limited

Results Presentation
30 and 31 July 2002

Summary

- 1H02 results most pleasing
- Strategy validated: post-transformation AECI no longer a true chemical business
- Trading conditions satisfactory
- Outlook for the Group continues to be positive

Business Environment

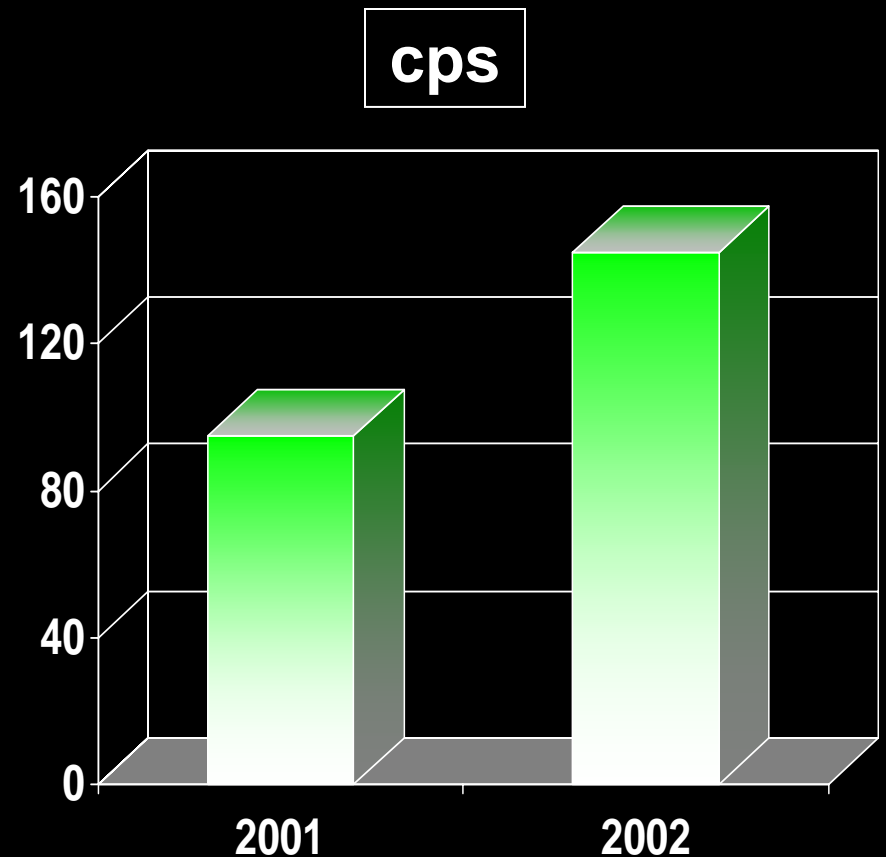
- Regional demand satisfactory. Domestic manufacturing output helped by export led businesses: weak Rand
- Little improvement in world markets
- The Rand firms: benefits diminish but SA benefits
- Energy costs up, raw material prices mixed
- Domestic interest rates, inflation remain high
- Industry performance abroad bottoming out

The Buy-Back

- A success: AECI acquired 40% of itself at R14.50 per share
- R206m agterskot (incl STC) paid in Jan/Feb 2002

Results for 1H02

- Revenue up 19%,
Trading Profit +64%
- **Headline EPS up
53%** (10% in US\$)
- Trading Margin 8.5%
(6.2%)



