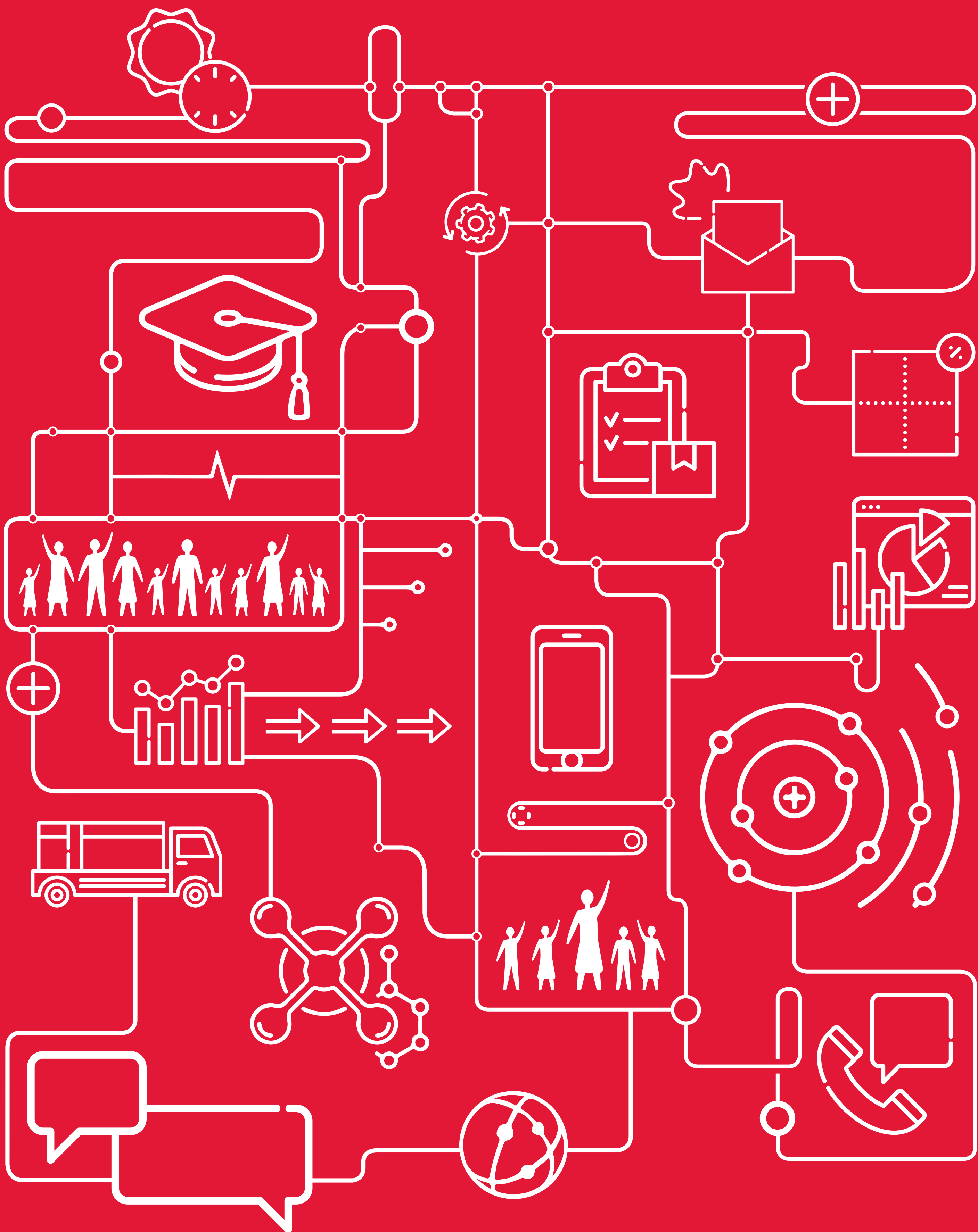
good chemistry

2018
INTEGRATED REPORT
AND SUMMARISED FINANCIAL STATEMENTS



CONTENTS

ABOUT THIS REPORT

Integrated reporting demonstrates an organisation's ability to create and sustain value over the short, medium and long term. The objective of this report, therefore, is to provide stakeholders with a greater understanding of the strategic direction, overall sustainability and related initiatives, operational performance, risks and opportunities, prospects and major economic, social and environmental impacts of AECI Ltd ("the Company") and its operating business entities ("the AECI Group" or "the Group").

SCOPE AND BOUNDARIES

The scope of this report includes all of AECI's subsidiaries and joint ventures. A list of principal subsidiaries is provided in note 32 to the full annual financial statements ("AFS") and information on joint ventures is in note 6. The report relates to the financial reporting period 1 January 2018 to 31 December 2018.

Issues which are identified as being of material significance to stakeholders guide integrated reporting. For the AECI Group, it is of paramount importance that this identification adequately address the diversity and complexity of its businesses. Accordingly AECI's overall Risk Management Framework, which mirrors issues of interest and concern to the Company and its stakeholders, underpins the determination of materiality for the purposes of the content of this integrated report.

The methodology and framework for risk management are based on the Committee of Sponsoring Organization of the Treadway Commission and enhanced with the adoption of ISO 31000 for managing risks.

Other than the Risk Management Framework and feedback from stakeholder engagements, the reporting principles applied in the preparation of this report include: the Companies Act, No. 71 of 2008 ("the Companies Act"), in South Africa; the Listings Requirements of the JSE Limited ("JSE"); the King Report on Corporate Governance for South Africa ("King IV"); the International Integrated Reporting Council's International Framework; International Financial Reporting Standards ("IFRS"); the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council; the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants; the CDP Climate Change and Water Programs; the international chemical industry's Responsible Care® programme, as well as AECI's own internal reporting standards and its Memorandum of Incorporation ("MOI").

ASSURANCE AND COMPARABILITY

The Board of Directors ("the Board") is required in terms of the Companies Act and the JSE Listings Requirements to prepare AFS which fairly present the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss and the cash flows for that period, in conformity with IFRS. The external auditor is responsible for auditing the AFS of the Company and the Group and for expressing an opinion on these statements to shareholders.

The external auditor has also expressed limited assurance on selected sustainability information which AECI believes is material in view of the nature of its businesses and the environment in which they operate.

The Group's Internal Audit function appraises Group entities' internal controls and submits its assessment of these to the Board on an annual basis. The management of each operating business also submits an annual self-assessment of internal controls (Internal Control Matrix) to the Audit Committee affirming that the systems of internal control, in entities for which they have responsibility, are adequate for their operations and are functioning effectively.

INVITATION TO STAKEHOLDERS

The AECI Group engages with a broad spectrum of stakeholders. These include employees, trade unions, customers, shareholders and investment managers, financiers, suppliers, technology and business partners, local and national government structures in countries where the Group operates, other regulatory and industry bodies, the communities in which the Group operates, special interest groups and the media.

The Company welcomes written comments and feedback from its stakeholders on this integrated report and on other general matters. These should be addressed to the Group Company Secretary.

APPROVALS

The Board acknowledges its responsibility to ensure the integrity of the integrated report. The Directors confirm that individually and collectively they have reviewed the content of the integrated report and believe it addresses material issues, as determined by using AECI's Risk Management Framework as a screening mechanism, and is a fair presentation of the integrated performance of the Group.

The Board approved the AFS for the year ended 31 December 2018 on 25 February 2019 and the release of the integrated report on 5 April 2019.

