
Group interim financial results 2006

**Presentation to investors, analysts and media
25 and 26 July 2006**

specialty product and service solutions

AECi

Summary

- Mixed performance from portfolio; profits boosted by large property disposal
- Headline earnings +95%, with property sector contributing additional 180 cents per share.
- Dividend +19%
- Excellent result from Chemserve
- AEL (margin pressure) and SANS (power outages, operational efficiencies) disappointing
- Volumes, in aggregate, satisfactory but margins under pressure as raw material costs surged ahead of price increases

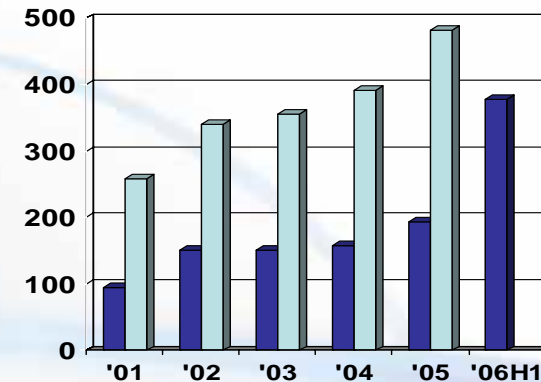
Business environment

- Much debate around currency weakness and volatility, high oil price sustained at record levels, increased inflation trends, current account deficit, risk aversion towards emerging markets and fears of further interest rate hikes
- Moderation in economic growth foreseen
- Local manufacturing and mining to benefit from weaker currency
- Higher input costs and weaker rand will pressure margins and PPI will rise

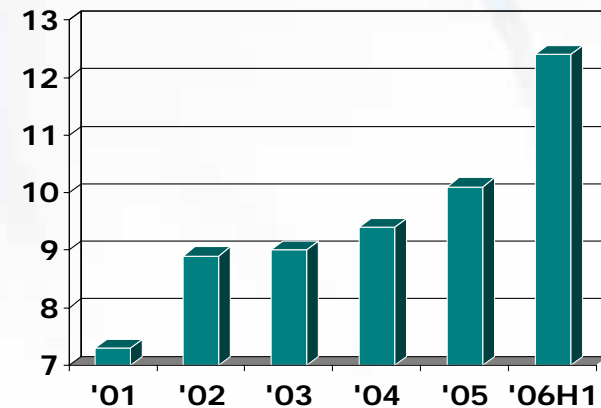
Results for 2006 H1

- HEPS +95%
- Volumes mixed; SANS disruptions, acquisitions
- Revenue +17%, and +12% excluding acquisitions
- TP margin 12.4% (9.3%)
- TP +56%
- Foreign sales +12% in rand

Headline earnings per share (cents)

