
AECI Limited

Presentation to
Investors and Media
24 and 25 February 2004

Summary

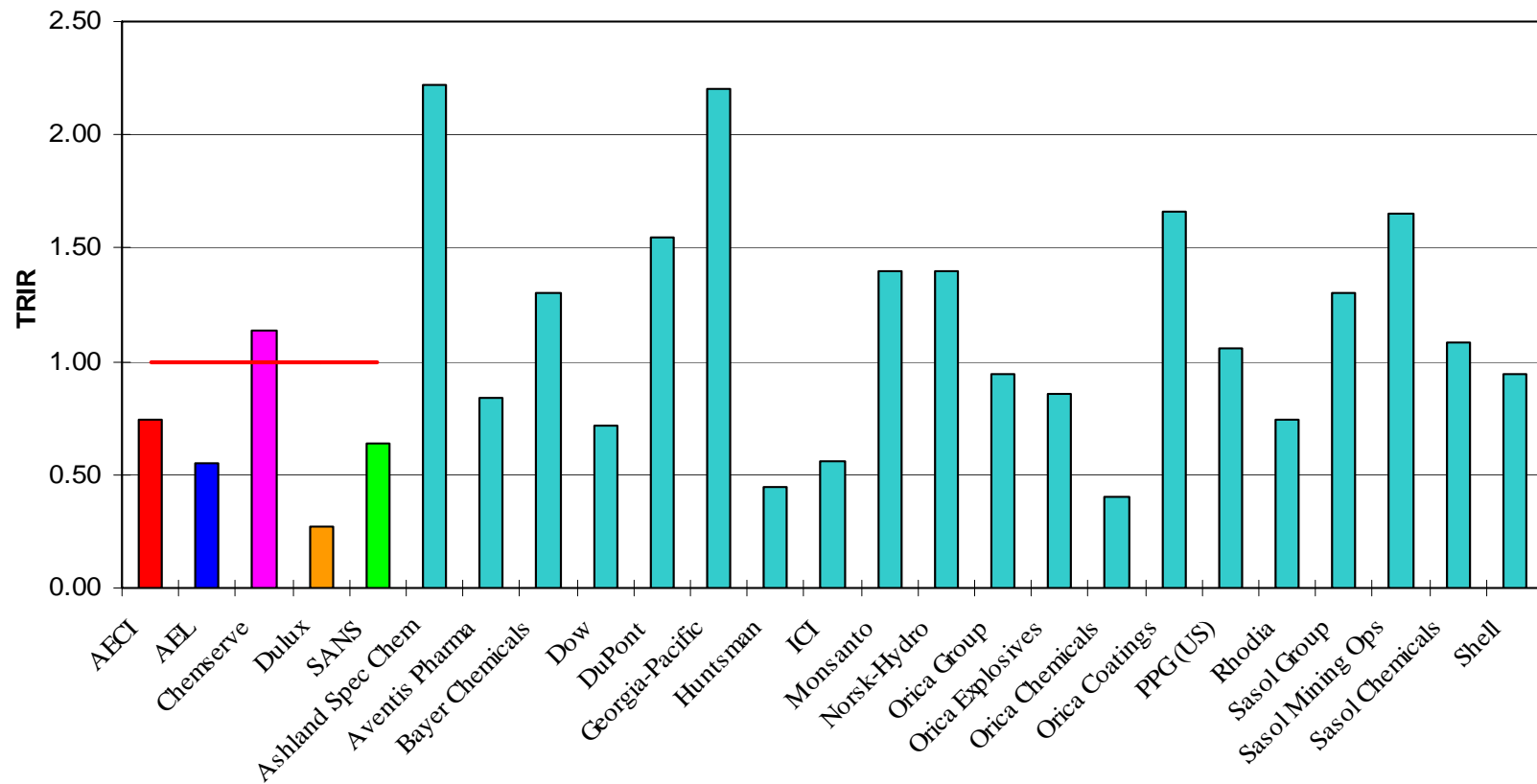
- Robust performance against background of declining local manufacturing sector and patchy global economies
- Improved on record earnings of last year and 38% up on 2001
- Pleasing improvement in trading margin of all businesses, except SANS Fibres
- Transformation completed; acquisition of Chemserve minorities
- Investment expenditure of R883m

Summary

- Sound balance sheet, excellent working capital management and prudent capital expenditure
- Volumes, in aggregate, higher
- Rand strength and volatility well managed in Group, however progressively eroded trading margin in dollar driven SANS Fibres
- Announced DetNet joint venture
- Meaningful progress with BEE participation in AEL
- SHE performance now world class