For and on behalf of the Board

Khotso Mokhele
Chairman

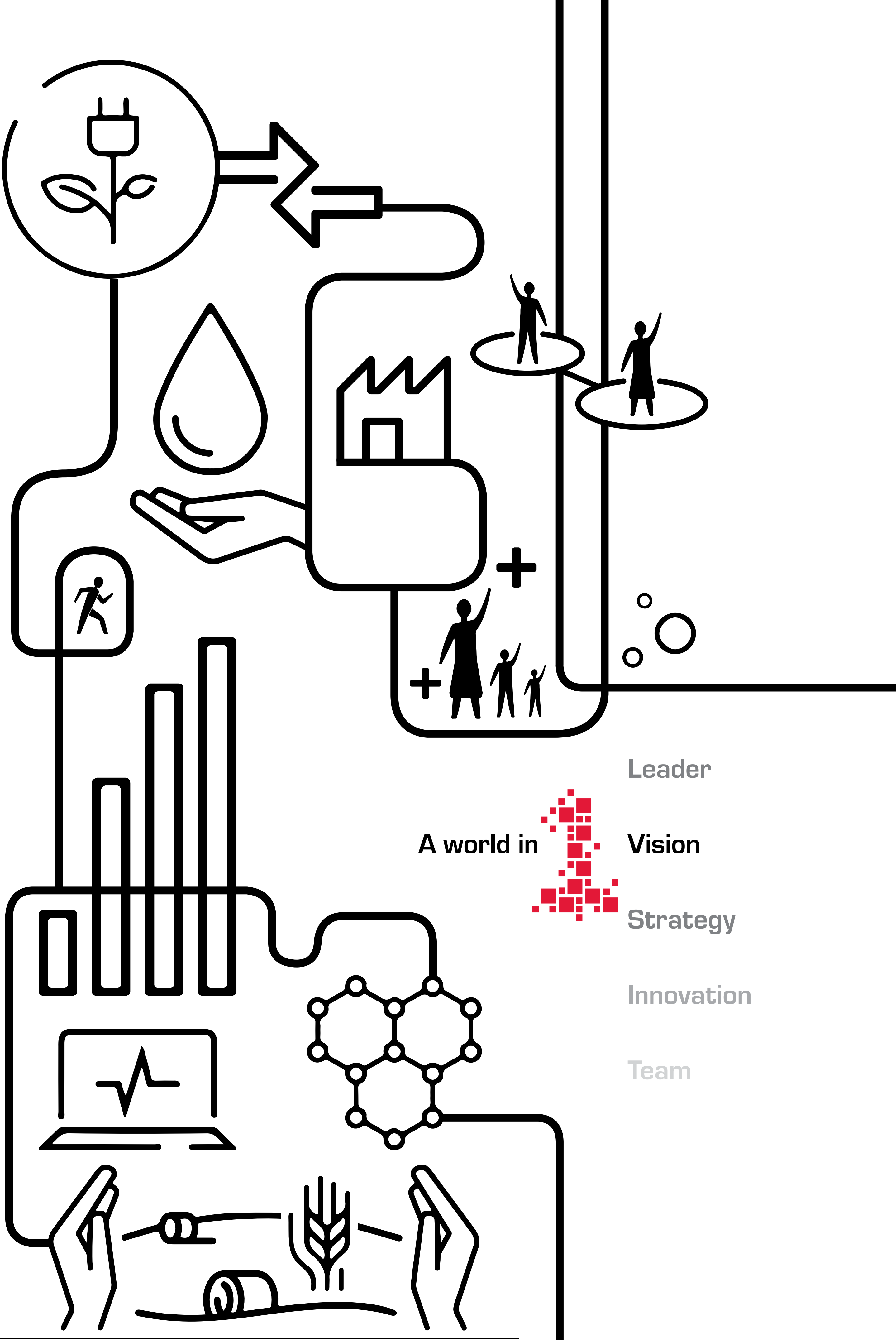
Mark Dytor
Chief Executive

Woodmead, Sandton
5 April 2019

AVAILABILITY OF DOCUMENTS

The full AFS are available on the Company's website (https://www.aeciworld.com/reports/ar-2018/pdf/full-afs.pdf) as is the Notice of Annual General Meeting of ordinary shareholders scheduled to be held on 29 May 2019 (https://www.aeciworld.com/reports/ar-2018/pdf/agm-notice.pdf).

Shareholders, bondholders and other stakeholders are advised that they are entitled to request printed copies of either or both of these documents as well as printed copies of this integrated report by contacting the Group Company Secretary, in writing, as follows: EN Rapoo, Group Company Secretary, AECI Ltd, Private Bag X21, Gallo Manor, 2052; nomini.rapoo@aeciworld.com or groupcommunications@aeciworld.com



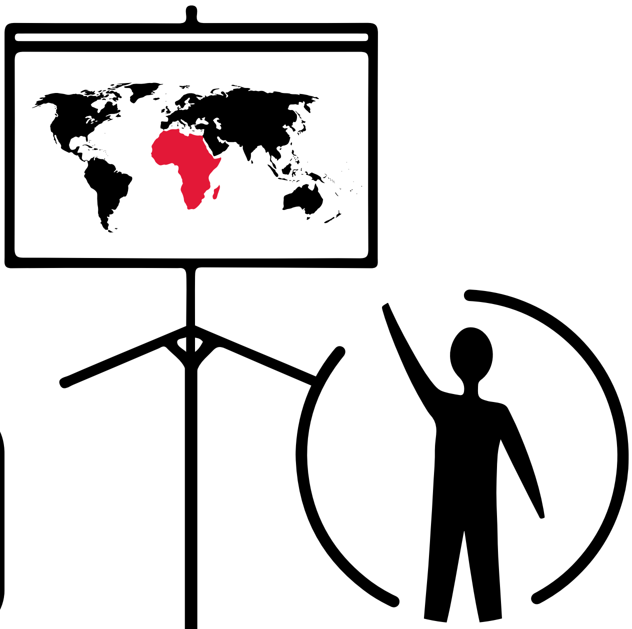
Leader

A world in **Vision**

Strategy

Innovation

Team



01

PROFILE AND STRATEGY

AECI is a diversified Group of 17 companies. It has regional and international businesses in Africa, Europe, South East Asia, North America, South America and Australia. Products and services are provided to a broad spectrum of customers in the mining, water treatment, plant and animal health, food and beverage, infrastructure and general industrial sectors.

The Group's strategy is to be the supplier of choice in the markets in which it operates and to continue to grow domestically as well as through ongoing expansion of its footprint within the geographies and markets served. In line with this strategy, businesses are managed in five growth pillars: Mining Solutions (AEL Intelligent Blasting, Experse and Senmin), Water & Process (ImproChem), Plant & Animal Health (Nulandis and Schirm), Food & Beverage (Lake Foods and Southern Canned Products), and Chemicals (Chemfit, Chemical Initiatives, ChemSystems, Industrial Oleochemical Products, Much Asphalt and SANS Technical Fibers). Included in this pillar are two joint ventures — Crest Chemicals and Specialty Minerals South Africa.

These pillars are AECI's key reporting segments.

AECI also has a property division, Acacia Real Estate. Its main activities are the management of the Company's leasing portfolio and the provision of services at the Umbogintwini Industrial Complex in KwaZulu-Natal. Together with Head Office support functions, including the treasury, Acacia Real Estate constitutes the Group's sixth reporting segment, namely Property & Corporate.