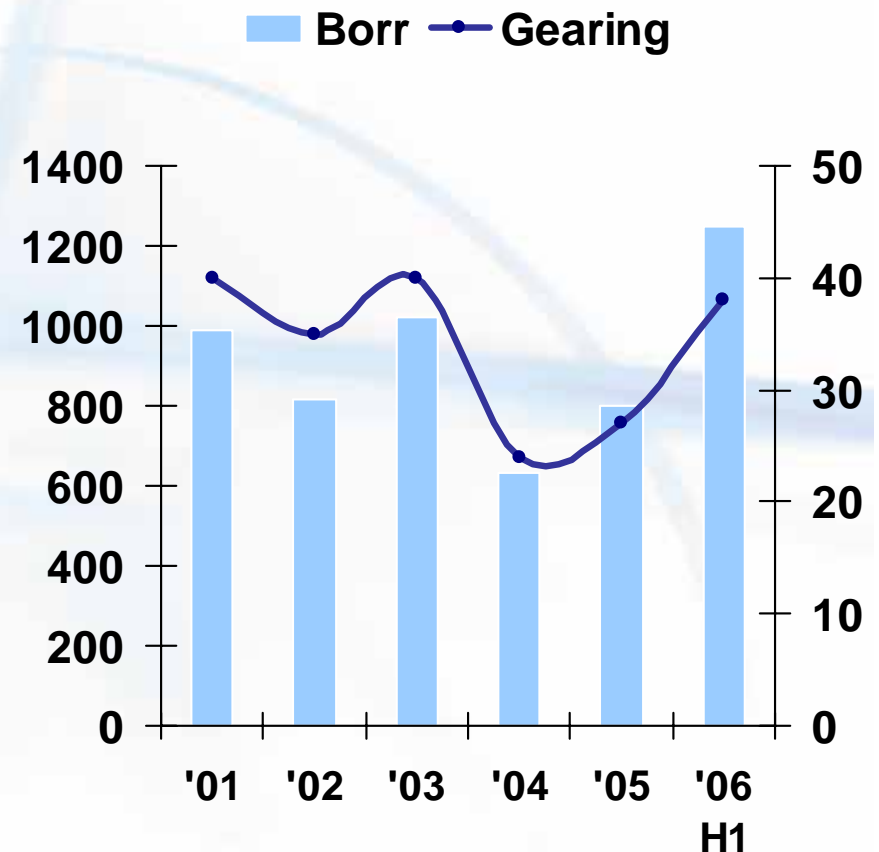


Trading margin (%)



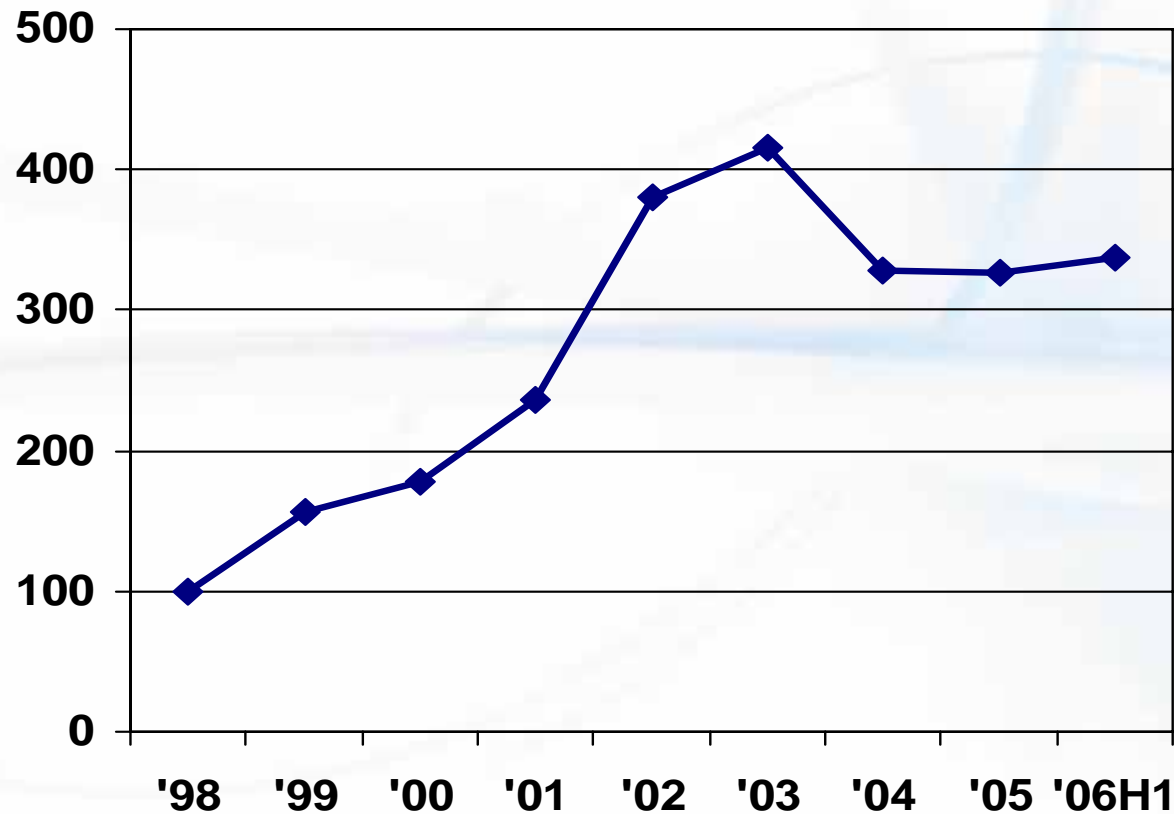
Financial

- Chemserve acquisitions R145m
- Capex R210m, R104m higher than depreciation charge; AEL and CSL expansions
- WC inflated by Milnerton property sale; excluding this receivable WC was 18% compared to 17% end June 2005; target remains 16%
- Borrowings up by R327m to R1 250m = gearing ratio of 38% (33% at June 05)
- Cash interest cover up to 13 times