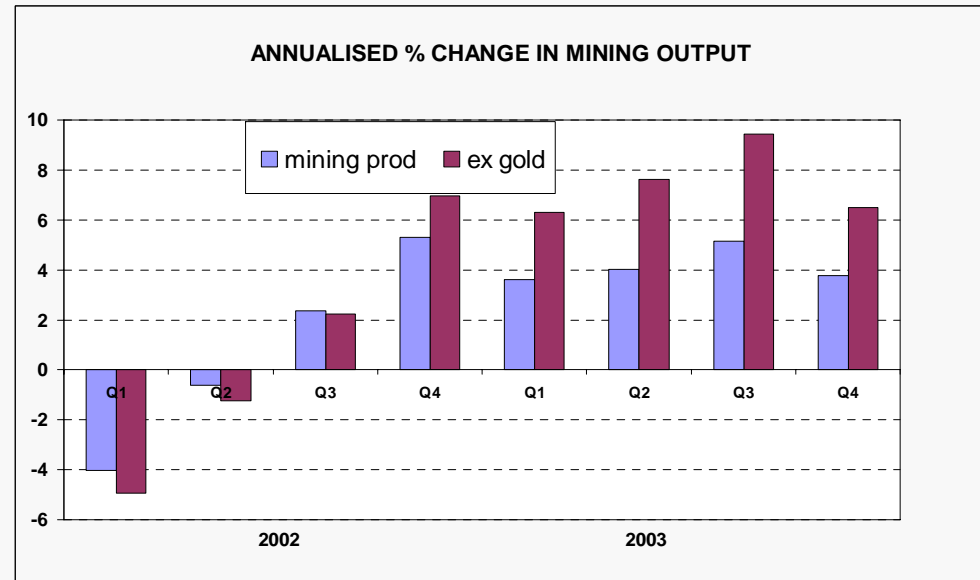
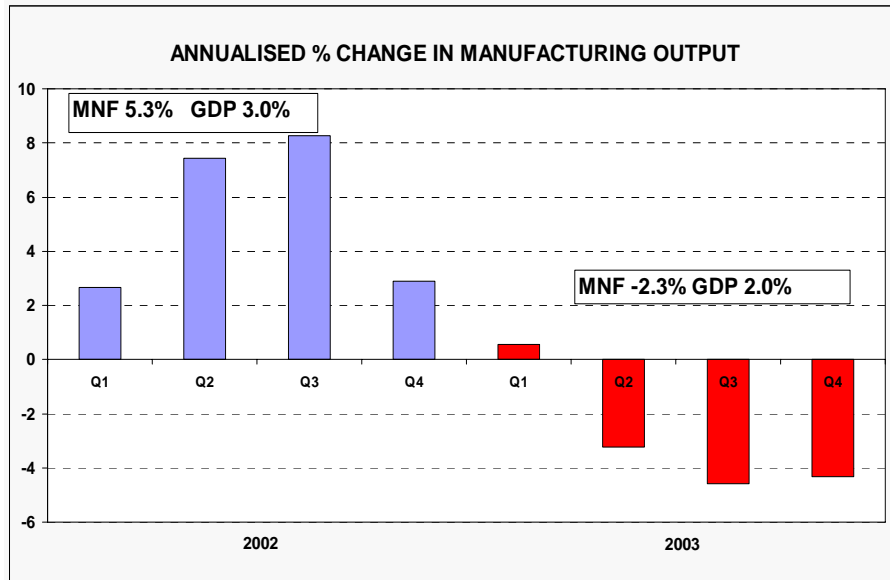
SHE performance

2003 Total Recordable Incident Rate



Business environment

- Local manufacturing production deteriorated significantly in 2003 as strong rand and weak global economy took their toll; mining output remained strong, particularly platinum



Business environment

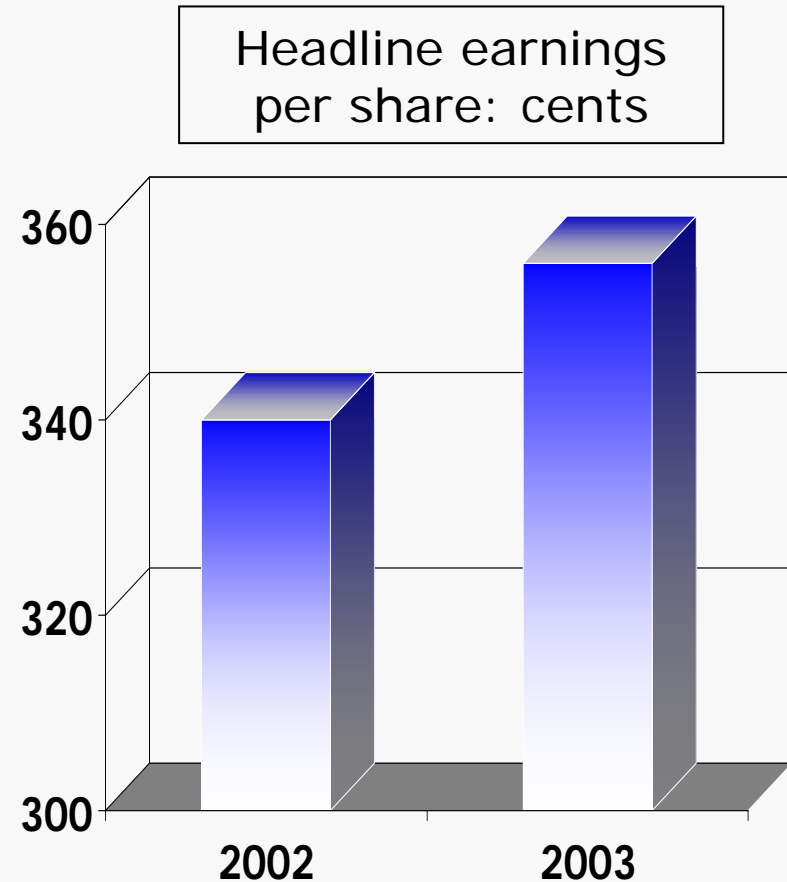
- Stronger rand has eroded margins; particularly mining and export-oriented manufacturing sectors
- Lower inflation and interest rate environment slow to stimulate demand and business confidence
- Signs of recovery in fourth quarter
- Global economy gained momentum; strong rebound in USA and boost from China