All business activities are underpinned by the Group's BIGGER values — of being Bold, Innovative, Going Green and being Engaged and Responsible.

The Company was registered in South Africa in 1924 and was listed on the JSE in 1966.

DIVERSIFIED GROUP OF

17 companies

OPERATES ON

6 continents

MARKET CAPITALISATION (END 2018)

R10,2bn

NUMBER OF EMPLOYEES (END 2018)

8 038

MINING SOLUTIONS

These businesses provide a mine-to-mineral solution for the mining sector internationally.

The offering includes surfactants for explosives manufacture, commercial explosives, initiating systems and blasting services right through the value chain to chemicals for ore beneficiation and tailings treatment.

A business of AECI Mining Solutions™

AEL Intelligent Blasting

EXPERSE®

SENMIN®

WATER & PROCESS

ImproChem provides integrated water treatment and process chemicals, and equipment solutions, for a diverse range of applications in Africa.

These include, inter alia, public and industrial water, desalination and utilities.

A business of AECI Water & Process™

ImproChem

PLANT & ANIMAL HEALTH

Nulandis manufactures and supplies an extensive range of crop protection products and plant nutrients, and provides related services, for the agricultural sector in Africa.

Schirm, based in Germany, is a contract manufacturer of agrochemicals and fine chemicals with a European and US footprint. It is the premier provider of external agrochemical formulation services in Europe.

A business of AECI Plant & Animal Health™

FOOD & BEVERAGE

The businesses in this pillar supply ingredients and commodities to the dairy, beverage, wine, meat, bakery, health and nutrition industries.

The other main activity is the manufacture and distribution of a broad range of juice-based products and drinks, including formulated compounds, fruit concentrate blends and emulsions.

A business of AECI Food & Beverage™

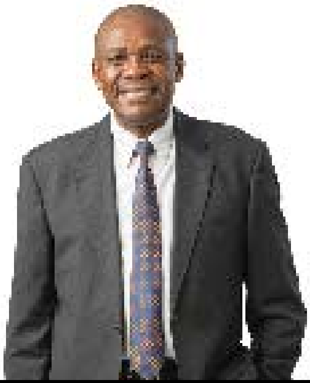
CHEMICALS

AECI's Chemicals businesses supply chemical raw materials and related services for use across a broad spectrum of customers in the manufacturing, infrastructure and general industrial sectors, mainly in South Africa and in other Southern African countries. SANS Technical Fibers is based in the USA.

A business of AECI Chemicals™

JOINT VENTURES:

NON-EXECUTIVE DIRECTORS



KHOTSO MOKHELE

63

BSc (Agriculture), MSc (Food Science), PhD (Microbiology)

Khotso joined the AECI Board in 2016 and took up his position as Chairman a year later. He is also Chairman of the Nominations and Investment Committees and a member of the Risk and Remuneration Committees. Khotso is Chancellor of the University of the Free State, Chairman of Tiger Brands, Lead Independent Non-executive Director at Afrox, Independent Non-executive Director at the MTN Group and a Non-executive Director of Hans Merensky Holdings.

GRAHAM DEMPSTER

63

BCom, CA(SA), Harvard Business School AMP, INSEAD AMP

Graham was appointed to AECI's Board in 2016. He is Chairman of the Remuneration Committee and a member of the Audit, Investment and Nominations Committees. He also chairs the Water & Process, Plant & Animal Health, and Food & Beverage (Integrated Chemicals) Financial Review and Risk Committee ("FRRC") that began its work in 2019. Graham is Chairman of Long4Life and Motus, as well as a Non-executive Director of Imperial Logistics, Sun International and Telkom.

He will leave the Board on 30 September 2019 and the Audit Committee on and with effect from the AGM of AECI ordinary shareholders, scheduled to be held on 29 May 2019.

ZELLAH FUPHE

50

BSocialSc, Global Executive Development Programme (GIBS), Chartered Director (SA)

Zellah joined the AECI Board in 2007 and chairs the Social and Ethics Committee. She is Executive Director — Corporate Services at Dimension Data. She was previously an Executive at Plessey where she served as Managing Executive of Plessey Broadband Investments and Managing Director of Plessey South Africa for a number of years. Prior to this, Zellah served on the Boards of Afric Oil (Chair), Engen, where she also chaired the Social Ethics Committee, Phembani Coal (Chair) (previously Worldwide Coal Carolina), the Oceana Group, Phembani (previously Worldwide African Investment Holdings) and the Unisa School of Business Leadership.

GODFREY GOMWE

63

BAcc, MBL, CA(Z), CD(SA)

Godfrey joined the AECI Board in 2015. He is Chairman of the Audit Committee and a member of the Remuneration, Nominations and Investment Committees, as well as the Mining Solutions FRRC. Godfrey has extensive experience as an Executive in the metals and mining industries. At the time of his early retirement in 2014, he was Chief Executive of Anglo American Thermal Coal and was also responsible for Anglo American's manganese interests in the joint venture with BHP Billiton. Godfrey is an Independent Non-executive Director of Econet Wireless Zimbabwe and also serves on the Boards of a number of non-listed entities.

JONATHAN MOLAPO

50

BA (Economics)

Jonathan joined the AECI Board in 2018. He is Chief Executive Officer of Astron Energy, formerly Chevron South Africa. Jonathan has worked in the petrochemical sector for more than 20 years and previously served on the Executive Committees of both Total Africa Middle East and Puma Energy.

ALLEN MORGAN

71

BSc, BEng (Elect), Pr Eng, CD(SA)

Allen joined the AECI Board in 2010. He is Chairman of the Risk Committee, a member of the Audit, Investment and Social and Ethics Committees as well as Chairman of the Mining Solutions FRRC. Allen spent his working life at Eskom and served as that company's Chief Executive from 1994 until his retirement in 2000. Other directorships include BioTherm Energy and Imalivest Assets.

RAMS RAMASHIA

61

Bluris, LLB, LLM

Rams joined the AECI Board in 2010 and serves on the Social and Ethics, Risk, Nominations and Remuneration Committees. He is a member of the Board of Anglo American South Africa where he serves on the Risk and Audit Committee and chairs the Social and Ethics Committee. He is Non-executive Chairman of Rand Refinery and chairs that company's Nomination and Remuneration Committee. In 2017 Rams was appointed to the board of the Mineworkers Investment Company where he serves on the Remuneration Committee. He is past Chairman of BP Southern Africa, SAPREF and the South African Petroleum Industry Association. Between 2000 and 2004 he was Director-General of the National Department of Labour and government Chief Negotiator at the National Economic Development and Labour Council. Rams is a practising advocate of the High Court and a member of the Pretoria Society of Advocates.

PHILISIWE SIBIYA

42

CA(SA)

Philisiwe ("Phili") joined the AECI Board and the Audit Committee in 2018. She is also a member of the Integrated Chemicals FRRC. With almost 20 years of executive management experience in Africa, she is currently Chair and Chief Executive Officer ("CEO") of the Shingai Group, the investment holding company founded by her. After holding various senior financial roles, including that of Chief Financial Officer at MTN South Africa, Phili transitioned into the role of CEO at MTN Cameroon — the first female appointed into a CEO position by the MTN Group. Other directorships include Audit Committee Chair at MTN Zambia, Mascom Botswana and South Africa's Chartered Accountants Medical Aid Fund.