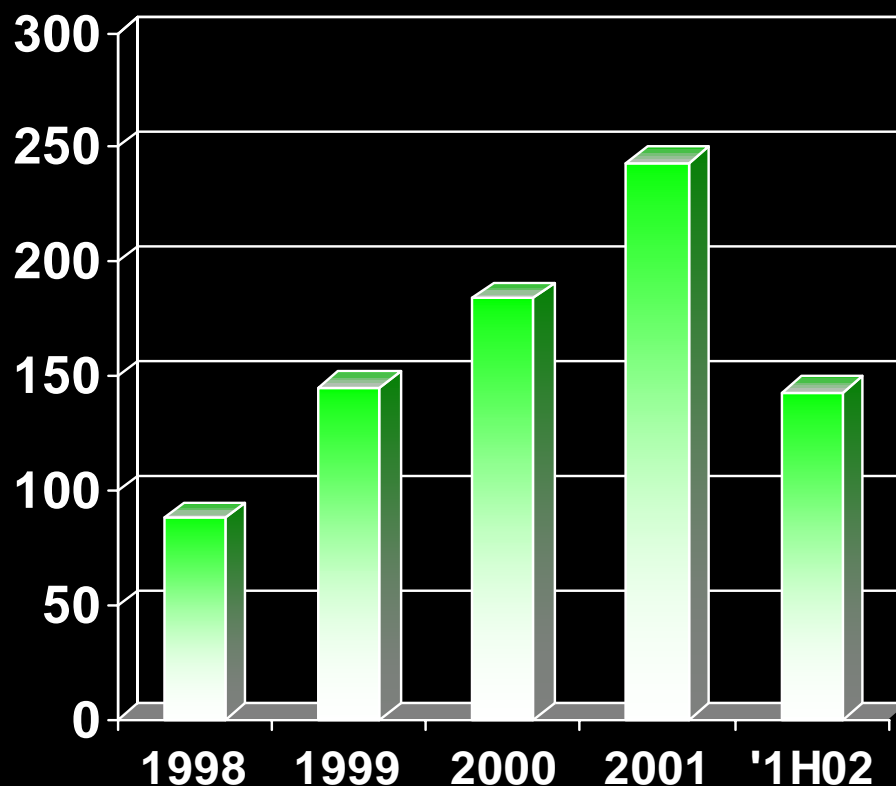
Improved results due to:

- Fruits of **transformation**: strong portfolio
- Materially **increased volumes**: weaker Rand boosted direct and indirect exports
- Significant **turnarounds** of AECI Coatings, Dulux and Heartland
- Elimination of Fine Chemicals development
- Weak Rand effect: SANS and AEL **positively hedged**, Chemserve **able to pass on** higher inputs
- **Exact calculation of weak Rand benefit difficult**