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 poor shape
- Prolonged high cost of natural gas and roller coaster crude oil prices and supply and demand imbalances play havoc with results
- Improved demand has eased the pain

Results for 2003

- HEPS +5%
- Volumes +3%
- TP Margin 9.0% (8.9%)
 - Pleasing improvement for all businesses, except SANS
- Revenue and TP marginally down
 - Domestic revenue +4%
- Exports down by 21% in rand but up by 10% in dollars



Rand impact on 2003

- Well managed on average; Group benefits from lower input costs
- Strong rand has negative impact on Group, particularly export revenues and margins (SANS Fibres) and African businesses (AEL and Dulux)
- Significant impact on mining and export customers and marginal industries eg. textiles
- Import threats, but cushioned through value added business proposition

Robust results due to:

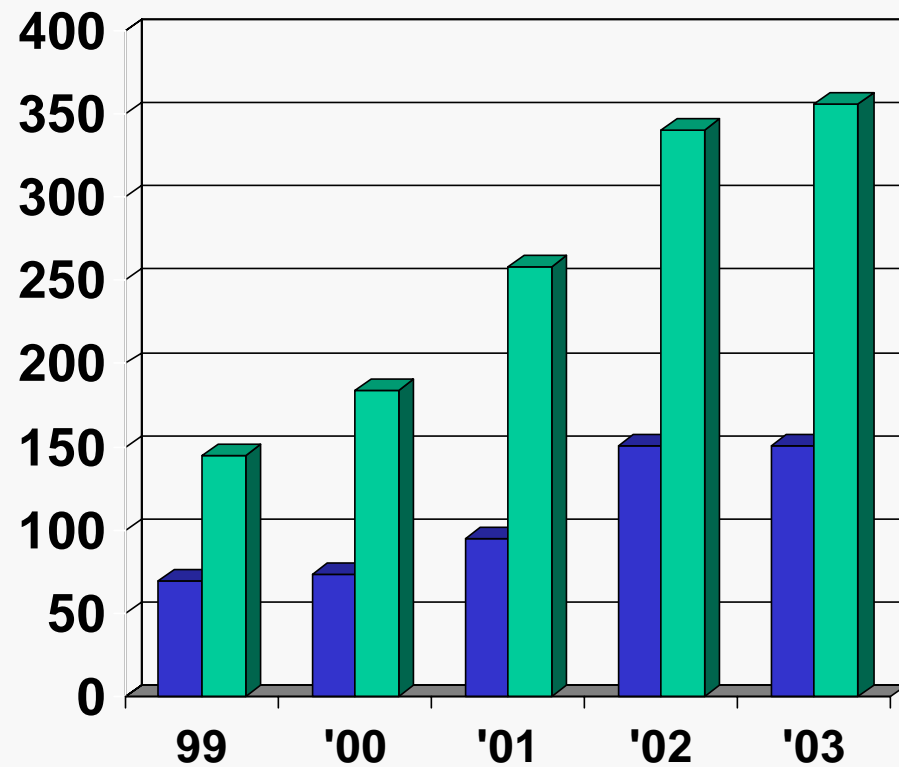
- Robust portfolio: specialised, value add, customer focus, diversified
- Increased volumes: product mix changes, acquisitions, market share gains
- Quality acquisitions in Chemserve
- Continued improvement in USA joint venture
- Sound balance sheet management