EXECUTIVE COMMITTEE AND GROUP COMPANY SECRETARY

MARK DYTOR*

57

HNDP (Metalliferous Mining), PMD (UCT)

Mark assumed his role as AECI's Chief Executive in 2013. He was appointed to AECI's Executive Committee in 2010 and to its Board in January 2013. Having joined Chemical Services Limited ("Chemserve") as a Sales Representative in 1984, and after managing two Chemserve companies, Mark was appointed to Chemserve's Executive Committee in 1998 and subsequently to its Board. He is Chairman of AEL.

* Executive Director.

MARK KATHAN*

48

CA(SA), AMP (Harvard)

Mark is AECI's Financial Director and Chief Financial Officer, which positions he took up in 2008. Prior to joining AECI, he held a senior finance position at Nampak and served on that company's Group Executive Committee. In addition to overall responsibility for the Finance and Treasury functions, and playing a leading role in M&A activities, Mark oversees AECI's Corporate Communications and Investor Relations, Legal and Secretariat, Internal Audit and IT functions as well as its Retirement Funds. He is Chairman of the Group's offshore businesses, namely SANS Technical Fibers and Schirm.

EDWIN LUDICK

54

BCom (Hons)

Edwin is Managing Director of AEL and Chairman of Experse and Senmin, the other two businesses in the Mining Solutions pillar. He joined Chemserve as a Human Resources Manager in 1991 and went on to serve on that company's Executive Committee and Board before joining AECI's Executive Committee in 2010. Edwin has served as Managing Director at four companies in the Chemicals segment and as Chairman at other Group entities.

DEAN MULQUEENY

52

NHD Analytical Chemistry, Global Executive Development Programme (GIBS)

Dean joined Chemserve as a Sales Representative in 1990 and held several sales positions before going on to serve as Managing Director of three Chemserve companies from 2004. He left the Group in 2011, returning in 2015 as a member of the AECI Chemicals Executive. He was appointed to the AECI Executive Committee in 2018. Dean is Chairman of a number of Group businesses.

DEAN MURRAY

50

NDip Chemical Engineering, Global Executive Development Programme (GIBS)

Dean joined the Group as Managing Director of Chemiphos when Chemserve acquired that business in 2006 and, in 2007, he was appointed Managing Director of Lake International. Dean joined the AECI Chemicals Executive in 2013 and the AECI Executive Committee in 2018. He is Chairman of a number of Group businesses.

NOMINI RAPOO

55

BCom (Law), UED, LLB, Admitted Attorney of the High Court, Certificate in Corporate Governance

Nomini joined AECI in 2011 as Group Company Secretary. In addition to her commercial and legal degrees, she has qualifications and extensive experience across a spectrum of disciplines including risk and compliance management, internal audit, legal services and corporate governance.

WEALTH GENERATED AND DISTRIBUTED TO STAKEHOLDERS

REVENUE FROM CUSTOMERS + OTHER INCOME

$\frac{\textbf{R23 352m}}{\text{R23 352m}}$

100%

PURCHASED FROM SUPPLIERS, PRINCIPALS AND PARTNERS

$\frac{\textbf{R16 483m}}{\text{R23 352m}}$

71%

WEALTH GENERATED

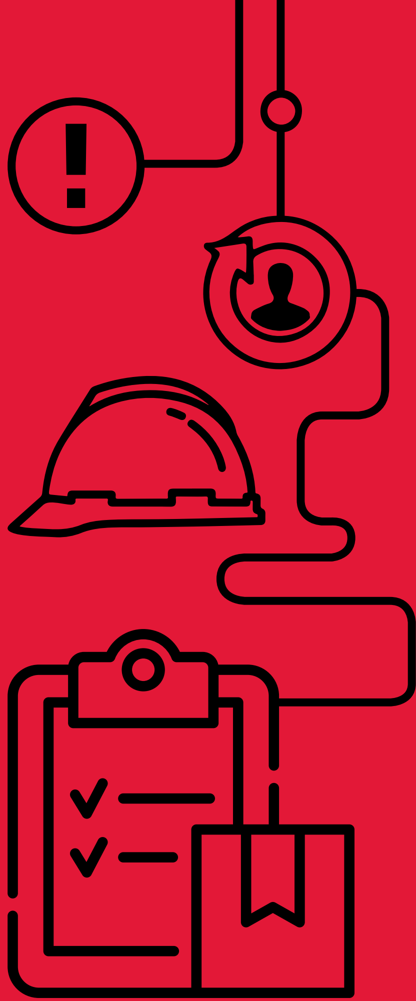
$\frac{\textbf{R6 869m}}{\text{R23 352m}}$

29%

STAKEHOLDERS	DISTRIBUTION OF WEALTH GENERATED		VALUE CREATED
EMPLOYEES	61%	R4 200m / R6 869m	SALARIES, WAGES AND OTHER BENEFITS
FINANCIERS	6%	R403m / R6 869m	INTEREST EXPENSE
SHAREHOLDERS	8%	R543m / R6 869m	DIVIDENDS PAID OR DECLARED
GOVERNMENT	8%	R529m / R6 869m	DIRECT TAX EXPENSE
	17%	R1 194m / R6 869m	**WEALTH RETAINED AND REINVESTED IN THE GROUP**

RISK MANAGEMENT AND MATERIAL ISSUES

By understanding and properly managing its risks, AECI provides greater certainty and security for its employees, customers, suppliers and other stakeholders and its decisions are better informed, more decisive and geared at moving the Company with greater confidence towards the achievement of its goals. The alignment of risk management and strategic decision making increases the probability that AECI will be able to minimise its downside risks and also capitalise on the upside of risks. This is enhanced by maintaining an appropriate balance between risk and reward in the business.



The AECI Board recognises that risk management is an integral part of the Group strategy-setting process and that leadership and oversight in risk management is the Board's responsibility. These principles underpin in AECI's risk philosophy which recognises that managing risk is fundamental to the generation of sustainable shareholder value and the enhancement of stakeholder interests. Risk management is integrated into the culture of the organisation. It is driven and monitored in line with the Board's mandate and commitment. The Risk Committee plays a leadership role in this regard.

Although it is acknowledged that risk can never be fully eliminated, great effort is made to ensure that the potential impact of significant risks is properly identified, understood and mitigated to safeguard shareholder value and the Company's continued growth. Management is responsible for the ongoing refinement and application of standards and processes in this regard, at individual Group business level and for the organisation as a whole.

Management drives the assessment and monitoring of risks specific to the business as well as those pertaining to the broader context in which the Group operates. The latter risks relate to the political and economic landscape, industry, labour and financial market trends. Work includes the analysis of research materials and industry benchmarking studies by institutions such as the World Economic Forum, the World Bank and Willis Risk Alert. These serve as an early warning system or a mechanism for the identification of future risks and opportunities.

In 2018 focus was maintained on understanding and managing risk in new territories and markets of operation, informing the Group's expansion strategy. The underlying objective is to optimise the Group's positioning in terms of its ability to capitalise on opportunities, in line with the philosophy of not only concentrating on downside risk. The Risk Management function is optimally geared to provide support in this regard.

Activities and processes are underpinned by the Group Risk Management Policy and the Group Enterprise Risk Management Framework ("Framework"). The Framework is based on the principles of the International Guideline on Risk Management (ISO 31000) and King IV, where guidelines are provided for the systematic, consistent and professional approach required for successful and effective management.