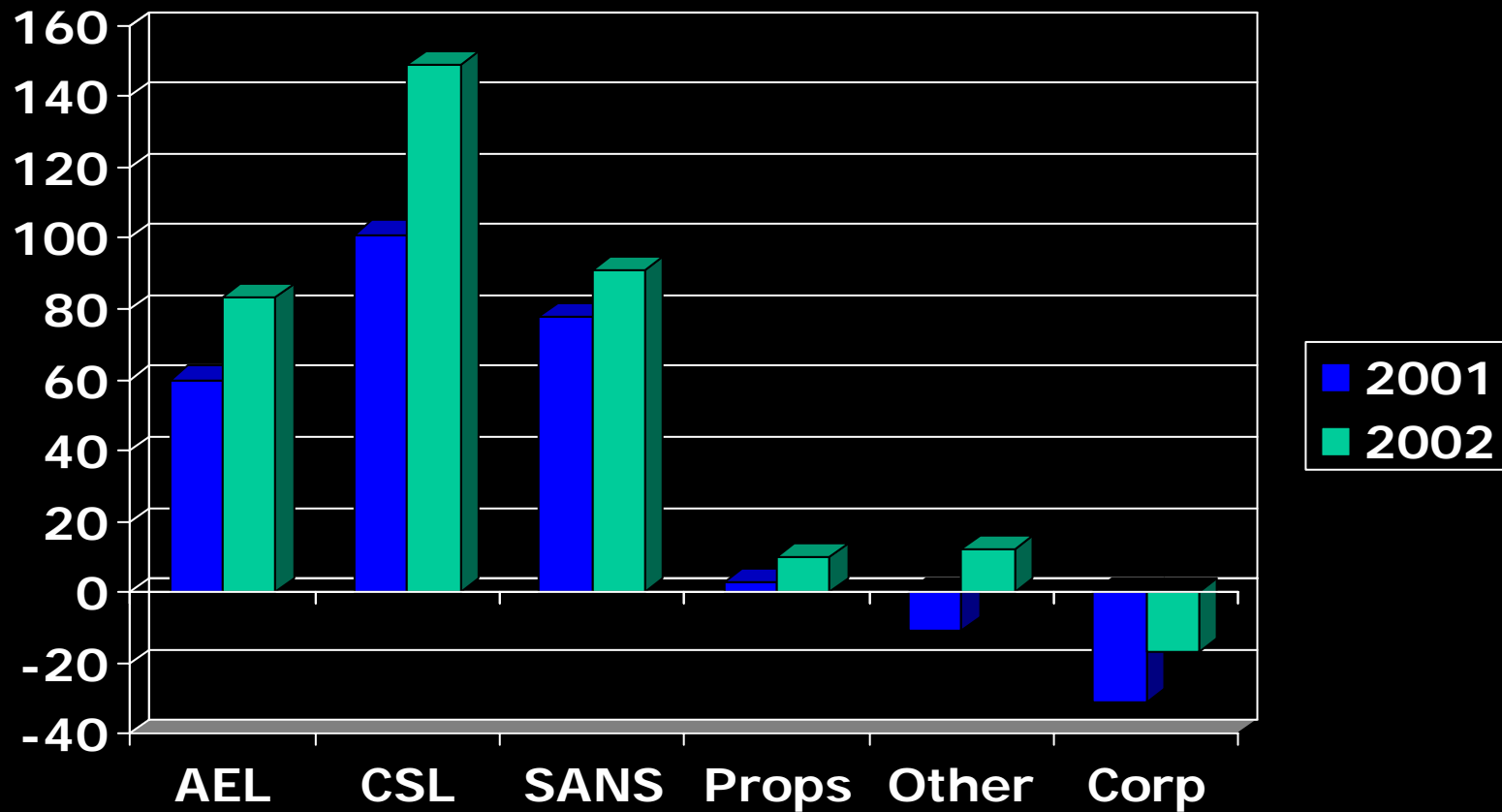
Track Record is Extended

- Comparable basis: adjusted for special dividend in 1998 and 1999
- >35% compound earnings growth achieved since 1998