Resilient performance

Adjusted for Polifin
(or special dividend) in 1999

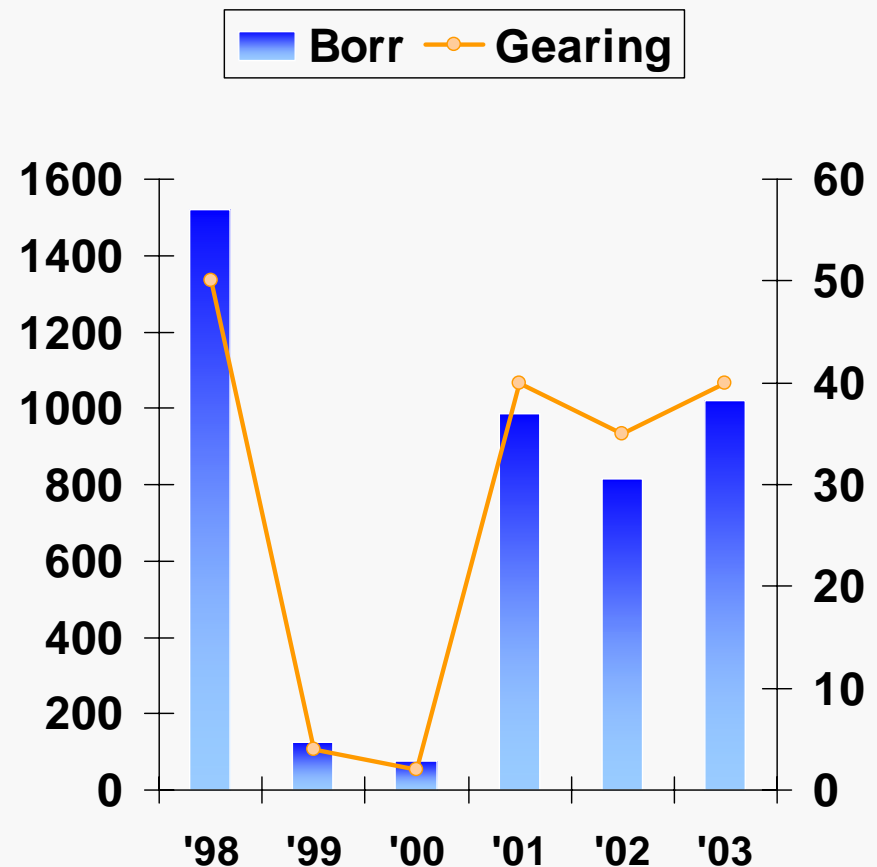
➤ 2003 earnings improved on record of last year and 38% higher than 2001

EPS in cents



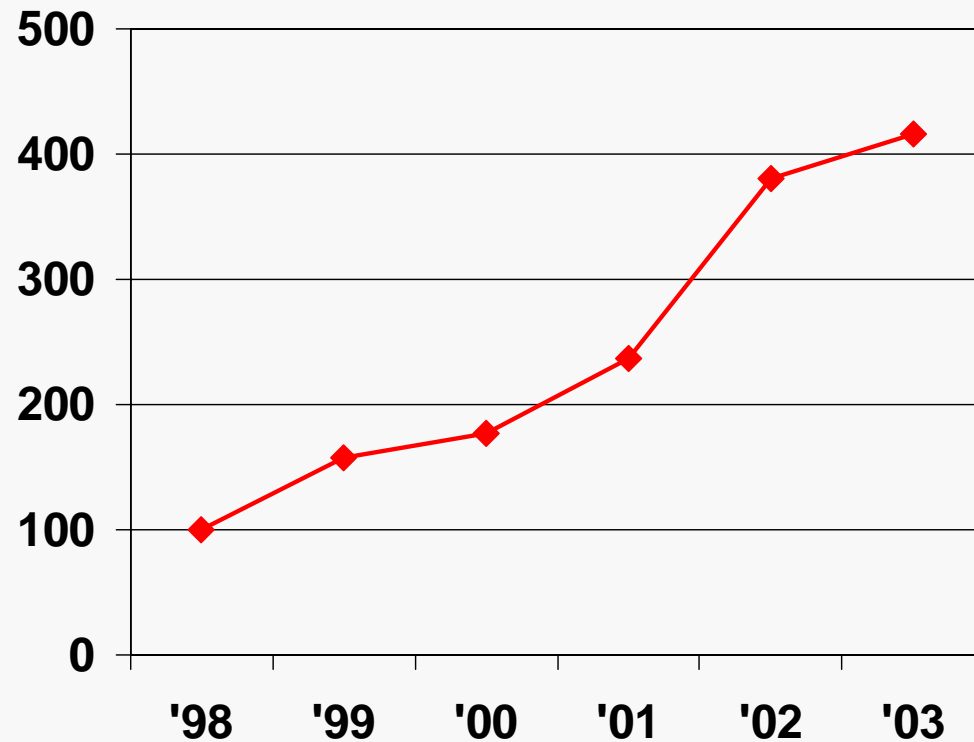
Balance sheet

- Net borrowings R1 019m, gearing 40%
- Capital expenditure R241m
- Investment expenditure of R883m includes R160m for Senmin, R120m for Ondeo-Nalco and R602m for Chemserve minorities (partially settled by 13.3m new AECI shares valued at R335m)
- WC 14% at year-end
- Cash interest cover improved to 6.1 times