On the basis of the internal risk assessment process and the outcomes of feedback from stakeholders, AECI identifies the high level material issues that could impact the delivery of its strategy and growth objectives both positively and negatively. These are set out on pages 15 and 16.

2018 HIGHLIGHTS

In 2018 significant attention was paid to the integration of Schirm and Much Asphalt into the Group relating to AECI's risk model and processes. The risk identification process was also enhanced to highlight more clearly the upside as well as the downside of risk.

To mature its business continuity management processes further, AECI engaged its insurance brokers, Willis Towers Watson, to undertake an operational resilience project for the Group's major assets and plants. The results and gap analysis from this work will be revisited to strengthen the Risk Management model further.

With support from the Internal Audit function, the Risk Management team tested the business' accountability and related risk management culture. The outcome did not indicate any major issues of concern.

In addition, the Board held a Risk workshop to understand the possible strategy constraints for the Group over the next five years. The process revealed that additional readiness and preparedness are required to better align the Group with the fourth industrial revolution generally, and as it relates to artificial intelligence more specifically.

The work plan in the coming year will include a reassessment of the Company's risk appetite and tolerance scales, with revisions to follow if required.

MANAGEMENT OF INFORMATION TECHNOLOGY ("IT") RISK

King IV places responsibility for IT governance with the Board and the AECI Board has given the Chief Financial Officer overall responsibility for managing the IT governance structures and processes. IT operations are managed by the Chief Information Officer, who reports to the Chief Financial Officer. An IT Steering

MATERIAL ISSUES, MITIGATION MEASURES AND OPPORTUNITIES

MATERIAL ISSUE	DESCRIPTION	MITIGATION	COMMENTARY
Country risk	Political, operational, security and travel risks in countries in which the Group operates.	1. Geographic diversification strategy. 2. Monitoring of risks associated with individual countries. 3. Group Foreign Investment Committee monitors related risk elements of investing in foreign markets.	1. Uncertainty created by shifts in world trade relations and final Brexit agreements. 2. Conditions in several African countries more conducive to maximising opportunities for growth. In others, challenges such as socio-political unrest and shortages of access to hard currencies remain. 3. In South Africa, policy certainty and clarity on recovery plans for state-owned enterprises has begun to emerge. 4. This, together with positive changes in the political environment, should favour an acceleration in economic growth and investment in the foreseeable future. 5. Improved position of key countries in which the Group operates in the World Bank's Global Competitiveness Index.
Commodity price fluctuations	Severe commodity price fluctuations leading to a decrease in absolute contribution and margins.	1. Hedging strategies for the purchase of many raw materials. 2. Key commodity price monitoring. 3. Ongoing global monitoring and comparison of commodity prices by Group Strategic Sourcing. 4. Diversification strategy of product application for different commodities in a specific sector (e.g. mining) at business level.	1. Rally in most metal and other commodity mineral prices in 2018. The current expectation is that the positive trend will continue in 2019. 2. Oil price remains volatile. This price has an effect on chemical input prices.
Outlook for South Africa's mining industry, and the sustainability of the local narrow reef gold and platinum mining sectors in particular	Further contraction of the sector, and potential industrial action related to this, with a negative impact on the Group's customers.	1. Geographic diversification. 2. Diversification of the customer base in terms of mining methods, minerals mined and the Group's product and service offering. 3. Realignment of AEL's business servicing the local narrow reef mining sector.	1. Outlook for the mining industry as a whole at Investing in African Mining Indaba in February 2019 was encouraging. 2. Mining Charter for South Africa finalised, with the input of all stakeholders. This has clarified policy issues and enhances prospects for new investment and reinvestment.
Extreme and unpredictable weather events	Failure to mitigate and adapt to the effects of climate change, leading to drought or floods, water shortages and reduced agricultural output.	1. Technology developments (e.g. water usage optimisation). 2. Global raw material sourcing network developed. 3. Geographic diversification of businesses.	1. Extreme weather events and unreliable rainfall patterns disrupt customers' operations in a number of sectors (e.g. surface mining, agriculture, public water). 2. Products and services that assist in adapting to changing climatic conditions will play an increasing role.
Credit risk	Credit risk for major customers and medium-sized customers, leading to loss of income.	1. Consistent application of Accounts Receivable Policy. 2. Commissioning and analysis of credit reports for all major customers.	1. Most mining companies reported improved cash flow positions in their latest financial results. 2. Continued positive mining sector outlook for 2019. 3. A level of risk remains in some countries, where there are hard currency liquidity challenges.
Continued low or no growth in South Africa's manufacturing sector	This environment does not favour AECI's organic growth.	1. Geographic diversification strategy. 2. Ongoing business portfolio management. 3. Ongoing product and service development.	1. Changes in the leadership of South Africa's ruling party signalled a more promising outlook and there is optimism that this will translate into accelerated economic growth in the foreseeable future, after the general elections on 8 May 2019.

MATERIAL ISSUES, MITIGATION MEASURES AND OPPORTUNITIES CONTINUED

MATERIAL ISSUE	DESCRIPTION	MITIGATION	COMMENTARY
Compliance risk, including compliance with tax and environmental laws	Litigation, penalties, criminal prosecution and reputational damage caused by a lack of understanding of the applicable legislative universe.	1. Transfer Pricing Policy in place, under ongoing review and applied consistently. 2. Use of established tax consultants for out-of-country tax matters. 3. Investment in compliance-based capital (e.g. R200 million for air emissions abatement at Modderfontein). 4. Deployment of world class technology and processes in all remediation plans. 5. Compliance project rolled out in other African countries of operation.	1. Certain compliance obligations outside of South Africa not fully understood. 2. Increased compliance-related activity by authorities in all AECI jurisdictions.
Catastrophic safety, environmental, quality and/or plant incident	Not only could such an incident lead to the tragic loss of lives but it would result in reputational damage, downtime and possible loss of the licence to operate.	1. Comprehensive safety, health and environment management systems in place in all businesses, including emergency preparedness plans and tracking of near misses and incidents. 2. Critical plant audits undertaken by Willis Blue and Group Risk Management consultants. 3. Preventative maintenance programmes. 4. Regular review of major hazardous installations in close proximity to urban settlements.	1. Adequately designed internal controls/ preventative processes in place and tested regularly. 2. Regular testing of the robustness of the Business Continuity and Operational Resilience strategies. 3. New SHEQ Policy finalised and Zero Harm strategy in roll-out phase.

Committee ("Committee") is chaired by the Chief Financial Officer and its membership comprises the Chief Information Officer and the members of the AECI Executive Committee. The Committee has a well-defined charter and assists the Chief Financial Officer in the discharge of his duties as they pertain to IT-related activities and compliance with applicable laws, rules and standards.

AECI has adopted the IT Governance Institute's model as a framework for IT governance. It also employs the guidelines set out in the Control Objectives for IT and related infrastructure Library. This assists in establishing and maintaining effective internal controls, continuity and risk management. A new framework of IT policies has been developed and adopted, taking into consideration the business imperative, current legislation and IT trends.

The Company's Internal Audit function provides assurance to management, the Audit Committee and the Risk Committee on the effectiveness of IT governance.

