



FINANCIAL RESULTS

FOR THE HALF-YEAR ENDED 30 JUNE 2012

presentation

25 AND 26 JULY 2012

PRESENTATION

Outline



- Welcome
- Executive team
- Overview of results
- Business environment and AECI's performance
- Segment performance
- Segment update
 - AEL
 - Specialty chemicals
 - Heartland
- Outlook

EXECUTIVE TEAM



Graham Edwards
Chief Executive



Mark Kathan
Chief Financial Officer



Khosi Matshitse
Human Capital Executive



Nomini Rapoo
Company Secretary



Anthony Diepenbroek
Managing Director
Heartland



Mark Dytor
Chemicals Executive



Schalk Venter
Managing Director
AEL Mining Services



Edwin Ludick
Chemicals Executive

PERFORMANCE

Overview



- Revenue up 17% to new half-year record high
- Market share maintained in highly competitive market
- Improved safety performance with TRIR of 0,58
- Profit from operations down 3%
- Disappointing trading results and WC control at AEL
- Heartland – no property sales
- HEPS down 9% (excl. B-BBEE IFRS cost)
- Unchanged cash dividend of 78cps declared

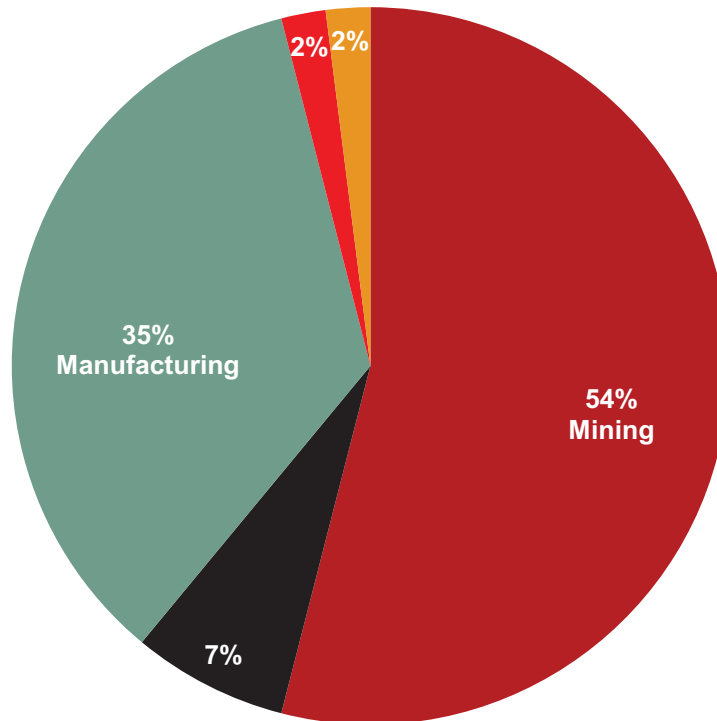


environment & performance

REVENUE SPLIT

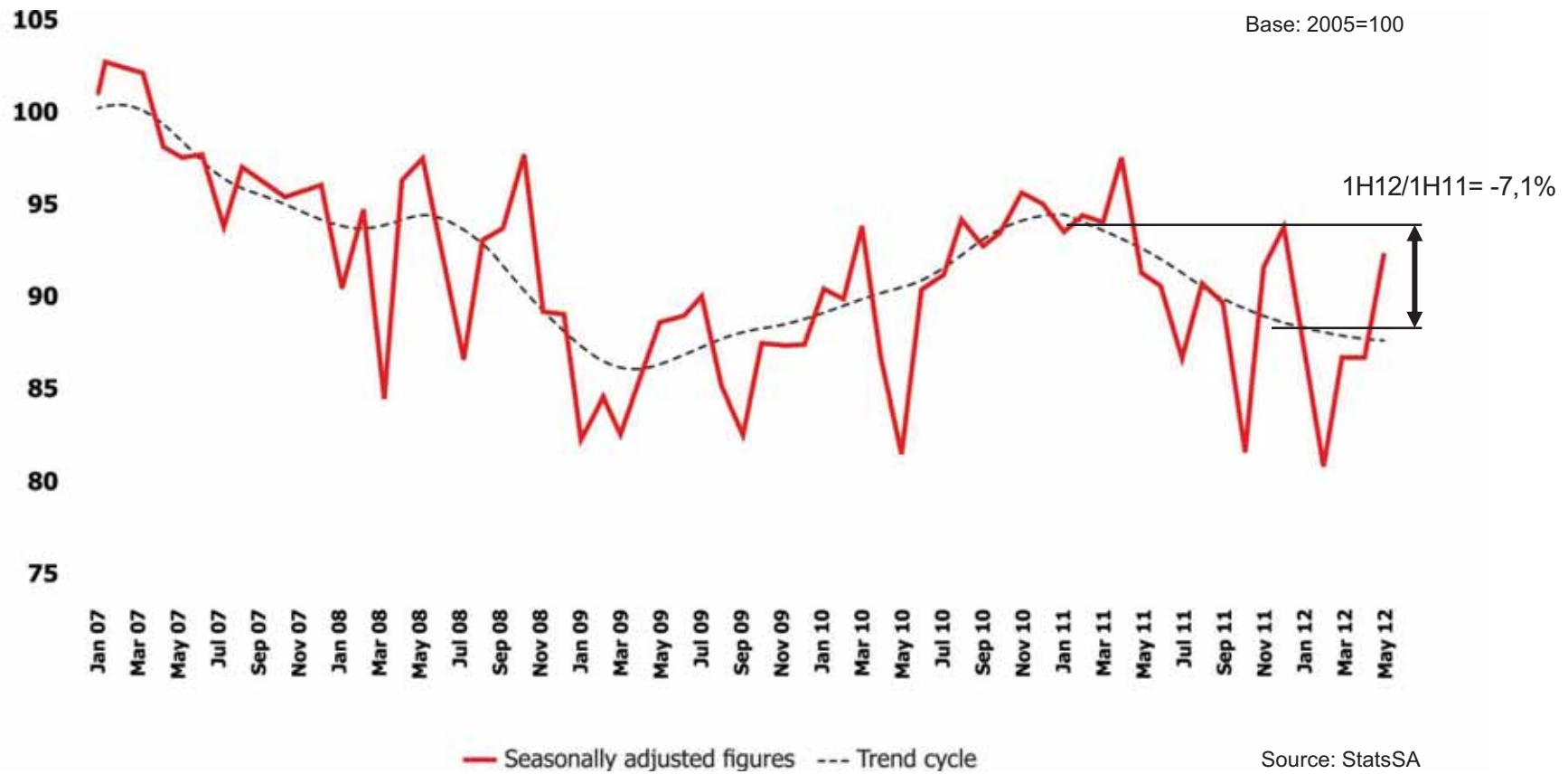


- Mining
- Agriculture
- Manufacturing
- Property
- Fibres



BUSINESS ENVIRONMENT

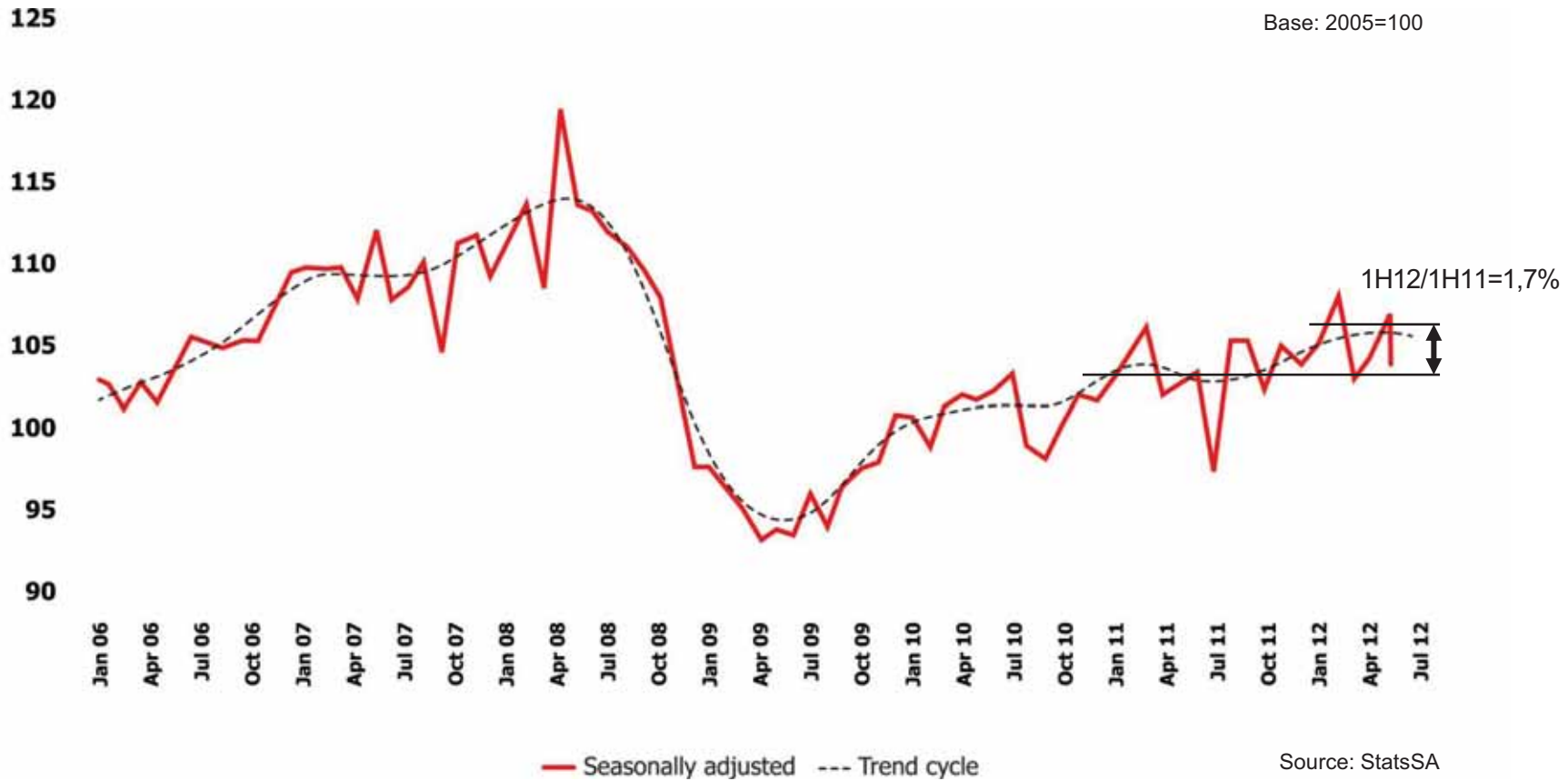
SA mining volumes Jan '06 – Jun '12



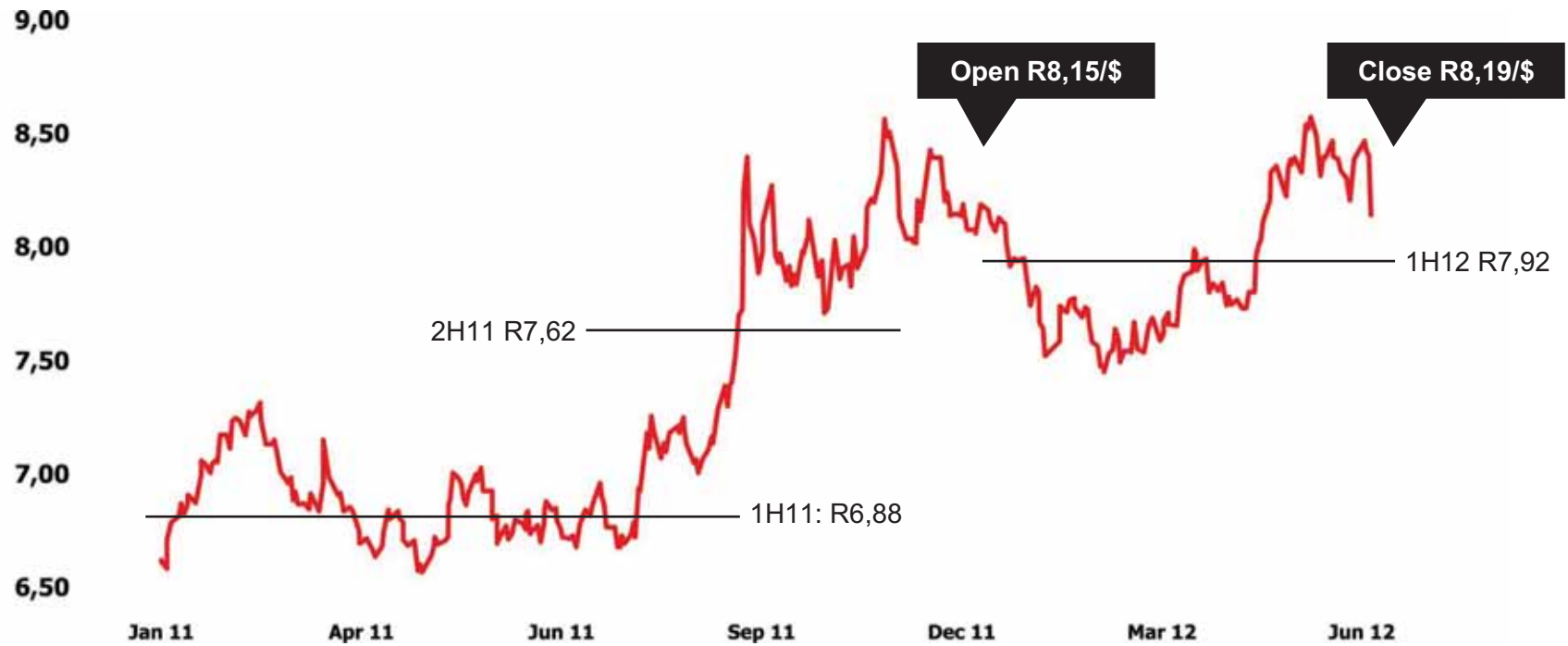
Source: StatsSA

BUSINESS ENVIRONMENT

SA manufacturing volumes Jan '06 - Jun '12



ZAR/US\$ EXCHANGE RATE



BUSINESS ENVIRONMENT

Effect on performance



- Volatile ZAR/US\$ rate
- Challenging market conditions in manufacturing sector
- Mining volumes steady
 - growth in surface
 - reduction in underground (especially platinum)
- Property market remains difficult, except for specific locations