Share price

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



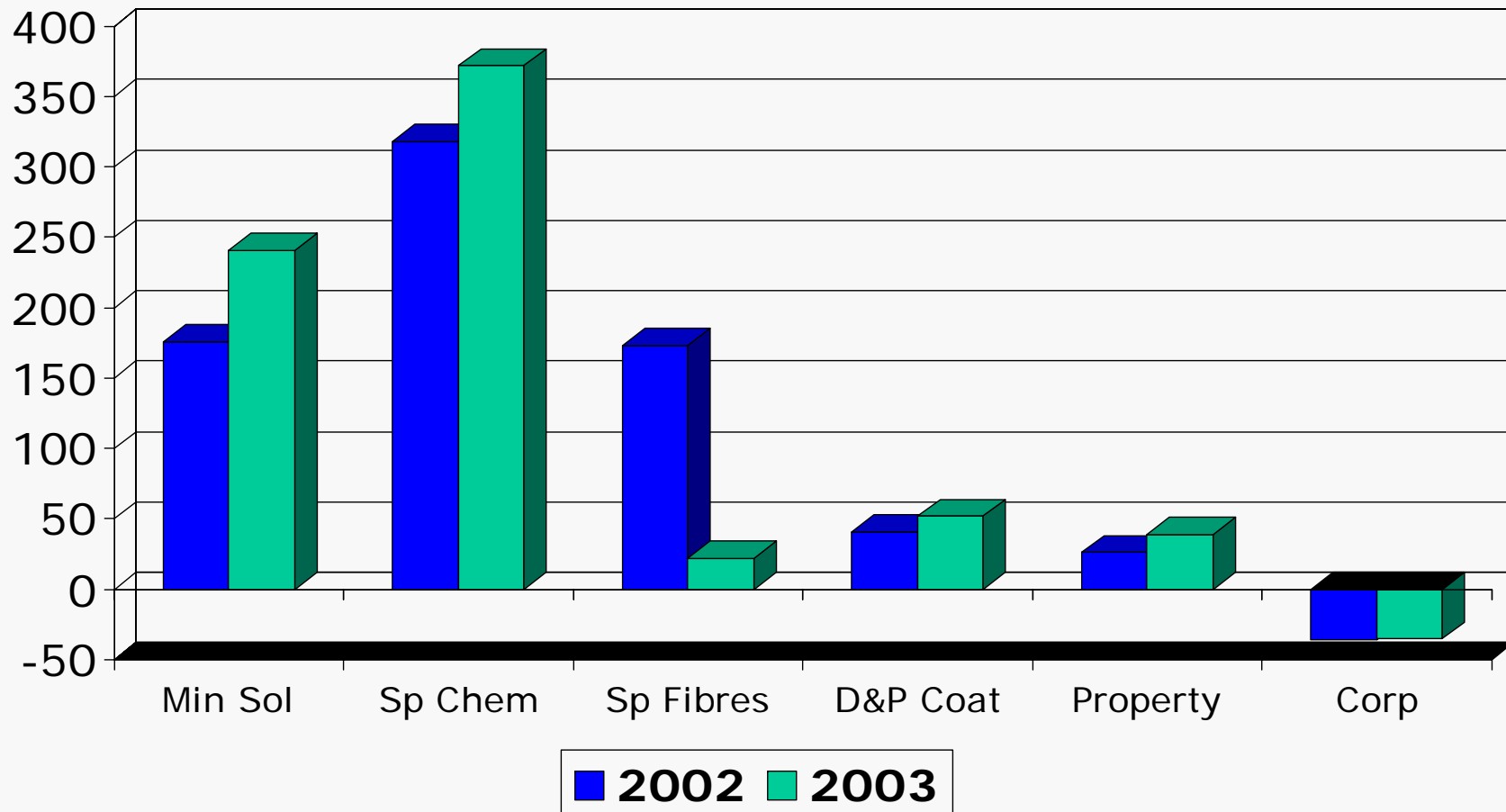
➤ Relative rating to industrials (at year end) improved further

Graph adjusted for R6 special dividend (November 1999)