During 2018 the Group made significant progress globally in:

- migrating legacy technologies to an enterprise cloud. This provides opportunities to deploy new systems more rapidly and facilitates the introduction of new and INNOVATIVE services and solutions, in line with the ever-increasing business requirement to centralise and automate transactional and other IT systems;
- setting the foundation for consolidating, standardising and upgrading ERP solutions across the Group — including alignment to a single instance solution in the Mining Solutions pillar and comparable standardised financial and supply chain management solutions in other operating segments;
- implementing a modern Human Capital Management solution to serve as a single system of record for all employees. This solution will support the Group Human Capital directives to drive transparency and transferability of skills across critical skill areas and enable leaders to improve employee management globally;
- defining a baseline process taxonomy for Group-wide process management and systemic execution of best practice governance. The taxonomy drives the prioritisation of systems investments and highlights the required roadmap for ERP and specialised applications to direct technology resources to critical corporate priorities such as safety management, supply chain management, contract management and enterprise asset management;
- consolidating forests to a single Active Directory domain and Exchange environment, thereby allowing for faster deployment of future Company initiatives; and
- upgrading the Local Area Networks at AEL, Modderfontein, and at the Umbogintwini site.

In 2019, the IT function will focus on:

- further consolidation, standardisation and centralisation of business processes, systems and information across the Group. This will be supported by Global Enterprise Architecture and take into account the associated cyber security risks, thereby improving AECI's ability to drive insights through data and analytics, enhance service to customers, drive business growth and efficiencies and support the overall digital strategy;
- implementation of the long-term cyber and information security plan as defined in the Cyber Security Framework and high-level Cyber Incident Response process;
- commissioning of a single supplier to provide a Wide Area Network service for all Group locations worldwide;
- preparing to centralise Schirm and Much Asphalt's IT environments; and
- incorporating digital plans into the Company's overall strategy.

Attention to all aspects of security to protect systems and data is unwavering.

LEVEL OF RISK MATURITY

A self-assessment of the organisation's risk management maturity level was undertaken, based on the adopted Risk Intelligence Maturity Model. The outcome confirmed that AECI is on the border between "semi-integrated and change driven" and "intelligent, integrated and optimised". The Company is satisfied that it has entrenched the processes and culture necessary to inform its journey to becoming "intelligent, integrated and optimised" in this fundamental area in terms of its current business and future growth.

The characteristics of the various states of maturity, as self-assessed, are detailed in the schematic to the right.

RISK INTELLIGENCE MATURITY MODEL

STAGES OF RISK MANAGEMENT MATURITY

INITIAL

- Ad hoc/chaotic
- No formal risk management (“RM”) strategy
- No use of standards, tools and techniques

INFORMAL

- RM predominantly “risk specific”
- Limited focus on integration
- Risk viewed solely as an event with a negative consequence
- Aware of techniques without the formal application of standards
- No differentiation between “risks” and “hazards”

STANDARDISED AND GOVERNANCE -DRIVEN

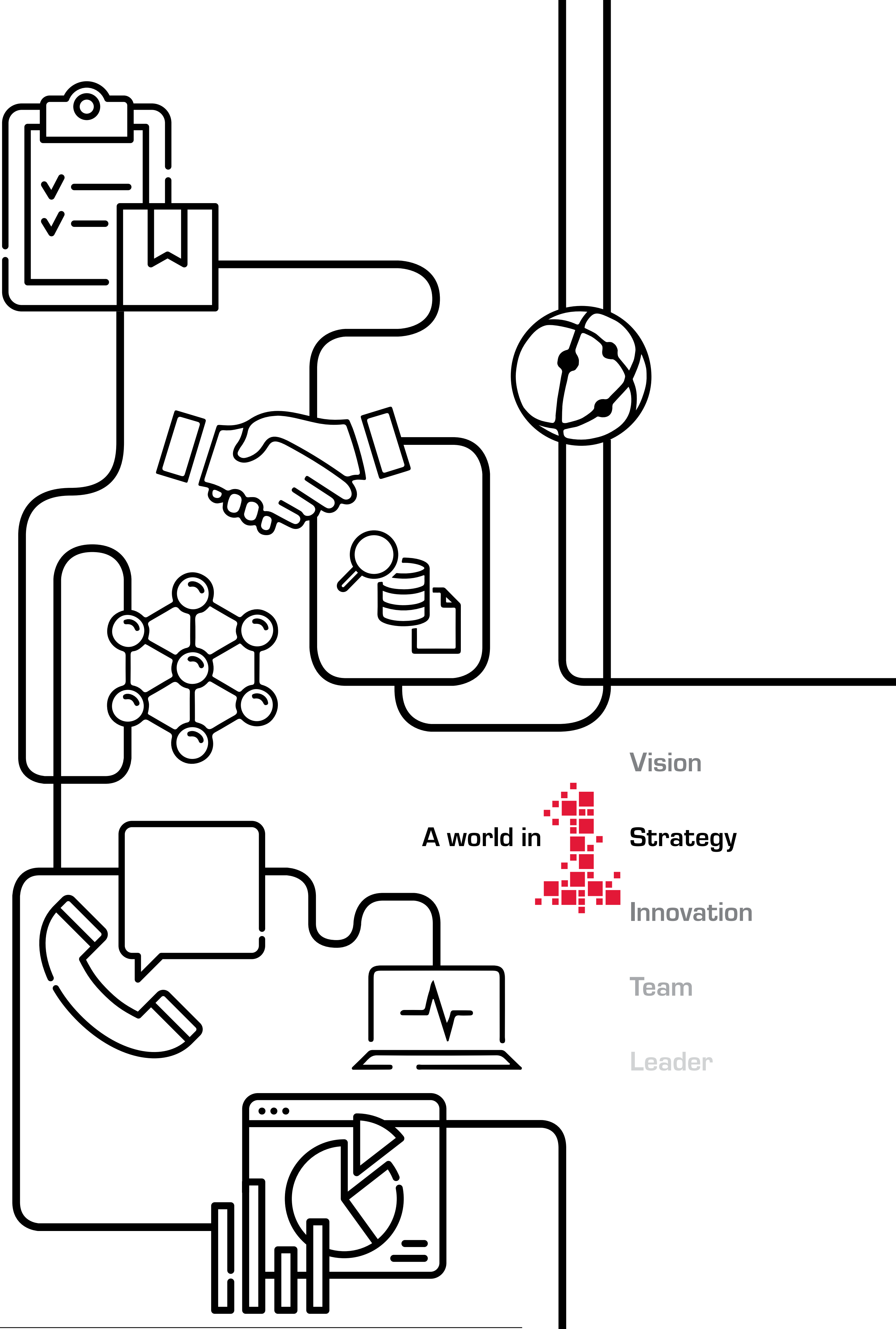
- Reporting focus
- Common framework, programme statement and policy
- High level risk assessments
- Management of all risk types is not approached uniformly
- Risk viewed largely as an event with a negative consequence
- Use of standards

SEMI-INTEGRATED AND CHANGE-DRIVEN

- Change management approach to RM
- Coordinated RM across businesses and activities
- All types of risks are managed through a uniform system
- Risk is viewed as uncertainty and linked to objectives
- Driven by performance-based standards

INTELLIGENT, INTEGRATED AND OPTIMISED

- Enterprise-wide approach to RM
- RM drives proactive and informed decision-making
- Company and RM processes are fully integrated
- RM is embedded in the business’ culture
- RM is a strategic advantage
- Sound understanding of standards and use of tools and techniques