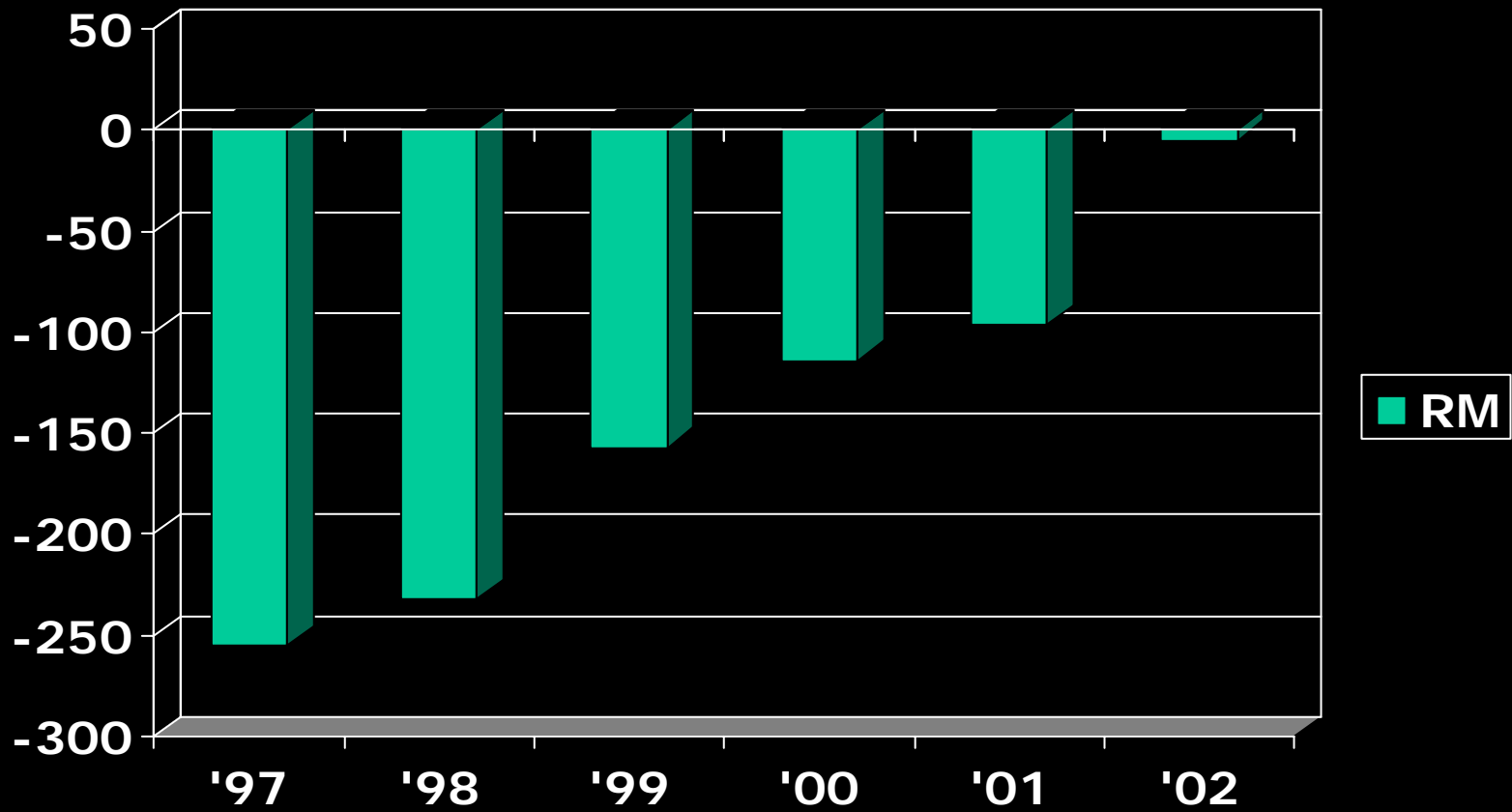
EPS in cents



Contribution to Trading Profit

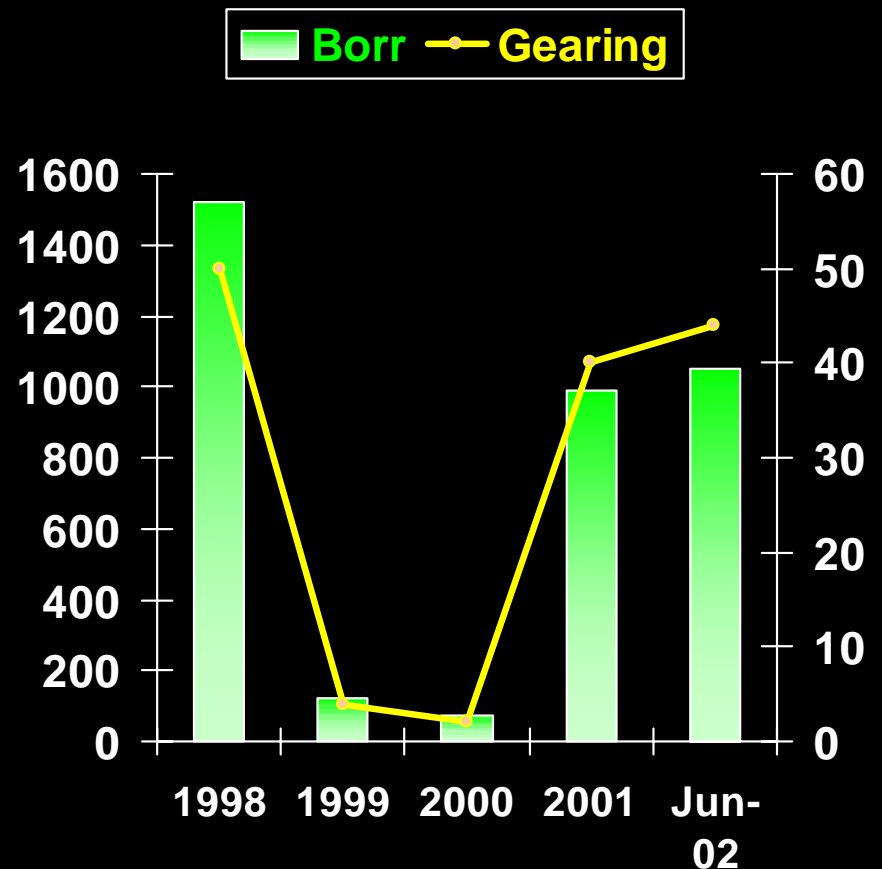


Group EVA History



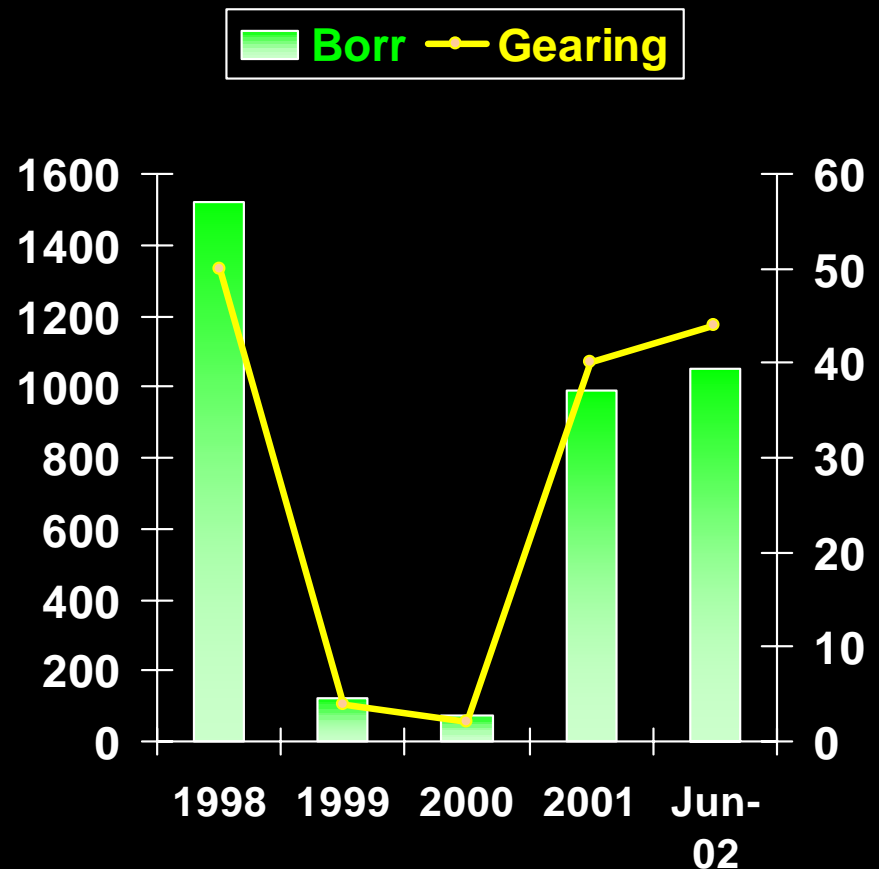
Balance Sheet

- Borrowings R1050m
(R206m agterskot)
- Capex/Investments
limited to R93m
- WC 17.3%
(ratio down 1%), up
only R74m on June '01
- Cash interest cover 5.3



Balance Sheet cont.

- 65% of borrowings offshore, fully hedged
- Translation gains on foreign entities taken to Reserves
- "Quality" earnings
- Further reduction in borrowings a Dec 02 target



Other Salient Information

- Interim dividend of 40 cents, **up 25%** on 2001. Dividend cover of around 3.0 is target
- Annualized ROIC* is 15% for 1H02 (10% for 1H01), **now close to WACC**
- ROSE is 13% (8% for 1H01)
- Zero exceptional charge in 1H02 (other than amortisation of goodwill)