Share price

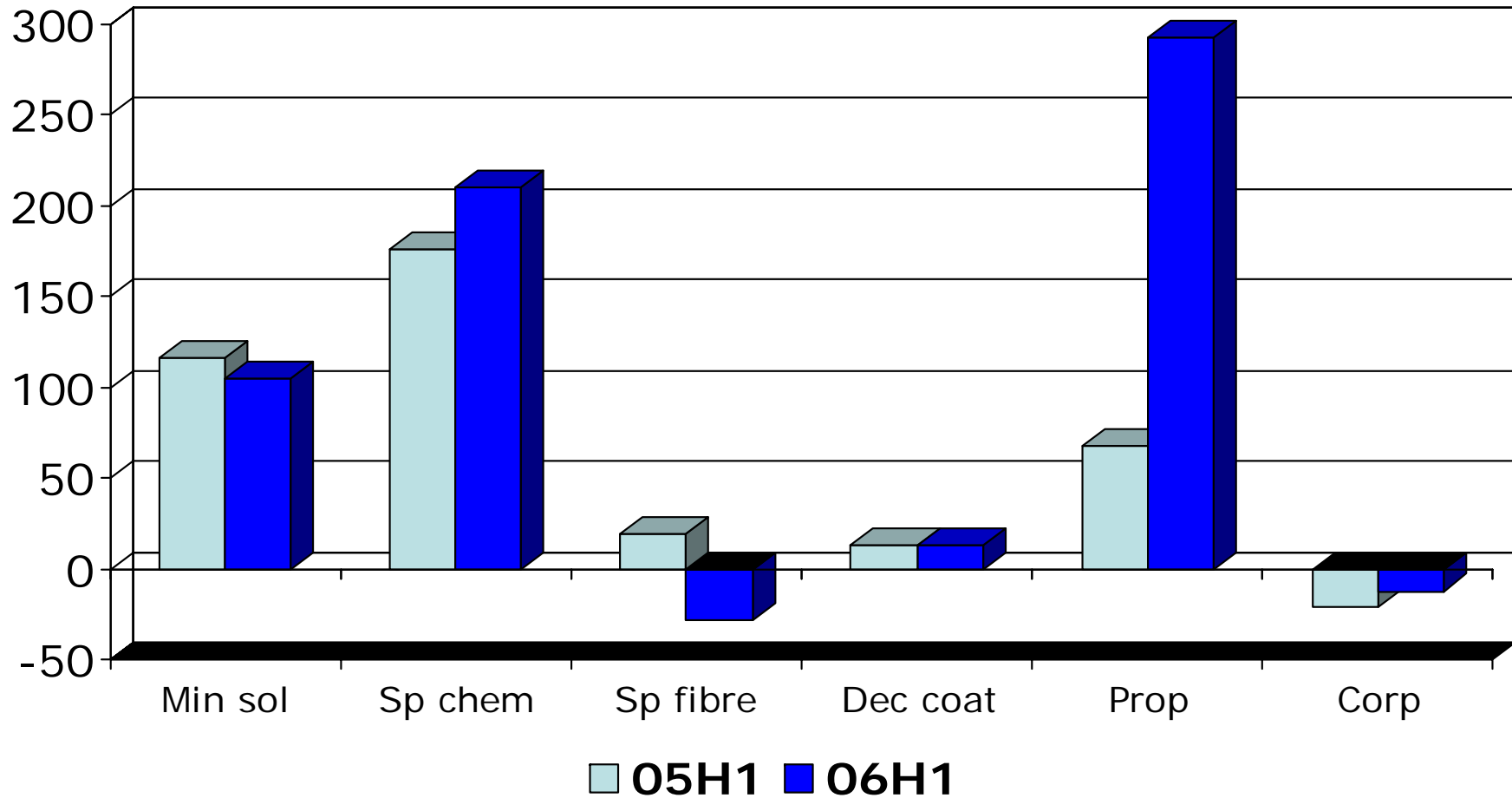
AECI share price relative to JSE Ind index