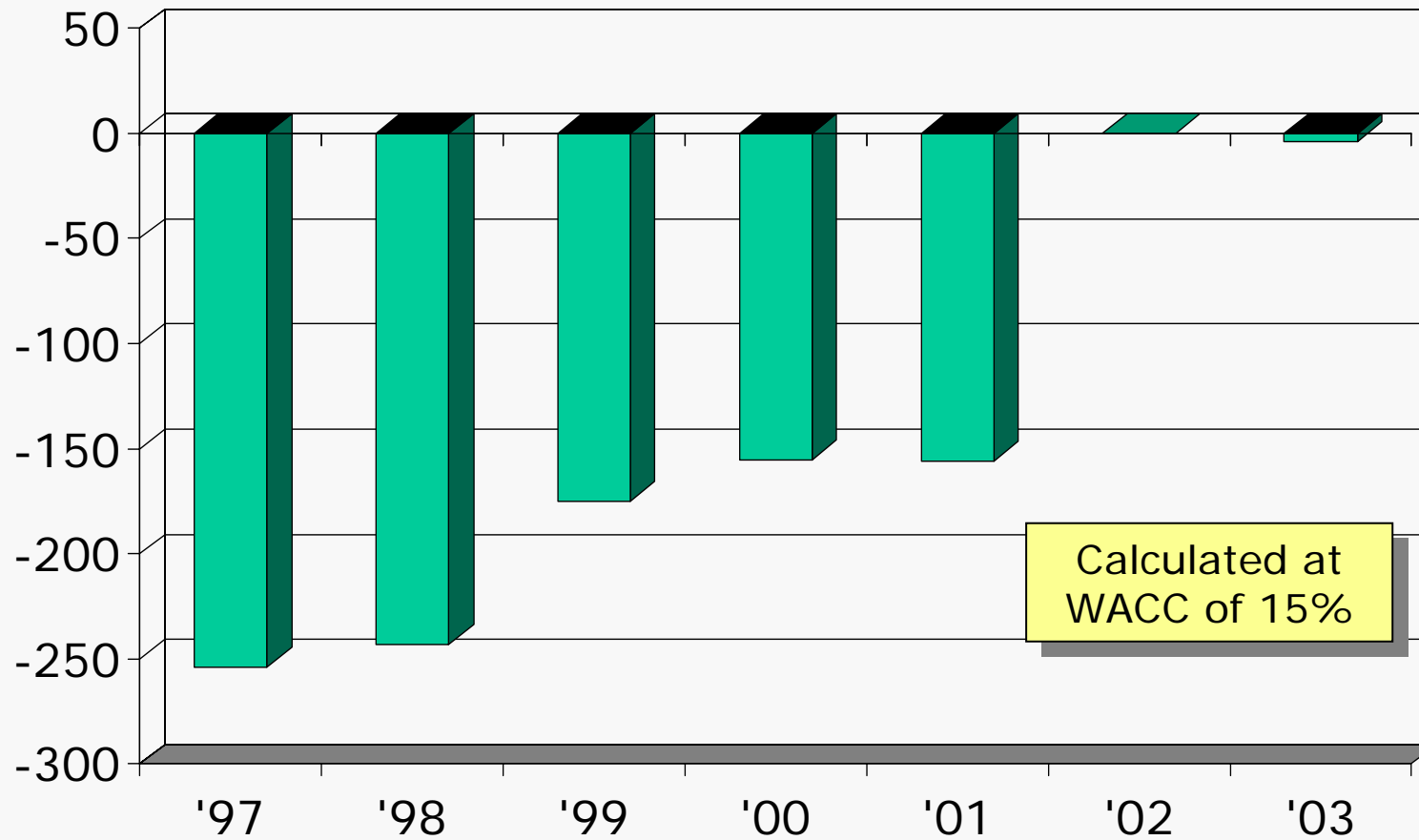
BEE

- Discussions well advanced with selected parties regarding participation of empowered partner in business of AEL
- Will exclude DetNet
- Structure, participation and value being finalised
- Broad based empowerment achieved through establishment of development trust for benefit of local communities
- Implementation target; mid-year
- Chemserve will build on small existing structure in ImproChem