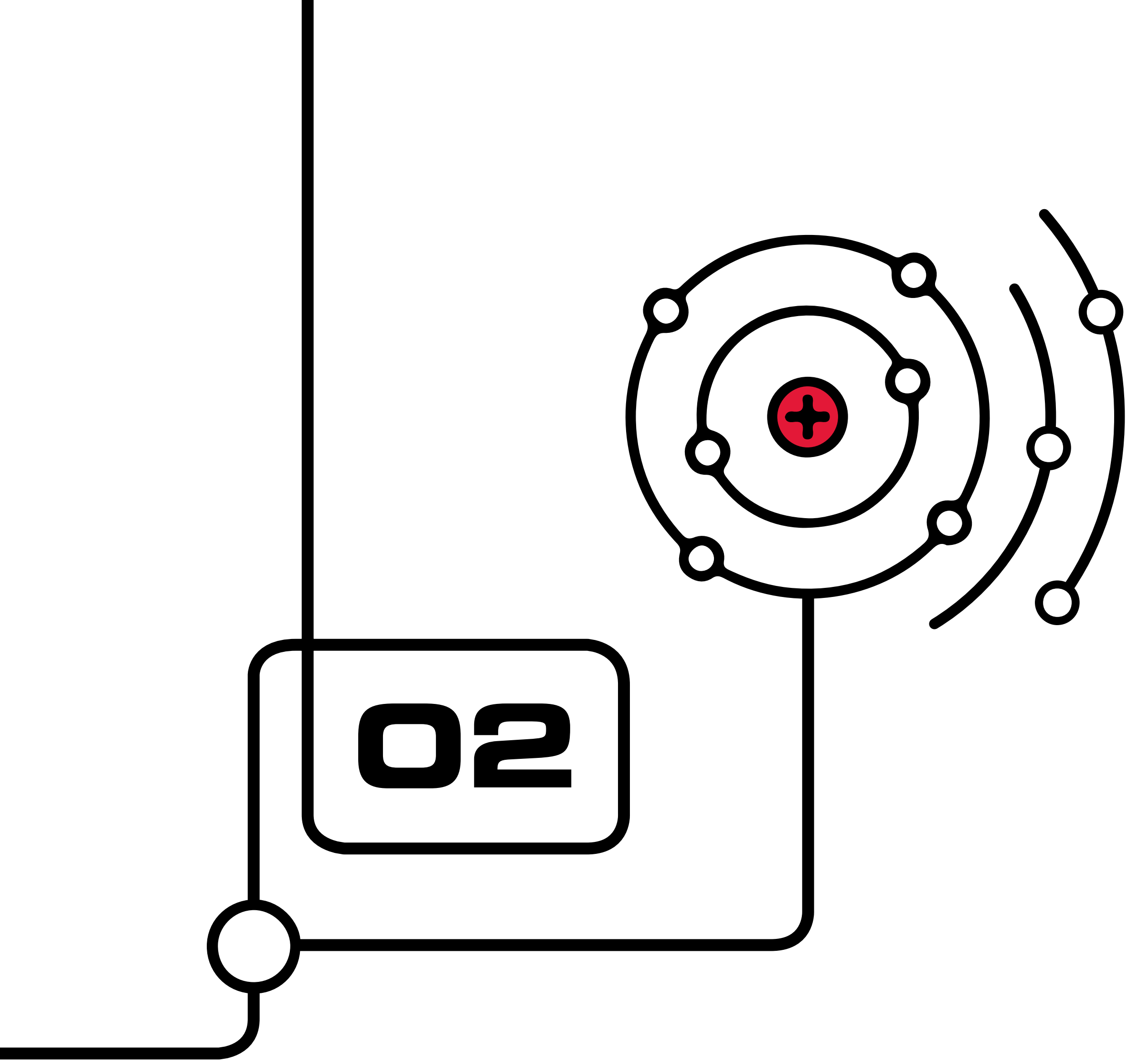
Vision

A world in 1 Strategy

Innovation

Team

Leader


02

CHAIRMAN'S REPORT

Dear stakeholders

It gives me great pleasure to report that AECI achieved another record result in 2018, notwithstanding some challenges. Revenue grew by 26% to R23 314 million on the back of strong performances in the Mining Solutions and Chemicals segments, an improvement in Food & Beverage and contributions from newly-acquired Schirm and Much Asphalt. These acquisitions were fully integrated into the Group during the year.

KHOTSO MOKHELE
CHAIRMAN

EBITDA increased by 21% to R2 631 million. Operating profit of R1 999 million was 27% higher than in the prior year and a new record for the Group. Reported headline earnings per share ("HEPS") of 1 045c was a solid improvement. Headline earnings were R1 103 million (R1 012 million in 2017).

AECI presents its results in a format that reflects the key growth pillars that underpin its growth aspirations. These pillars are Mining Solutions, Water & Process, Plant & Animal Health (including Schirm), Food & Beverage, and Chemicals (including Much Asphalt). Businesses in each pillar offer differing products and services and are managed separately because they require different technology and marketing strategies.

More information on the pillars and their respective results and prospects is provided in the Chief Executive's performance review.

PERFORMANCE DRIVERS

Higher prices and demand for most commodities drove output in the global mining sector. This benefited AECI's businesses servicing the industry across Africa and in Asia Pacific, emphasising the advantages of the Company's geographic diversification strategy. The Group as a whole operates in 25 countries on six continents and, in 2018, 40% of total revenue was generated from foreign operations and exports — up from 34% in 2017. In Mining Solutions, comprising the explosives and mining chemicals businesses, the ratio was even higher at 56%.

The weaker ZAR/US$ exchange rate in the second six months also had a positive impact as did a recovery in chemical input prices. These price increases were supported by the oil price which, though still volatile, was higher on average than in the prior year.

Negative influences on overall performance were the effects of extreme weather conditions in a number of regions globally, including South Africa, other countries in the Southern African Development Community and parts of Europe. This presented challenges for the Plant & Animal Health and Water & Process segments, in particular.

In South Africa, very subdued economic growth, delays in road infrastructure expenditure and conditions in the local narrow reef mining market proved to be a challenge. The latter market has been declining for a number of years. As a consequence, AEL Intelligent Blasting ("AEL") is reviewing its product and service offering, and the structures that support these, for this market.

SAFETY, HEALTH, THE ENVIRONMENT AND QUALITY ("SHEQ")

Good progress was made in rolling out the Zero Harm strategy approved by the Board in 2017. A revised SHEQ Policy was also finalised by the AECI Executive in February 2019. This Policy makes further commitments to driving the Group's aspiration of operating sustainably, without harm to people, the environment and the communities in which its businesses operate.

The greatest disappointment in the year was the tragic death, in November, of Morne Langeveldt, a Driver Assistant of a supplier delivering product to Much Asphalt's site in Contermanskloof, Western Cape. During the delivery process Mr Langeveldt was caught in the path of the rear wheels of the tanker and he sustained fatal injuries. The Board reiterates its sympathies to his family, friends and colleagues.

The Group's Total Recordable Incident Rate ("TRIR"), which measures the number of incidents per 200 000 hours worked, was 0,58. The deterioration from 2017's 0,39 was due mainly to the high number of incidents recorded at Schirm. Excluding Schirm and Much Asphalt, which were acquired with effect from late January and early April respectively, the TRIR performance improved further to 0,32. A specific safety improvement plan was launched at Schirm in May 2018 and some positive outcomes are beginning to emerge.