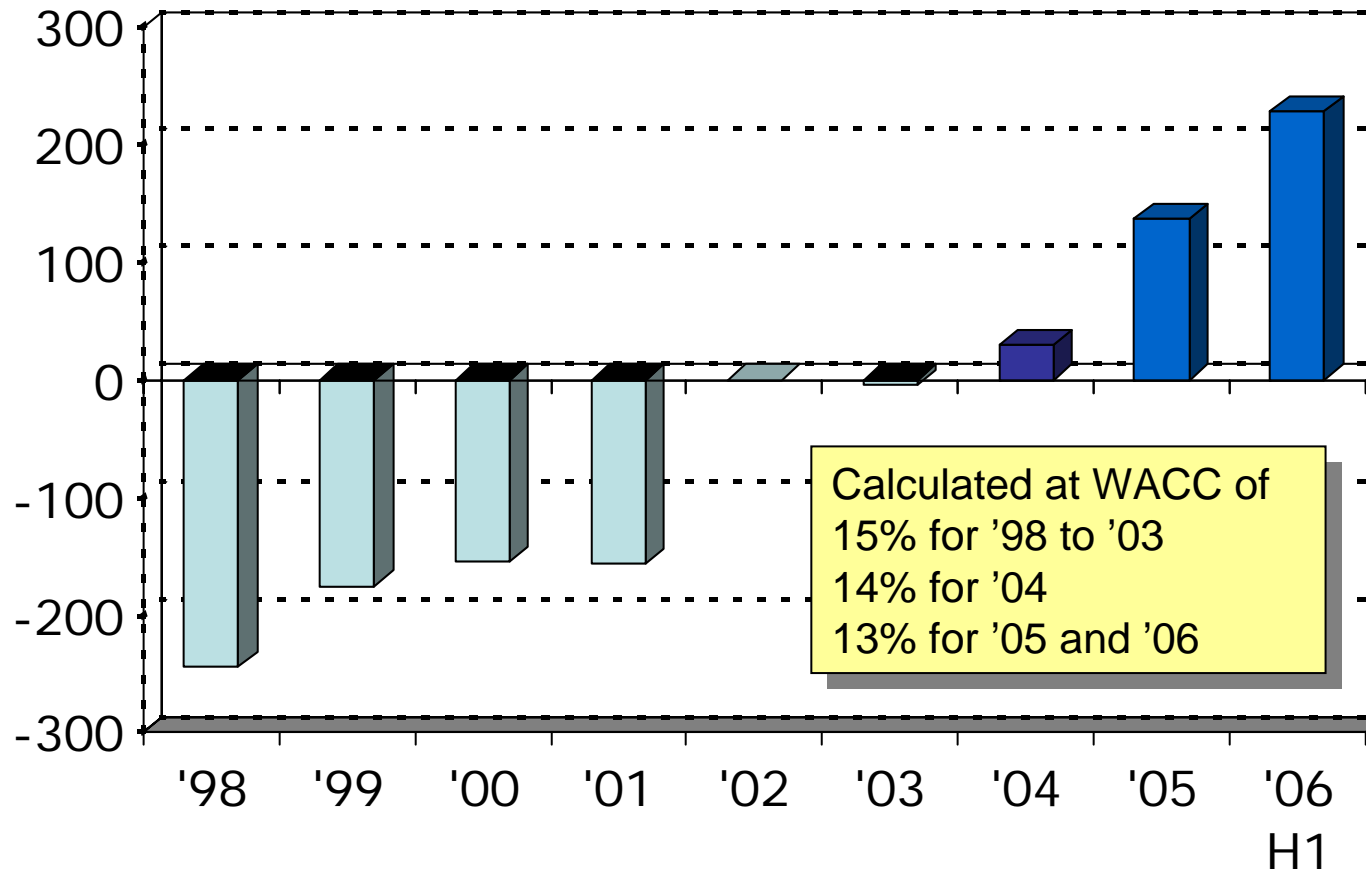
Relative rating to industrials comparable with 04/05, but below 02/03 peak