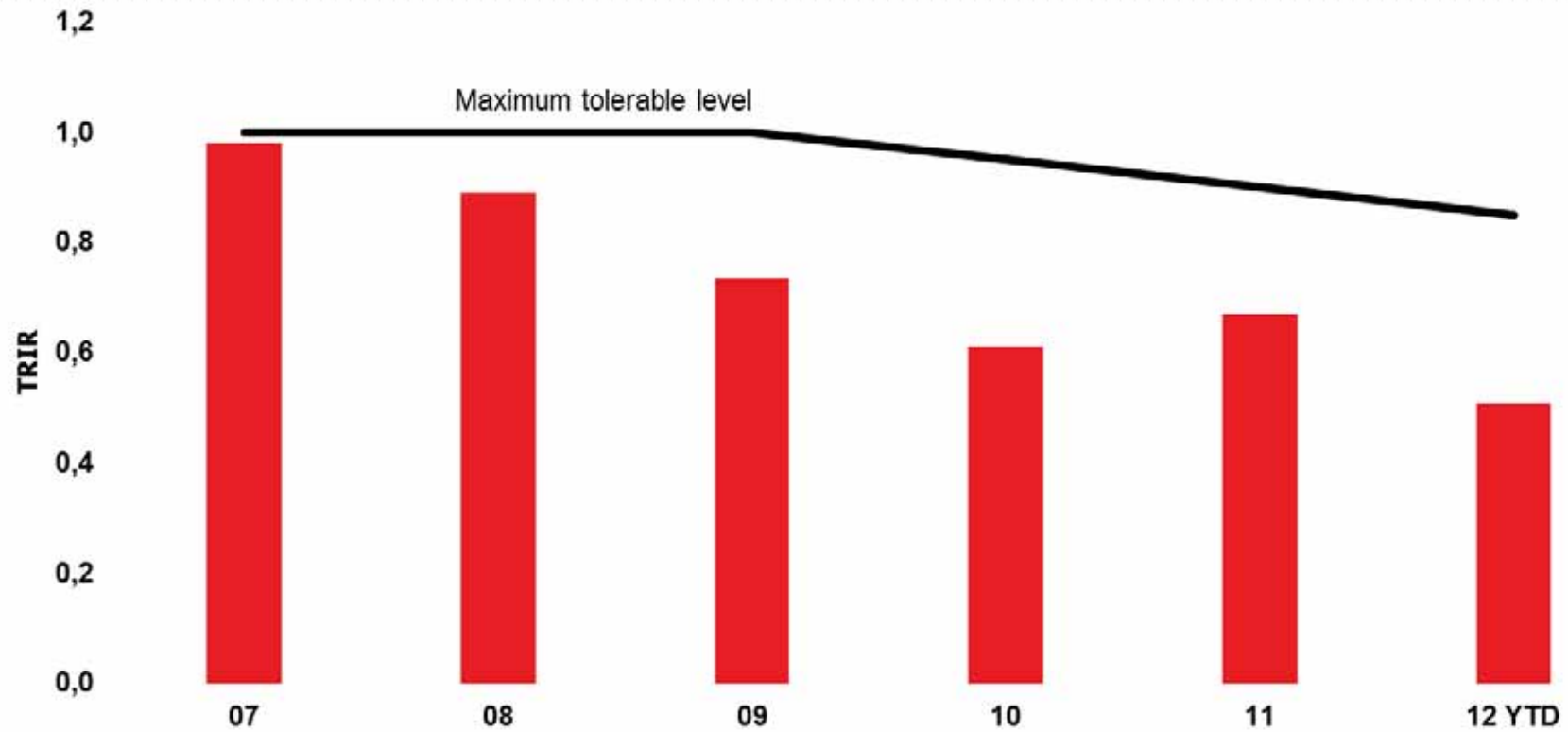
performance

SAFETY AND HEALTH

Performance



ALL WORKERS TRIR



Total Recordable Injury Rate (per 200 000 hours)

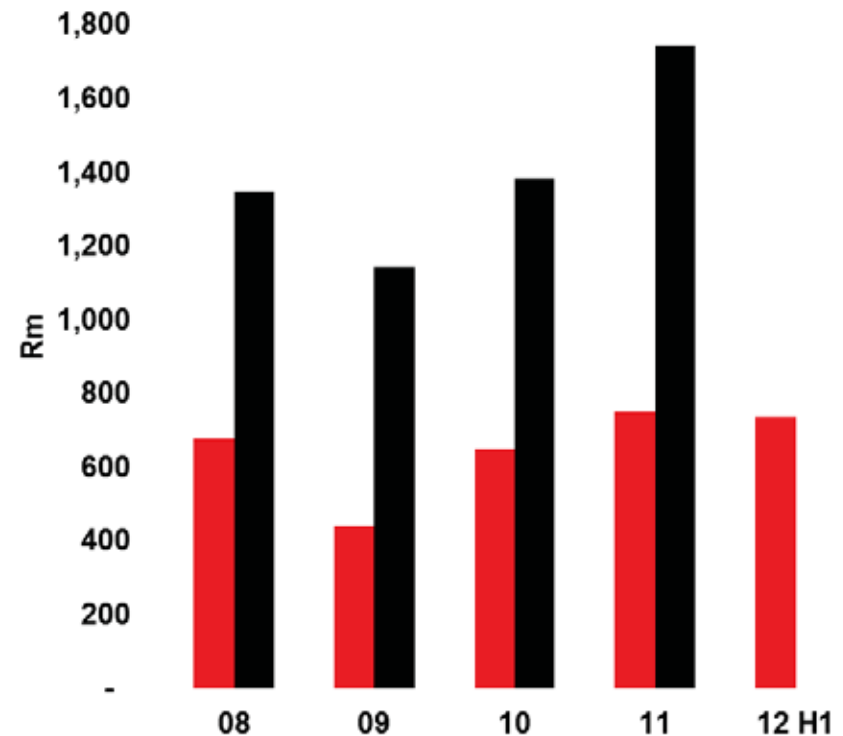
RESULTS

EBITDA and volumes



- EBITDA -2% to R738m
- Volumes +8,2% overall
- Chemicals volumes +12,1%
 - manufactured -6,8%
 - traded +33,4%
- Explosives +4,2%
- Foreign revenue +25% to R2 073m
- Market share maintained