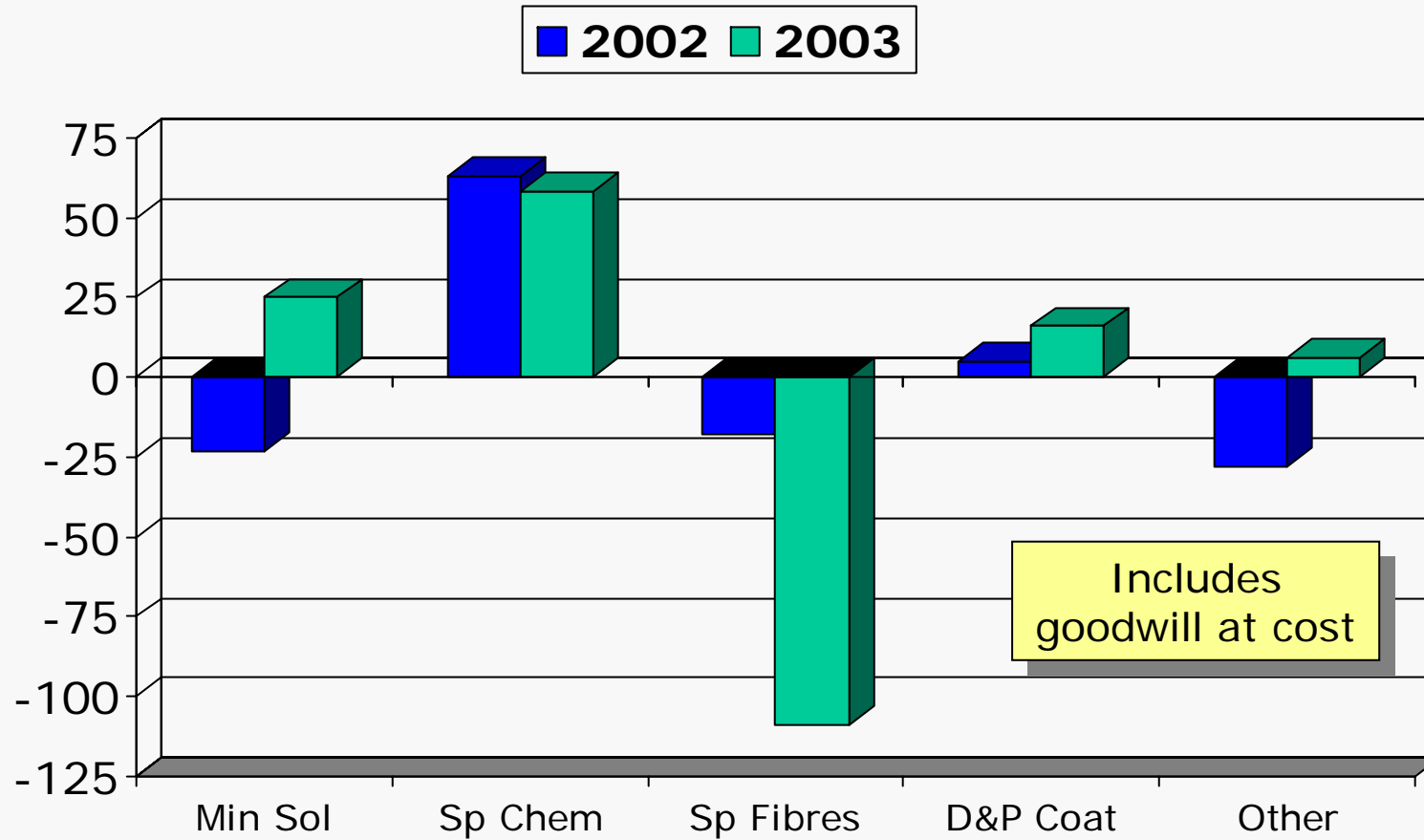
Segmental trading profit



Group EVA (Rm)



EVA by business (Rm)



Mining solutions

- Revenue R2 076m (+9%) ; TP R241m (+37%)
- Margin 11.6% (9.2%)
- Strong demand, particularly from platinum
- Rand impact on Africa businesses; **margin under pressure**, but managed
- Contribution to margin improvement; favourable mix (reduced AN exports and increased sales of initiating systems) and cost containment

Mining solutions

- Exciting growth in DetNet continues (+36% revenue growth in '03)
- Announced heads of agreement to establish international 50:50 joint venture in electronic detonation systems between AECI and Dyno Nobel of Norway (global leader in explosives initiating systems)
- Dyno will contribute \$7m of JV's initial cash requirements
- DetNet International will be responsible for design, manufacture, promotion and support and custodianship of technology of both partners
- Marketing will be implemented primarily through AEL and Dyno Nobel

Mining solutions

- Good progress to shrink operational footprint at Modderfontein; packaged explosives and distribution outsourced
- Started phased capital expenditure plan to automate and increase detonator manufacturing capacity
- Outlook: **challenging market environment**, focus on value add, international sales of electronic detonators, tight operational control, BEE implementation and upstream rationalisation