Graph adjusted for R6 special dividend (Nov '99)

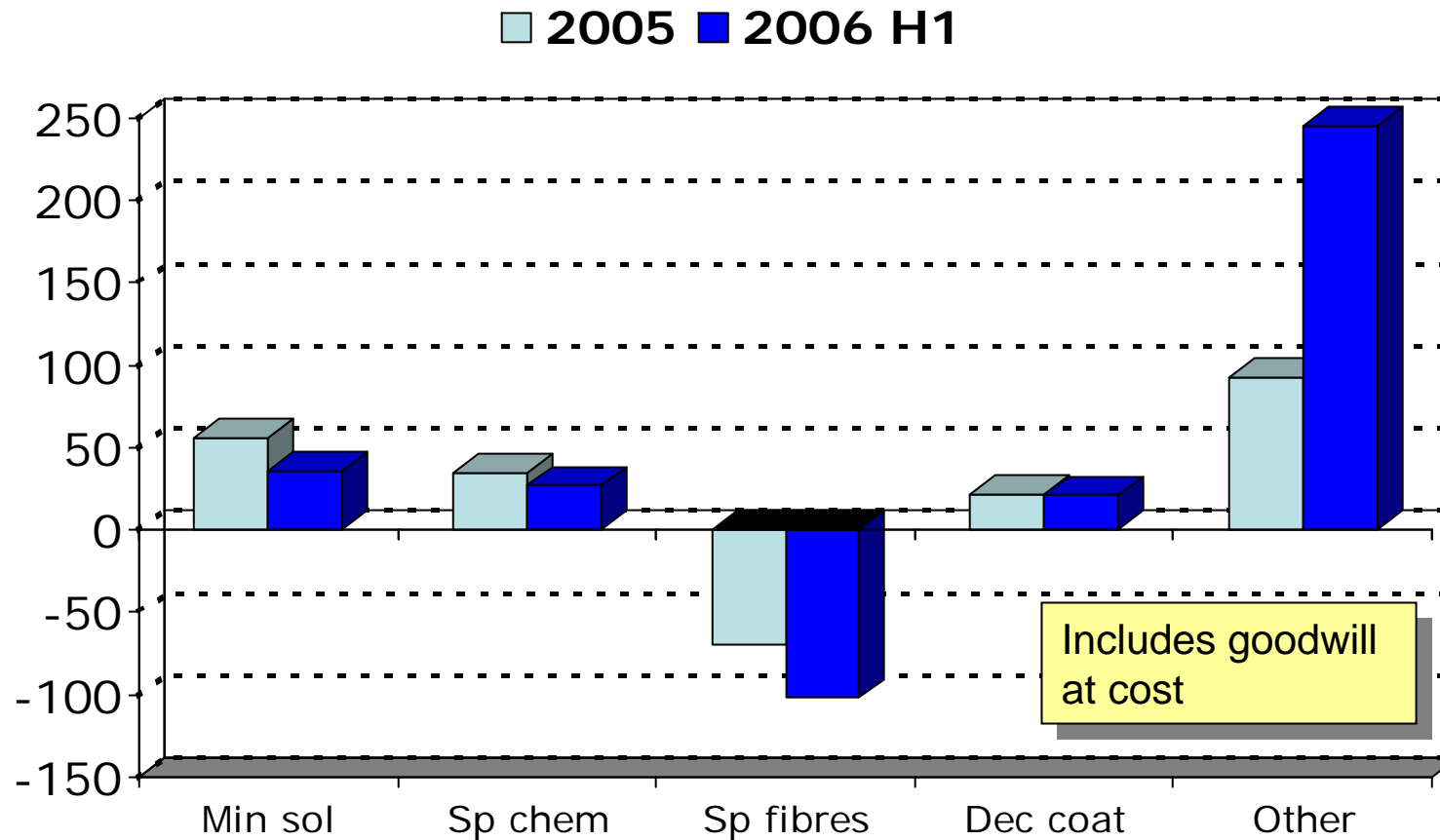
Segmental trading profit (Rm)



Group EVA[®] (Rm)



EVA[®] by business (Rm)