FULL- AND HALF-YEAR EBITDA



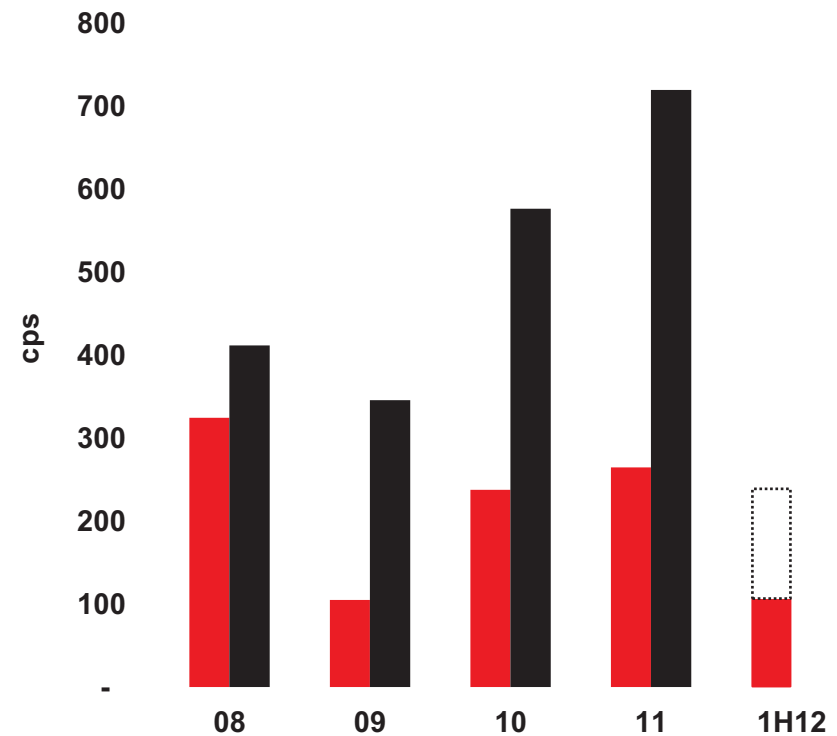
RESULTS

HEPS



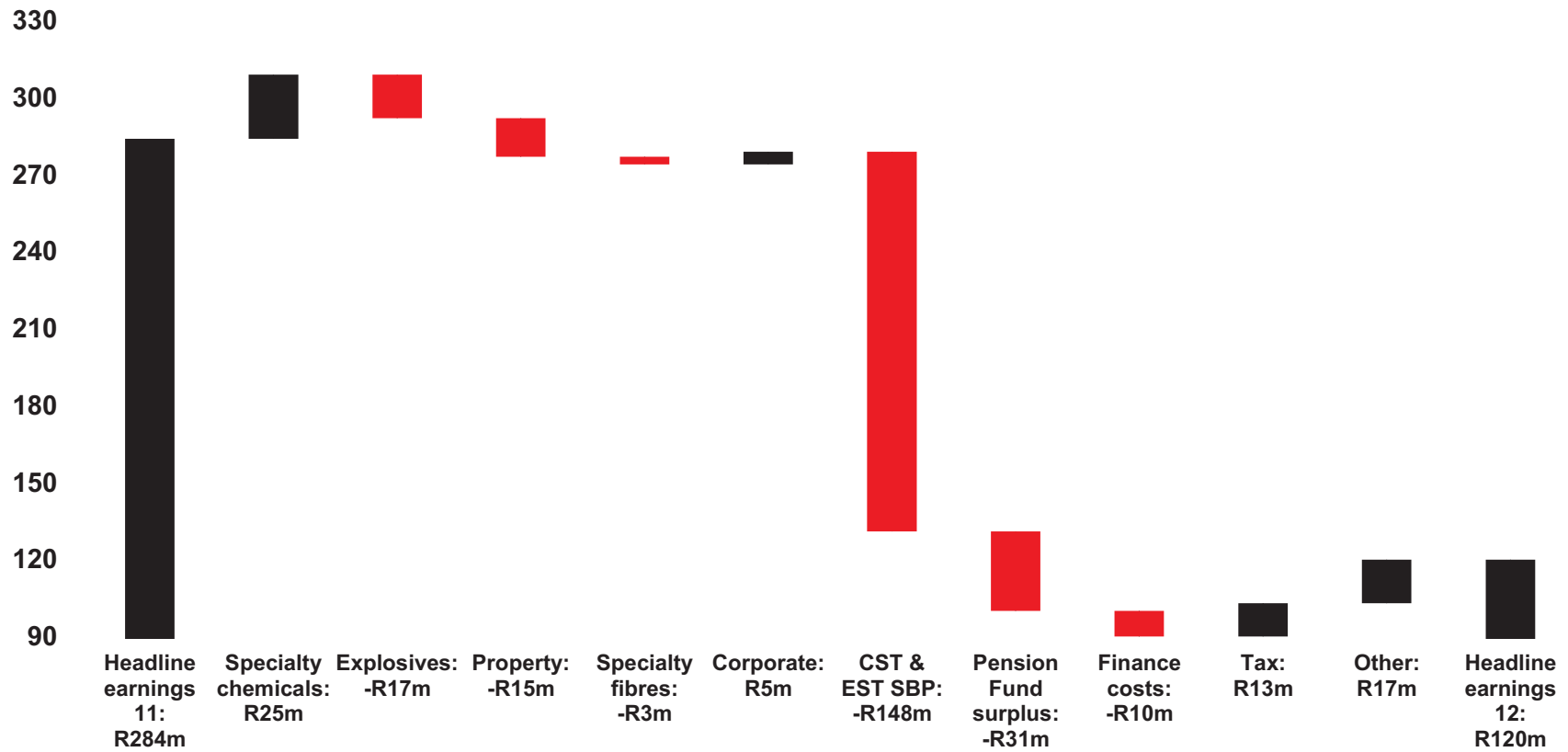
- HEPS -59% to 108cps including IFRS charge of 132cps
- Excluding IFRS charge HEPS -9%
- Pension Fund/PRMA surplus – -R16m compared to R15m in '11
- Profit from operations -3%

FULL- AND HALF-YEAR HEPS



RESULTS

Headline earnings (Rm)



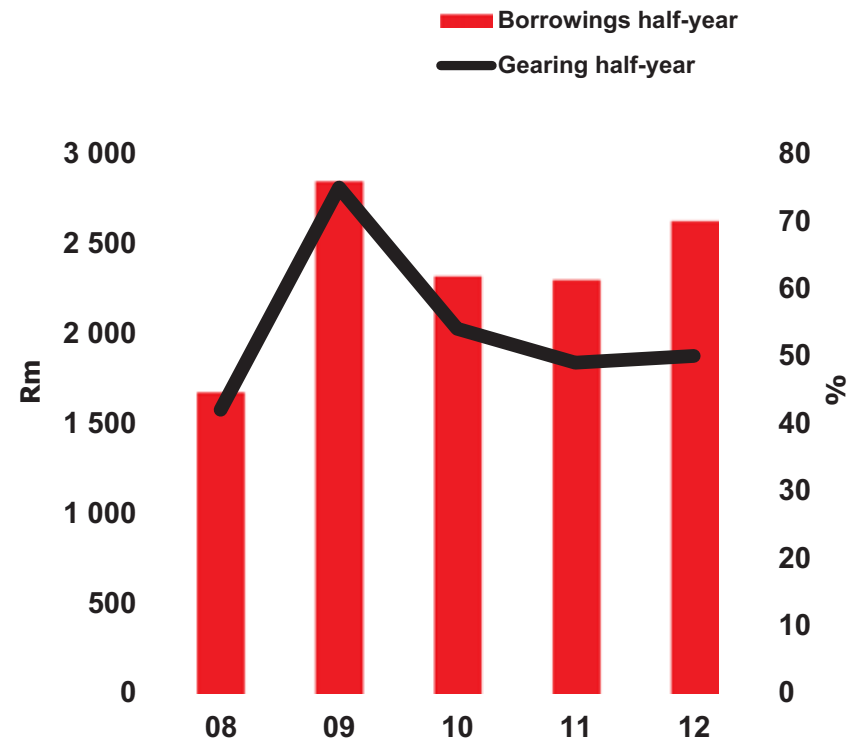
RESULTS

Cash utilisation



- Capex: R280m – incl. R145m for expansion projects
- NWC to sales – 22,4% (1H11: 20,2%)
- Net borrowings – R2 629m
- Gearing at 50% (1H11: 49%)
- Cash interest cover – 7,1x
- Cash dividend – 78cps

HALF-YEAR BORROWINGS AND GEARING



IFRS 2 CHARGES

B-BBEE transaction



- CST – R138m once-off
- EST – R10m in 1H12, R15m in 2H12
- EST – only 75% of shares allocated
- Annualised IFRS 2 charge = R25m for 75%, approx. R33m for 100%
- IFRS 2 charges not deducted in tax calculation
- Income statement impact of EST to '19 – total of R125m