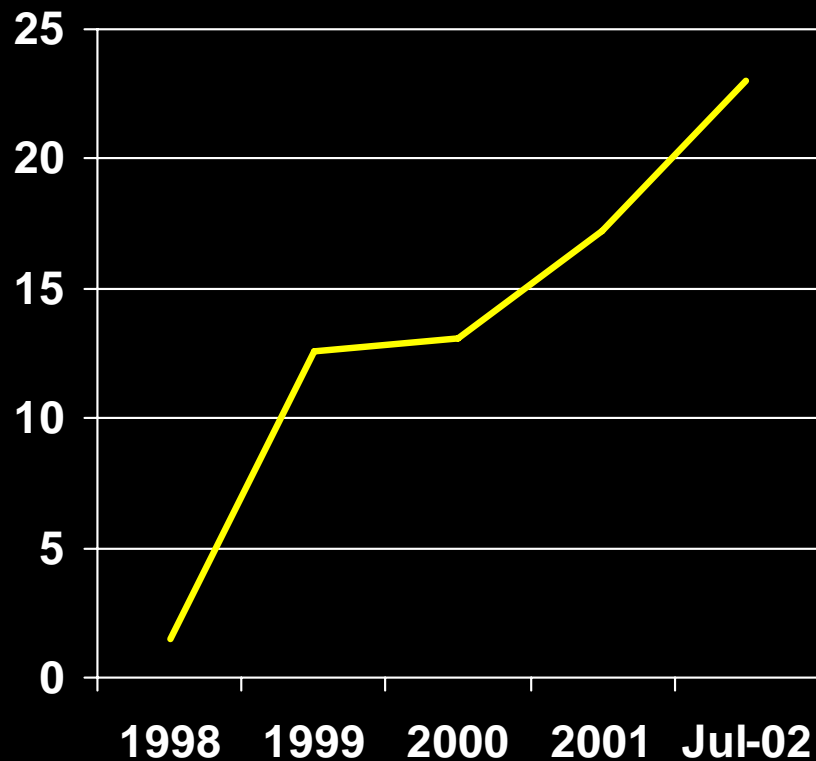
* Excl land revaluation

Non-Core Disposals

- Kynoch Feeds and Tioxide: completed, proceeds from Tioxide received
- Botash, AAFC: preliminary discussions under way

Share Price

Year-end in Rand



- Rating relative to Industrials now exceeds May 1998 Sasol bid peak
- Graph adjusted for R6 special dividend ('98)

Group Strategy

- **Five businesses** - including Dulux and Heartland
- **Specialty product and service solutions**, based on chemistry, for global and regional niche markets
- Active portfolio management, profitable growth, global alliances
- Chemserve minorities take-out still on hold
- Best practice transfer, cohesion, skills

Growth

- (Superior ROIC is prime pursuit!)
- Whilst transforming, the Group has invested R500m on growth projects (+R140m*)
- Buy-back itself was a major acquisition
- The above two are still being digested and optimised, hence consolidation period
- Controlled growth strategies are being pursued by the core businesses

African Explosives

- R83m Trading Profit (+38%); Margin 9.1%
- **Strong volumes**: direct and indirect exports, platinum buoyant
- Ammonia cost up in Rand, but managed
- **Electronic detonator development: steady progress**
- **Growth will come from eDets, Africa, selected exports, and fixed cost reduction**

Specialty Chemicals

- R149m Trading Profit (+48%) ; Margin 10.1%
- Good volume growth in improved manufacturing climate
- AECI Coatings turned around
- Excellent margin and cost management
- Dow/Sentrachem mining/alkylate business acquired subject to due diligence. Evaluating further projects

Specialty Fibres

- R91m Trading Profit (+17%) ; Margin 8.8%
- Domestic demand strong, weak globally
- Much improved Bellville plant efficiencies
- Excellent PET contribution
- Stoneville nylon project commissioned, good customer support, but still incurring losses in a challenging environment

Dulux

- Much improved performance
- Africa continues to contribute well
- Transformation complete (simplification, prime brand focus, outsourcing of intermediates, team and cultural changes, mini disposals)
- Looking at further expansion in Africa

Heartland

- R10m Trading Profit (2001: R3m) -
excellent cash flow
- Demand much improved in industrial sector,
residential remains brisk
- Earnings contribution likely to be uneven
- Development pipeline long and cash hungry ...
- ... **strategy emphasis shifting to bulk land sales**

2002 Outlook

- Tough year for global economies, much uncertainty
- Domestic outlook steady
- Benefits from transformation to continue
- Weaker rand will continue to favour Group
- Borrowings, gearing to decrease

In Conclusion

- AECI's re-invention validated
- Provides "specialty product and service solutions" based on chemistry
- Earnings track record established
- Well positioned for long-term earnings growth