Mining solutions

- Revenue R1 153m (+6%); TP R105m (-9%)
- Margin 9.1% (10.7%)
- Ammonia prices remained high, contributed to margin squeeze
- Explosives and initiating systems volumes flat in SA
- Rest of Africa still growing, but pace has slowed
- Fixed costs well controlled, somewhat offsetting decline in margins
- No export of ammonium nitrate in 2006, compared to opportunistic export last year which added R7m to trading profit in 05H1

Mining solutions

- Factory modernisation and automation programme progressing well
- First phase (cost = R75m) undergoing mechanical commissioning; second phase (R100m) approved and construction progressing well
- Designed for quality improvements, cost reductions and new product offerings
- Will be most advanced facility of its kind in the world, and release large portions of land for alternative use

Mining solutions

- Imports of state-subsidised initiators from China had detrimental effect on margins and, to lesser extent, volumes
- Contained through a range of actions
- AEL has approached the High Court to review ITAC's decision to revoke its investigation
- AEL also finalising submission of a third petition

Mining solutions

DetNet progress

- Product being sold in US, Australia and Chile; slowly gaining confidence of international market
- **Volume ramp-up slower than expected** but still growing steadily
- JV with the newly-listed Dyno Nobel working well; all parties remain committed to increasing rate of introduction of the products
- Production being ramped up in accordance with global demand and a regional assembly plant under construction in the US

Specialty chemicals

- Revenue R2 082m (+23%); TP R210m (+19%)
 - margin 10.1% (10.4%)
- About half of revenue increase from acquisitions
- Contribution margin squeezed by weakening and volatile currency, but trading margin maintained by good cost management
- Solid performances in portfolio; also benefiting from restructuring and consolidation implemented in prior periods
- Commissioning difficulties and commercial downtime in paper industry affected performance

Specialty chemicals

- Higher rate of capital investment continues with mining chemicals (CMC and Guar) plant commissioned in Sasolburg
- Sulphur dioxide storage and loading facility operational; significantly reduced risk circles at Umbogintwini
- Several additional capital investments to support mining chemical thrust under investigation

Specialty chemicals

- Growth strategies
- Acquisitions: R145m spent in period
 - ▶ Leochem (petroleum jelly) effective March '06 and Resitec (oleo-chemicals) April '06
- New initiative: Brazil country strategy; acquired 60% shareholding in oleo-chemical business for R43m cash; initial results as expected; investigating opportunity to install distillation column to upgrade locally available crude tall oil
- Further, more substantial, specialty businesses being sought as acquisition targets and platform for product introductions

Specialty fibres

- Revenue R786m (-5%); TP -R28m (+R19m in 05H1)
- Recovery programme set back severely in Q1 by two power outages which impacted operations for weeks
- Insurance claim covered only part of the cost
- Output of polyester polymer and PET restricted following scheduled maintenance shutdown and expansion project in March
- International demand strong; LDI volumes +5%; HDI slow in Q1, recovered in Q2; Far East volumes +2%