EXPLOSIVES

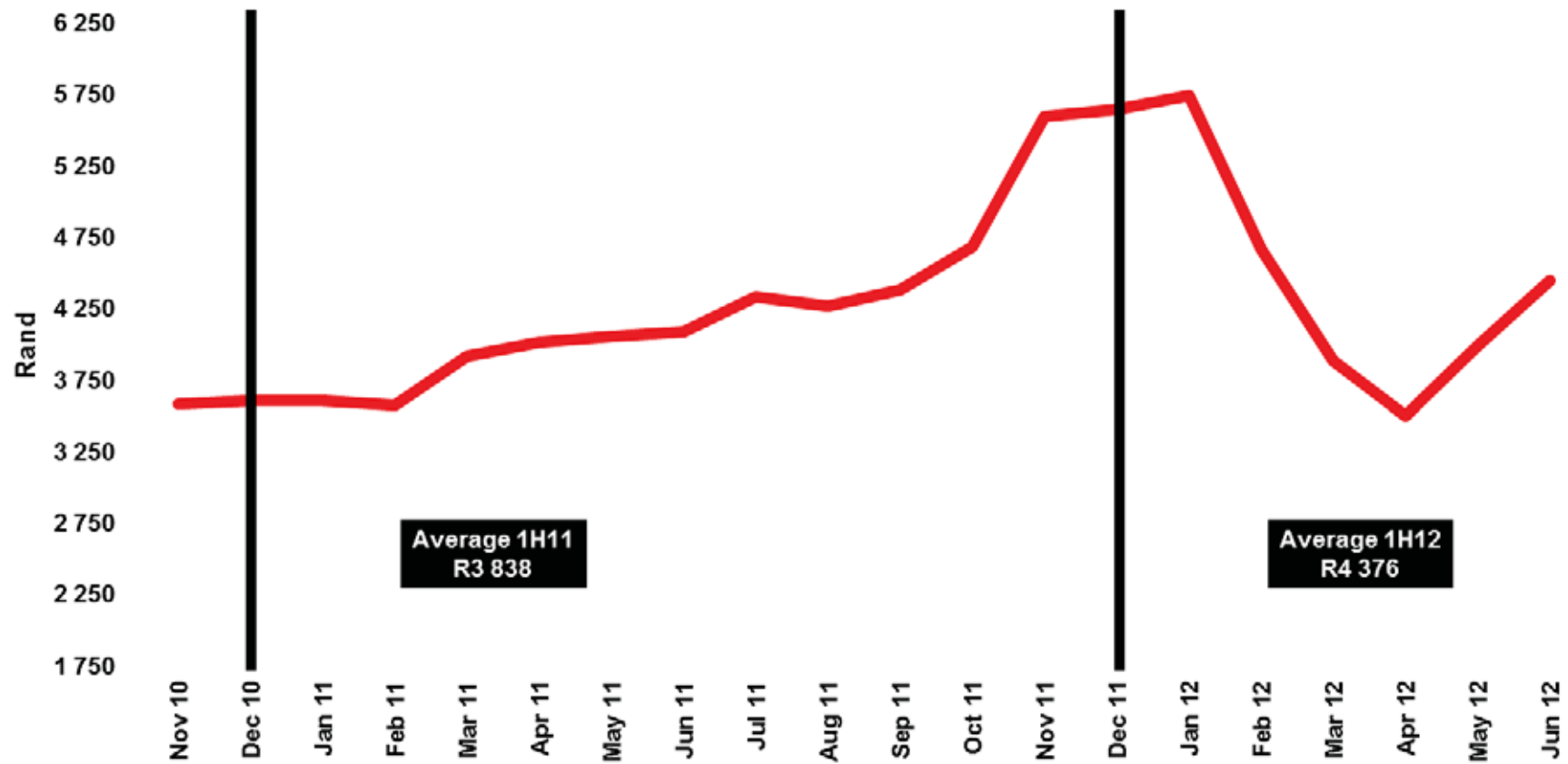
Environment



- Global commodities – good demand for gold, copper, diamonds, iron ore
- Economic landscape – softening coal, platinum volumes
- Underground mining challenged – volume decline, production interruptions
- Favourable ZAR/US\$ rate
- Key input costs volatile – ammonia and fuel
- Mining in the rest of Africa increasingly attractive

EXPLOSIVES

Ammonia price



EXPLOSIVES

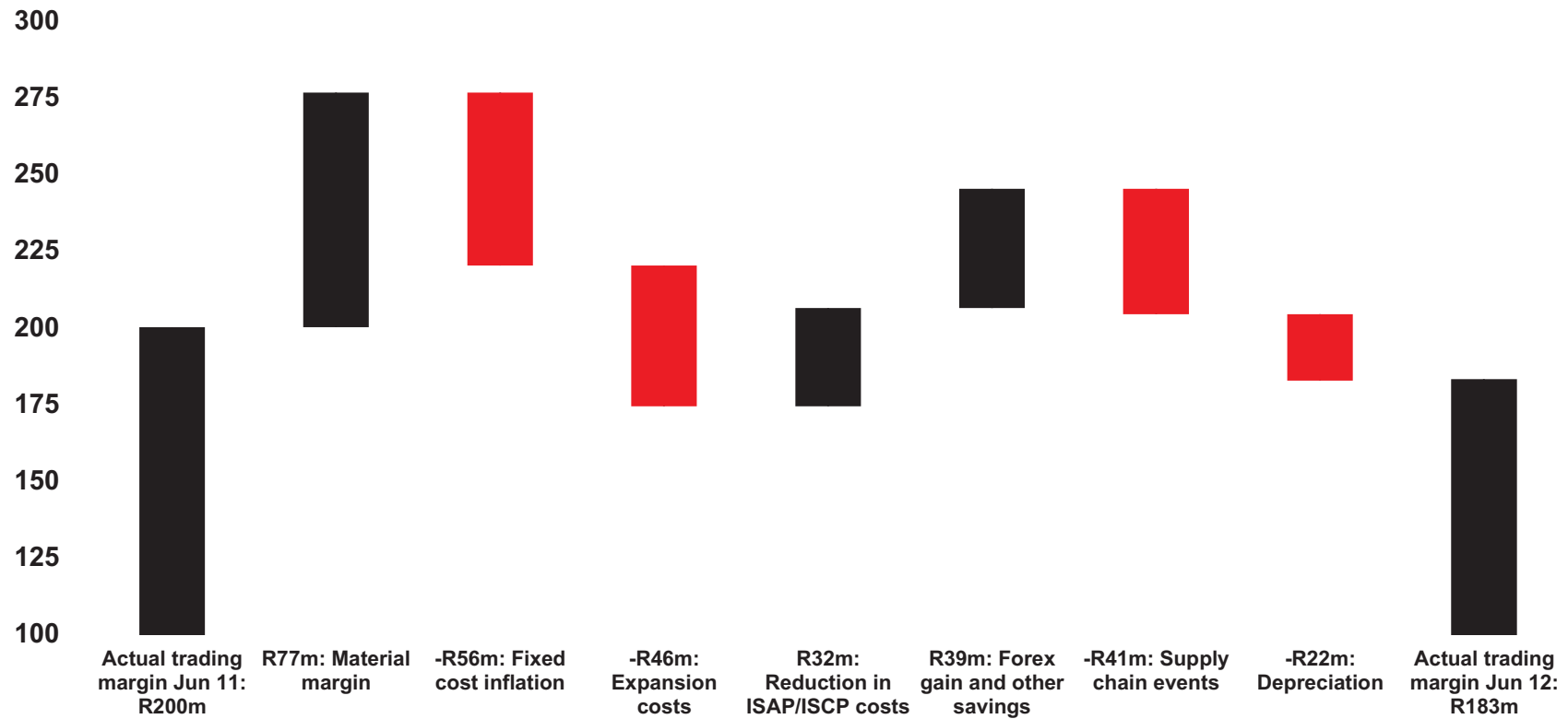
Performance



- | | | |
|------------------------|---------|-------------|
| ■ Revenue | R2 907m | +14% |
| ■ Trading profit | R183m | -8,5% |
| ■ Trading margin (%) | 6,3 | ('11: 7,9) |
| ■ Current trade WC (%) | 22,4 | ('11: 18,9) |
- Year-on-year weighted volume growth of 4,2%
 - Inefficiencies and planned shutdown affected nitrates production
 - Ammonia supply shortages and price volatility impacted profitability
 - Good growth from Africa supported by gold, copper, diamond mining
 - SA performed well in surface mining; Narrow Reef declined
 - Indonesian volumes up and additional contracts secured
 - Staff reductions – 189 in 1H12; in addition to 181 in '11

EXPLOSIVES

Performance



SPECIALTY CHEMICALS

Environment



- Weaker rand and volatile commodity prices
- SA manufacturing sector still pedestrian
- SA's mining sector declined in 1H12
- Platinum mine strikes and closures had negative impact
- Competition from global players intensifying
- Commodity prices softening

SPECIALTY CHEMICALS

Performance



- Revenue R3 949m +20%
- Trading profit R411m +6%
- Trading margin (%) 10,4 ('11 H1: 11,8)
- Current trade WC (%) 20,7 ('11 H1: 21,4)

- Volumes +12,1%
 - manufactured -6,8%
 - traded +33,4%
- Prices +7,4%

- Strong performances from Akulu, CI, Crest, IOP, Lake, Nulandis
 - Volume growth
 - bolt-on acquisitions (Qwemico, Croxton Chemicals)
 - Restructuring in '11