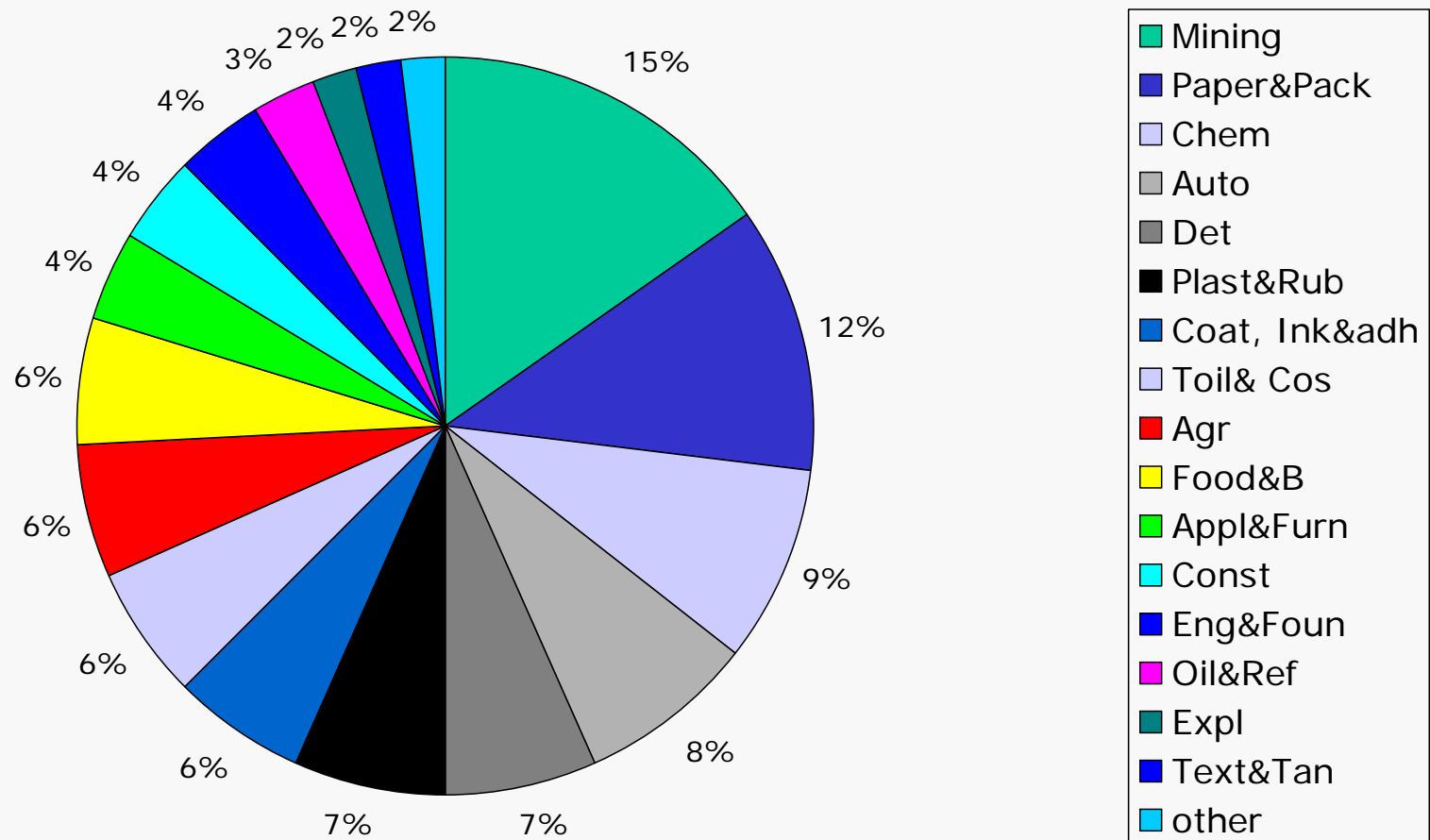
Specialty chemicals

- Revenue R3 197m (+5%); TP R372m (+17%)
- Margin 11.6% (10.5%)
- Best margin in recent history; 10 year compound trading profit growth of 20%
- Diversified portfolio and federal structure support robust performance
- Successful integration of Senmin (1 May R160m) and Ondeo-Nalco (1 Oct R120m) acquisitions contributed to increase in trading margin

Specialty chemicals

- Mining chemical thrust and cluster taking shape
- AECI Coatings returns deteriorated; alternative technology strategy being evaluated
- Outlook: expect modest growth in manufacturing sector, and slow down in mining expansions. Full year benefit from acquisitions. Price increases limited in strong rand and low inflation environment

Specialty chemicals: diversified portfolio



Specialty fibres

- Revenue R1 714m (-18%) TP R22m (-87%)
Margin 1.3% (8.3%)
- Trading profit includes cost of R15m for restructuring of business
- Strong and volatile rand overriding factor (revenue is hard currency related) and progressively eroded trading profit
- High rand cost base relative to dollar margins was exposed
- In dollar terms yarn revenue and gross margin improved 6% and 12% respectively

Specialty fibres

- Volume growth in strategic markets
- Ongoing cost saving initiatives
- Announced closure of nylon apparel yarn business and major restructuring of Bellville operations
- Restructuring includes ongoing focus on margins, product mix, conversion efficiencies and cost reduction. Complement to be reduced by 330 in 2004
- Closure cost of R22m recognised as exceptional charge

Specialty fibres

- R11m loss (2002: -R48m) at Stoneville: improved volumes, efficiencies and utilisation; approached break-even at year-end
- Outlook: restructuring impact, productivity and cost control to continue, rising raw material prices (recoverable from market through cycle), PET market in low phase, new markets in second half
- Strengthening of the rand from 2003 average has put further pressure on margins at SANS

Decorative & packaging coatings

- Revenue R661m (+1%)
- TP R52m (+27%) Margin 7.9% (6.5%)
- **Strong rand impact in African territories** offset by significant improvement in South African operations, supported by expense containment
- Small niche business, AECI Packaging coatings, performed well
- **Total volume declined, but** maintained market share. Growth in high quality branded end of decorative market
- Outlook: positive due to reduced interest rates, focus on branded lines, African recovery

Property

- Revenue R207m (+15%) TP R39m (+50%)
- Healthy demand towards year end as interest rates declined and business confidence improved
- Modderfontein (Greenstone) and reduced manufacturing footprint opportunities.
- New area being developed in Somerset West
- Outlook: Expect strong demand to continue

In conclusion

- Robust portfolio delivered pleasing result in tough business environment
- Material strengthening of rand exchange rate from 2003 average would further pressure margins at SANS
- Recovery in world's major economies and low domestic interest rate and inflation environment should underpin demand for RSA's export-oriented and manufacturing sectors