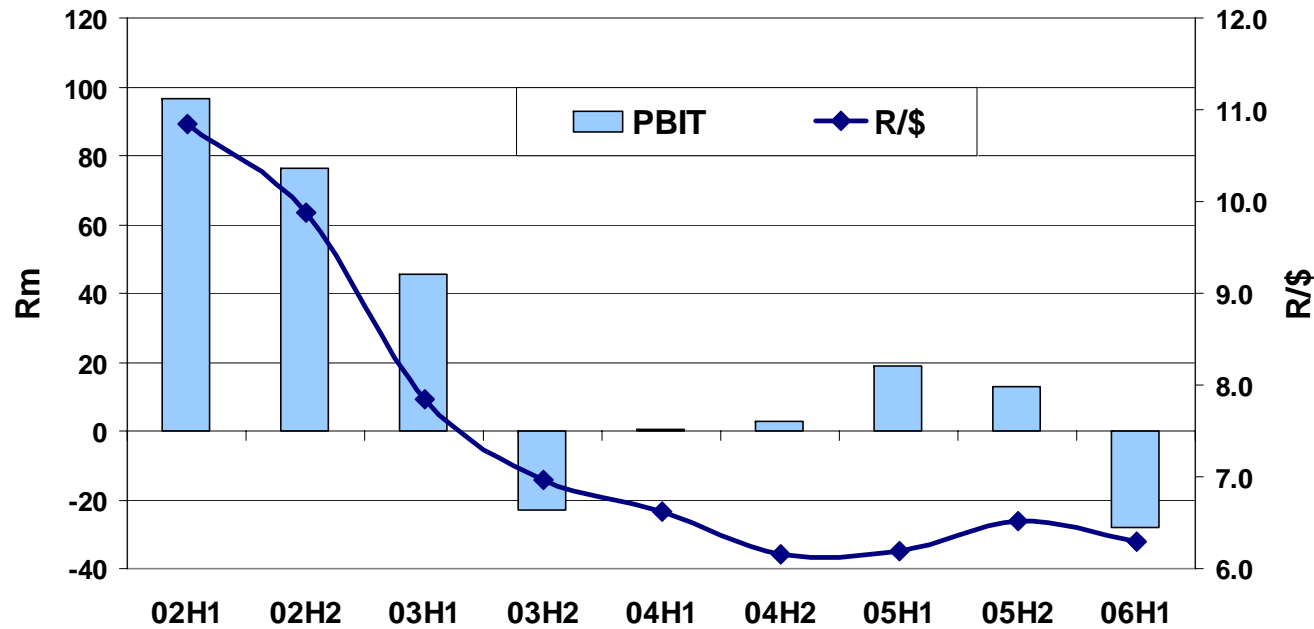
Specialty fibres

Recovery plan

- Original plan on track but influenced by persistent strong rand, (break even now R6.20/\$; averaged R6.10/\$ for first four months)
- Price increases lag raw material surges and, locally, sudden weakness in rand creates short-term margin squeeze
- Product development plan achieved
- 05H2 and 06H1 affected by productivity and efficiencies not up to standard; *force majeure* in nylon supply necessitated switch from major supplier
- Further improvement in US joint venture

Specialty fibres

Profit and exchange rate



Decorative coatings

- Revenue R297m (+11%); TP R13m (unchanged)
- Good volume growth in low season in SA
- Margin depressed as price adjustments did not adequately cover raw material increases
- Continue to grow presence in specialty stores and builders' outlets
- Acquired Sent Packing, small distributor of specialised DIY metal coatings (mainly ICI products)

Property

- Revenue R458m (+103%); TP R292m (+R224m)
- Includes sale of 61 ha Milnerton property for R260m, substantially exceeding previous expectations
- Stock of land immediately available for sale is limited
- 1 380 ha of the original 3 700 ha excess land available sold (including 81 ha in 2006)

Property

- Continued constructive discussions with Gautrain technical experts to resolve outstanding issues, such as bridges to connect planned routes
- Good progress with remediation at various sites, particularly Milnerton and Somerset West; expensed R37m against income and further R53m from provisions
- Footprint of Modderfontein conservation area finalised, setting aside area of about 271 ha for this purpose

Post-employment costs

- AECI Pension Fund Trustees resolved to establish general reserve account of R750m
- To transfer amounts on regular basis to employer surplus account
- Will be used primarily to fund an allowance to pensioners over 65 equivalent to portion of medical aid contributions paid by Company
- Company undertakes at least to maintain for 10 years the present rate of contribution to the Pension Fund i.r.o. employee members

Post-employment costs

- Effect will be to reduce the amount of medical aid contributions paid by Company on behalf of retired employees
- Value of post-employment medical aid benefit provision in balance sheet will also reduce
- Quantum to be finalised

Outlook

- Positive outlook for domestic manufacturing and mining sectors, particularly if rand remains at current levels supporting export and import competing sectors
- Group to benefit from acquisition and investment activities
- Less land available for sale in 06H2
- Weaker currency assists SANS Fibres' recovery
- Maintaining margins through timeous response to volatile raw material prices and exchange rates is a major challenge
- Excluding release of part of provision for post-employment medical aid, targeting 06H2 result similar to 05H2

Calendar

- 7 September: AEL presentation and visit to new automated detonator plant at Modderfontein
- 20 February 2007: release of 2006 full financial year results
- 20 February 2007: presentation in Johannesburg
- 21 February 2007: presentation in Cape Town