SPECIALTY CHEMICALS

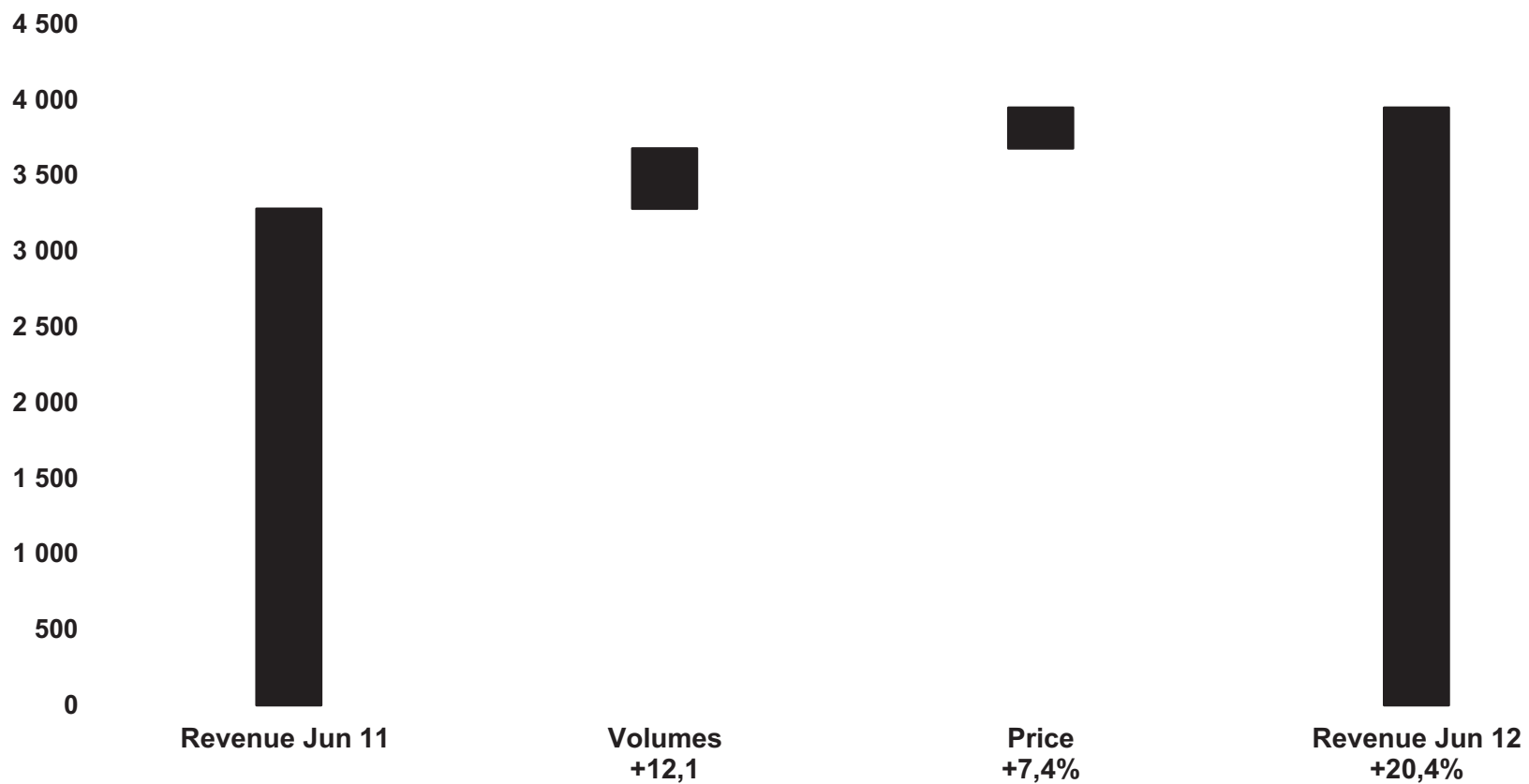
Performance cont.



- Solid performance from Senmin in difficult market conditions – platinum sector strikes
- All new plants performing well; focus on growing market and exports
- Duco will be closed by year-end
- R20m profit from sale of former CSL Head Office, offset by
 - strike effects
 - restructuring charges

SPECIALTY CHEMICALS

Price and volume analysis (Rm)



PROPERTY Environment



- Office market in early stage of recovery, led by Sandton – but expensive
- Building-construction industry stagflation (BER BCI 14%)
- Industrial vacancies flat – real rentals down; exceptions in specific areas
- Capitalisation rates declined marginally



Source: Viruly Property Clock, Viruly Consulting

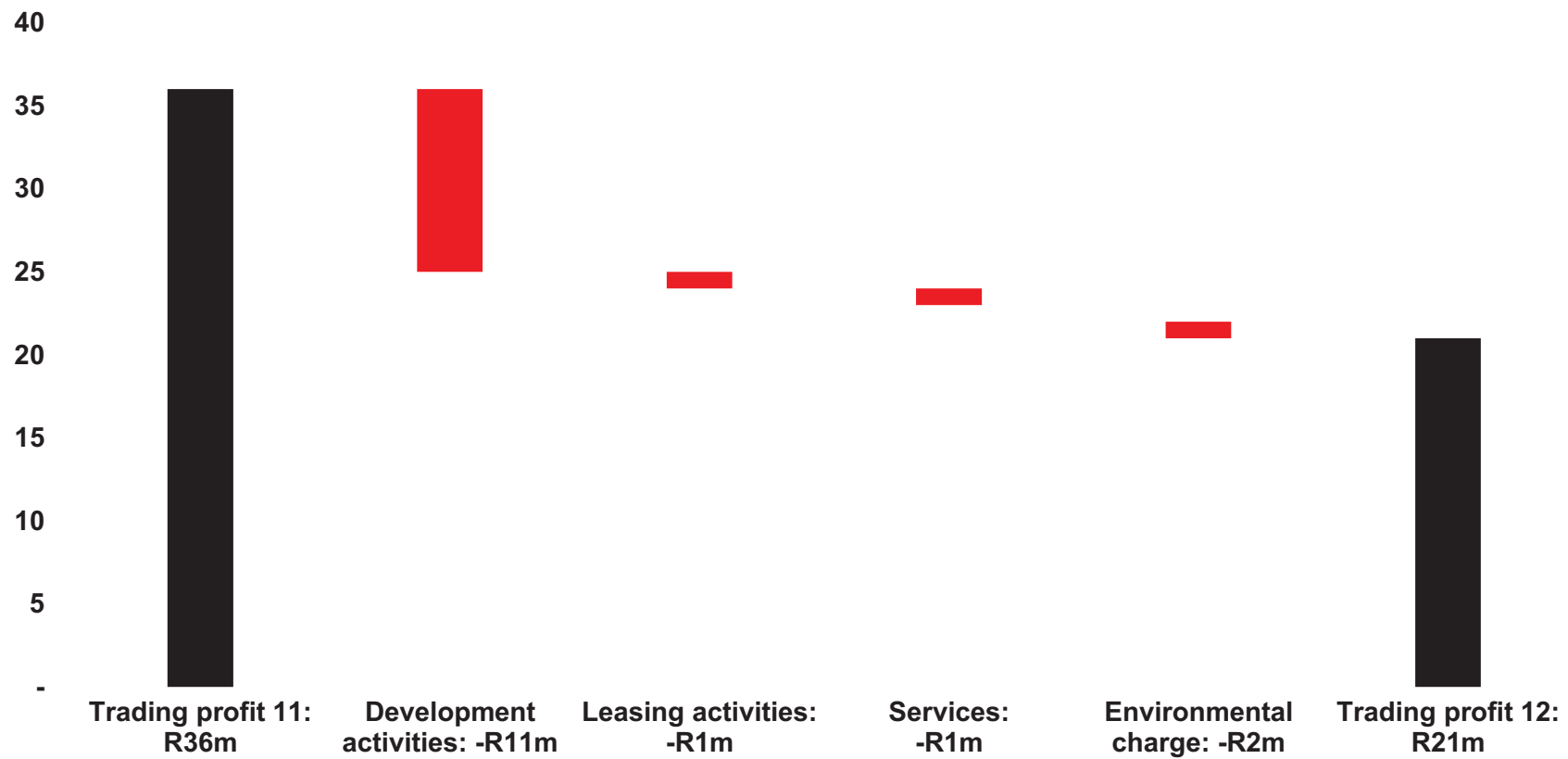
PROPERTY

Performance



- | | | |
|----------------------|-------|--------------|
| ■ Revenue | R176m | -9% |
| ■ Trading profit | R21m | -42% |
| ■ Trading margin (%) | 11,9 | ('11: 18,6) |
| ■ Current WC | R280m | ('11: R247m) |
-
- No land sales (3 in 1H11)
 - Rental income flat
 - Infrastructure expenditure of R43m
 - Longlake Ext. 1
 - Westlake
 - M60/Marlboro Road

PROPERTY Performance



SPECIALTY FIBRES

Performance



- Revenue R175m +6%
- Trading profit R24m -11%
- Trading margin (%) 13,7 ('11: 16,4)

- Overall volumes -12%
- US automotive sector stable
- Export market and margins down, but levelling
- Margin pressure to continue in 2H12
- Business remains cash generative



segment update



EXPLOSIVES

Capital projects



- Total spend 1H12 R189m (1H11: R35m)
 - Nitrates sustenance R35m
 - Other sustenance and environmental R64m
 - Southern Africa
 - Xstrata Coal and Sishen Iron Ore
 - Work-in-progress
 - Africa: bulk plants, Egypt, Burkina Faso, DRC
 - Indonesia: new contracts
 - KPC Bengalon expansion: operational Jul '12
- } R83m

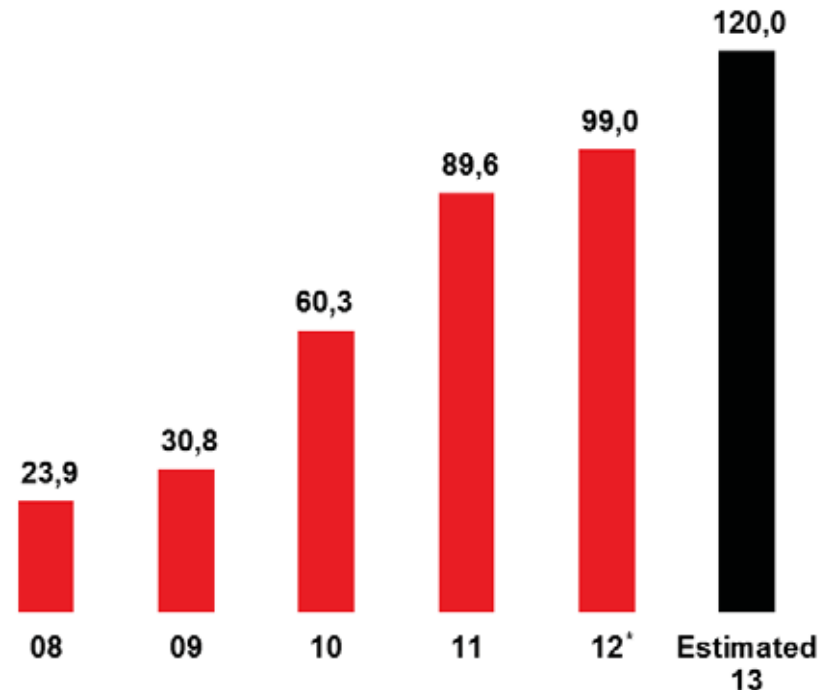
EXPLOSIVES

ISAP



- Ramp-up targets were not met
- Problem diagnosed as being people, processes and quality regime
- Appointed dedicated Executive of Operations: Initiating Systems
- Intervention initiated
 - review of staffing levels
 - aligning people capability and competency to plant requirements
 - improvement of leadership skills
 - streamlining and optimising processes
 - quality process improvements

ISAP DETONATOR OUTPUT (MILLIONS)



* Rolling 12 month actuals

EXPLOSIVES

ISAP intervention



- Technology deployed is operational
- Focus on
 - delay powder development
 - surface range
- On track to achieve R50m saving in '12 (of the originally planned R100m)

EXPLOSIVES

Major projects outlook



- Balance between sustenance and growth capital
- Modderfontein nitrates complex – continued sustenance
- Environmental projects – completion of feasibility studies
- More opportunities in Africa being assessed

EXPLOSIVES

Bulk plant sites in Africa



EXPLOSIVES

Outlook

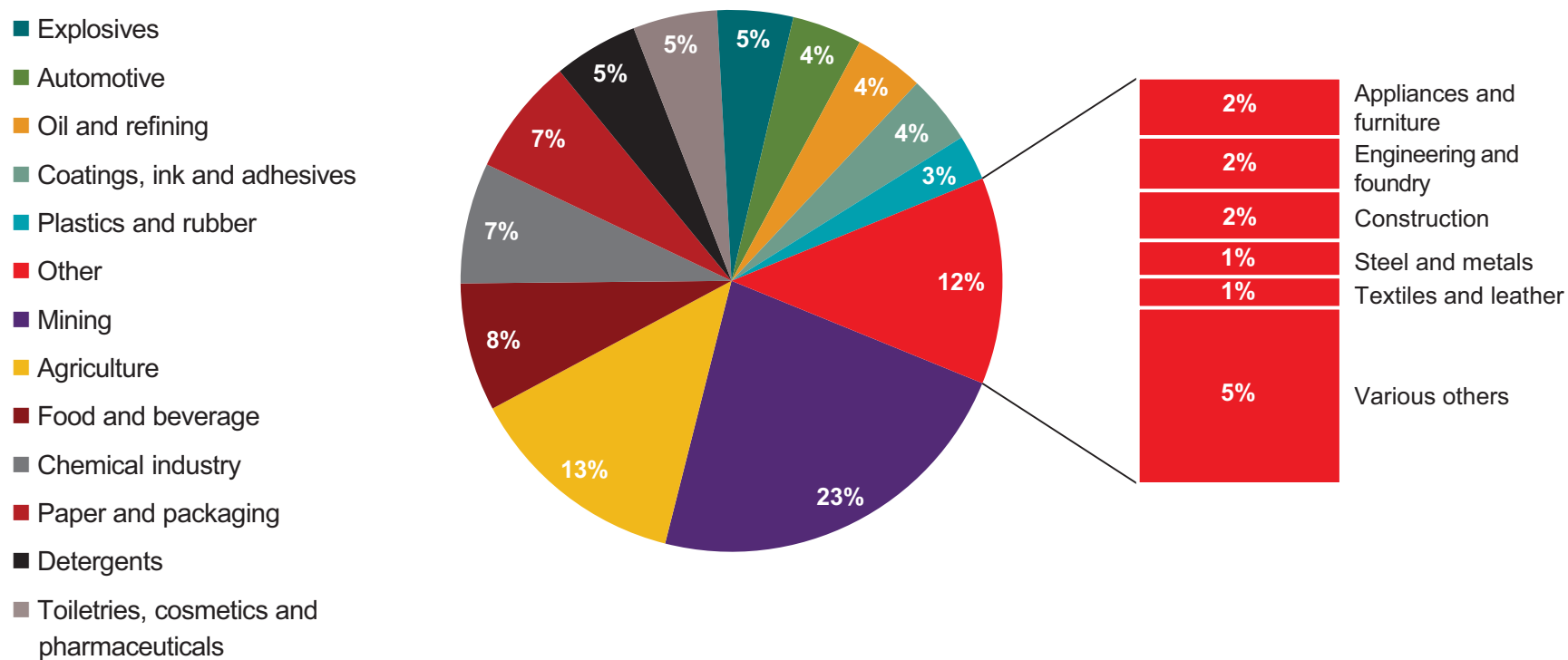


- Global growth softening – volumes and commodity prices affected
- Uncertainty on SA government's intention with mining – future investments
- Escalating underground mining cash costs – more shaft closures
- Tightening raw material margins in International business
- Additional ANS secured for SADC region
- Focus on
 - continued growth in Africa and SE Asia
 - Latam market for electronic detonators
 - ISAP Intervention and operational improvements
 - environmental projects
 - working capital optimisation

SPECIALTY CHEMICALS



REVENUE BY MARKET SECTOR 1H12



SPECIALTY CHEMICALS

Acquisitions update



- General Electric's Chemical and Monitoring Solutions business
 - non-exclusive distribution agreement – Nov '11
 - acquisition of Africa business with an exclusive licence and manufacturing agreement, effective Jul '12
 - approved by Competition Commission and SARB
 - annual revenue in excess of R180m
 - African footprint with excellent people
 - specialised equipment for water processing
 - continued support and technology from a world class partner
 - in line with water, oil, gas, energy strategy roll-out

SPECIALTY CHEMICALS

Acquisitions update cont.



- Senmin PAM plant
 - successfully negotiated exit of BASF as a partner to a royalty agreement
 - allows AECI to compete in all global mining chemical markets with PAM
- Cellulose Derivatives
 - awaiting final decision from Competition Tribunal after appealing Competition Commission's decision
- Local acquisitions – healthy pipeline
- Brazilian strategy being pursued – 20+ potential targets visited

PROPERTY VALUATION

Modderfontein



PROPERTY Valuation



		Hectares	Old Mutual (2008) Rm	Independents mean (2012) Rm
Modderfontein				
Surplus to ops				
	Land	1 966	1 313	1 306
	Land/buildings		260	195
	Land reserved for operations	972	263	323*
	Private open space	275	159	159*
	Total		1 995	1 983
Somerset West	Land/buildings	720	450	538
Grand total			2 445	2 521

* Assumed values for comparative purposes; land not valued

PROPERTY

Valuation cont.



- 3 independent valuers: Norman Griffiths & Associates, Massel Property Services, Standard Bank Properties
- Mean of valuations – 13% standard deviation
- Based on comparative sales methodology; not DCF
- Current book value – R671m
- Land for Modderfontein Reserve
 - commitment made in '96
 - co-existence of industry and environment
 - integral component of awarded rights
 - vital open space, wetland, stormwater system
 - essential components of enterprise development, environmental education, recreation



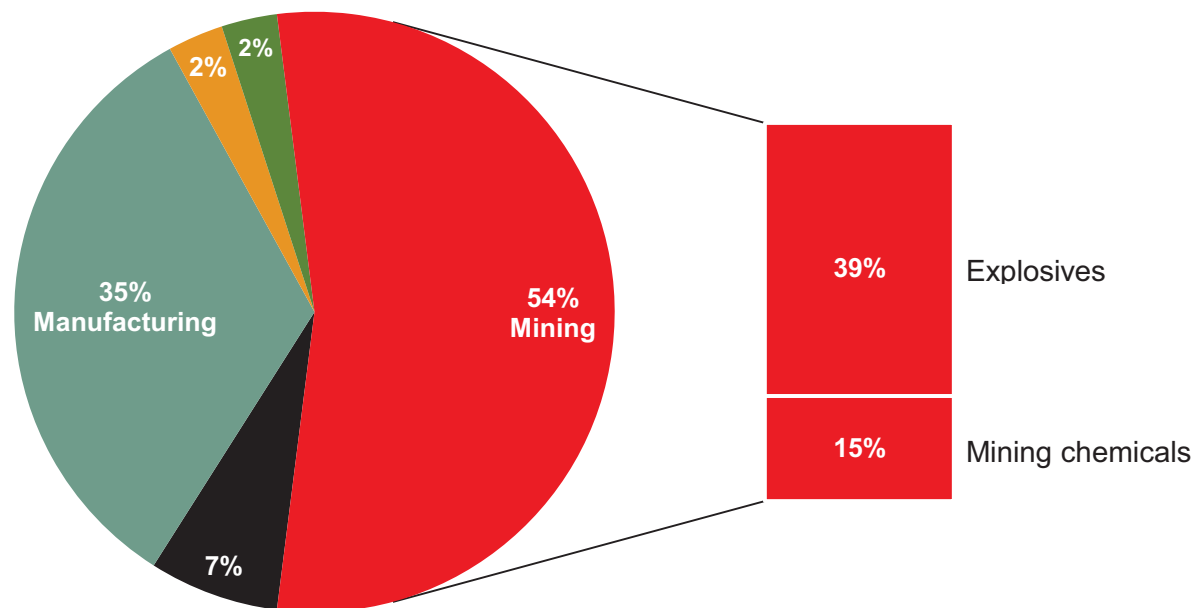
outlook and underlying growth



REVENUE SPLIT



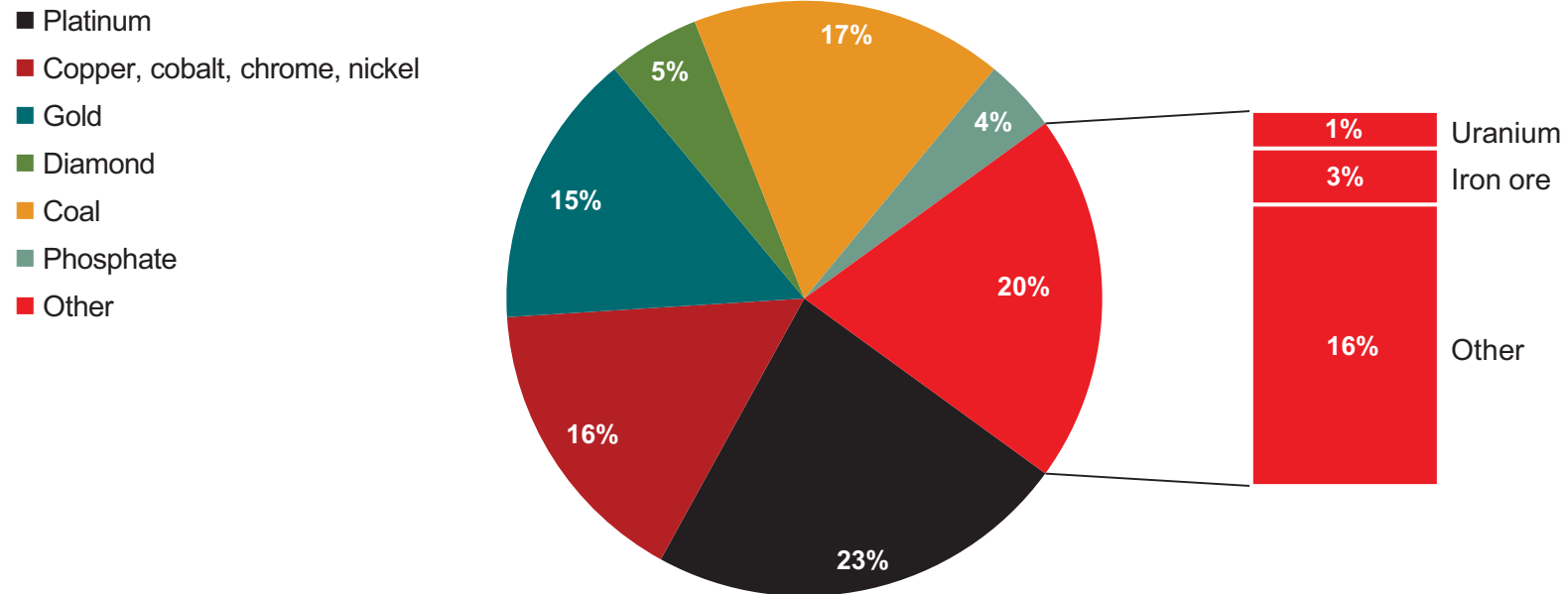
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GROUP MINING REVENUE



REVENUE BY MINERAL MINED 1H12



FOCUS AND OUTLOOK



- Sales volumes expected to be stable despite global slowdown
 - gold (in rest of Africa), coal, copper and iron ore mining expected to be robust
 - platinum and gold mining in SA expected to decline
 - weak growth expected in SA manufacturing volumes
- Management will focus on operational excellence in AEL
 - ISAP intervention to stabilise production practices and ramp-up
 - improve on-line time and quality practices on all plants
 - cost and working capital reduction
- Significant potential for improvement in both explosives and chemicals, however restructuring charges are likely to be incurred
- Prospects of property sales improving

INVESTORS' CALENDAR



- Heartland site visit, Modderfontein
- Financial year-end
- Results released
 - JHB presentation
 - CT presentation

October/November

31 December

26 February 2013

26 February 2013

27 February 2013



thank
you