Two major and four serious product transportation incidents occurred in 2018. Both major incidents occurred in the Democratic Republic of Congo and in both cases resulted in the tragic death of a pedestrian.

It is noteworthy that all the major and serious incidents were associated with third-party transportation companies moving product on behalf of AECI. Specific focus will be placed on ensuring that all third parties engaging with AECI commit to the same rigorous standards that the Company is itself committed to.

The tracking of process safety incidents commenced during the year under review, as did the specific tracking of off-site product transportation incidents. It is clear that the latter area requires improvement and will be a focus area in 2019.

No major or serious environmental incidents were recorded in the year.

HUMAN CAPITAL

EMPLOYEE DEVELOPMENT

AECI's employees are its greatest asset. Their growth and development, in an inclusive manner reflective of the Group's diversity, is fundamental to the achievement of business growth targets in the short, medium and longer term. AECI continues to invest in projects and programmes to enhance employee skills and accelerate representation. Although progress has been made in a number of areas, work remains to be done in others, with improvements against numerical targets for Coloured males and females at Senior to Junior Management/ Technical occupational levels being a specific focus. Further details on employee development initiatives and other Human Capital matters, such as B-BBEE, are included in the Human Capital and Intellectual Capital commentary elsewhere in the integrated report. Also included is information on a Culture Survey undertaken in the year, the results of which will inform plans and actions to enhance the employee value proposition globally.

SOCIO-ECONOMIC DEVELOPMENT ("SED")

SED is a business and moral imperative for AECI. Although the level of investment is dependent on financial performance, AECI has established a trend of investing more than the mandated annual threshold of 1% of net profit after tax in its chosen SED partners and their programmes. Partners operate across a broad spectrum of communities.

AECI's contribution in 2018 totalled R30 million. Highlights included recognition of the Group's efforts through a prestigious award and its short-listing for two others. See page 50 for details.

ACQUISITIONS AND INVESTMENTS

Two significant acquisitions were announced in the last quarter of 2017, both in pursuit of the Group's strategy to accelerate its growth by expanding into new markets and diversifying its geographic footprint further.

The acquisition of Much Asphalt saw AECI enter a new area of business. Much Asphalt is South Africa's leading manufacturer and supplier of hot and cold mix asphalt products, and a manufacturer, supplier and applicator of bituminous road binders, emulsions, primes, pre-coats and modified binders. Products are used in the construction and maintenance of all types of roads, airport runways, parking facilities, harbour quays, dam linings, racing tracks and the like.

Although the business' performance was below expectations in 2018, the strategic underpins remain valid. Expansion and maintenance of infrastructure is fundamental to South Africa's long-term economic growth. The timing of contract awards in this sector remains unclear but there are some indications that activity could accelerate in the second half of 2019.

The acquisition of Schirm signalled a significant step forward in terms of the Group's international expansion strategy. Schirm has four sites in Germany and one in the USA. It is a contract manufacturer of agrochemicals and fine chemicals and the premier provider of external agrochemical formulation services in Europe.

Schirm's performance was below expectations owing to the delayed start-up of the new synthesis plant at Schönebeck and the time it took to secure additional qualified operating personnel. Consequently, the registration of the new facility in respect of customer products was similarly delayed and operating costs incurred for that plant were not recovered. Furthermore, drought in Northern and Central Europe in the 2018 summer season resulted in lower demand for agrochemicals. The businesses in both Germany and the USA generate approximately 70% of their revenue in the first six months of the year, during the European and US planting season, and management remains confident that the shortfall in performance in 2018 will be made up in 2019.

The delivery to expectation of the business cases by both Schirm and Much Asphalt will be a major focus for the Board and Executive in 2019.

In the last quarter of the year, the Group acquired an explosives business in Brazil for a cash consideration of US$6,3 million. It is expected that the transaction will be finalised by the second quarter of 2019. It will enable the Explosives business to establish a footprint in Latin America.

In 2017 AECI invested US$5 million in Origin Materials, a start-up based in California, USA. Origin has pioneered the development of bio-based chemicals which can be processed into a large number of products for application in global markets of significant size.

Origin's proprietary process uses 100% sustainable and renewable resources that do not divert resources or land from food production for human or animal consumption. The process utilises feedstock such as wood chips, sawdust, and previously used cardboard.

AECI teamed up with Origin to form an industrial partnership to support the development of renewable technologies. Site work for the construction of a pioneer plant in Ontario, Canada, has commenced and commissioning is anticipated in the first quarter of 2020.

The investment in the Good Chemistry Fund yielded some promising results, in line with its objective of facilitating Enterprise and Supplier Development for Black entrepreneurs in South Africa generally and for the chemical industry supply chain in particular. More information is included on page 45.

FINANCIAL REVIEW AND RISK COMMITTEES

Owing to the geographic diversification and complexity of the Group's business, two Financial Review and Risk Committees ("FRRCs") have been established. The FRRC for AEL had been in place for a number of years and it has been reconstituted to address pertinent matters in Mining Solutions as a whole. The FRRC for Water & Process, Plant & Animal Health, Food & Beverage, and Chemicals was formalised as Integrated Chemicals at the end of 2018 and commenced its work in 2019. Both FRRCs are chaired by Non-executive Directors and they assist the Audit Committee, specifically, in its work relating to these segments.

REMUNERATION POLICY

In the first months of 2018 the Chairman of the Remuneration Committee, the Chairman of the Audit Committee and I engaged at length with key institutional shareholders regarding proposed changes to the Remuneration Policy. These changes sought to address concerns raised by some shareholders regarding the existing Policy. The revised Policy was supported at the Company's Annual General Meeting and we thank shareholders for their positive response. We remain open to further engagement, as required.

KING IV

Further progress was made in advancing the realignment of the Company's practices and reporting with the guidelines contained in King IV, in particular, and with changing legislative frameworks, in general. The Board accepts that this realignment is a journey that will require ongoing commitment in pursuit of progressive value-add and efficiencies to the benefit of all stakeholders.

EVALUATION OF PERFORMANCE OF THE BOARD

The Board undertook the annual evaluation of the Chairman's performance as well as the evaluation of the performance and independence of the Non-executive Directors who will retire by rotation and are eligible for re-election to the Board. Information on this process and key outcomes is included in the Governance report commencing on page 62.

DIRECTORATE CHANGE

On 1 June 2018 we were pleased to welcome Jonathan Molapo to the Board as a Non-executive Director. Jonathan brings extensive experience in the petrochemical sector which will add good value to the work of the Board.

OUTLOOK

The Company will continue to deepen its understanding of the effects and consequences of the following key global developments and trends: the uncertainty created by shifts in world trade relations, the final Brexit agreements, and changing rainfall patterns and other effects of climate change. The Group has added some INNOVATIVE products and services to its offering, designed to assist in alleviating some of these effects, as explained in the Chief Executive's review.

AECI continues to expand its product and service offering in Africa, in line with strategy. Conditions in several countries where the Group operates were conducive to maximising the opportunities for growth, notwithstanding challenges such as socio-political unrest and a shortage of access to hard currencies in others. Demand levels have been sustained into 2019 and this bodes well for the Group, its customers and the countries of operation.

In South Africa policy certainty and the future stability of state-owned enterprises, including electricity supply, are finally receiving the quality of attention that bodes well for the future. It is nevertheless clear that the consequences of systematic degradation of state-owned assets over an extended period will take considerable time to reverse. The positive momentum will hopefully continue after the national elections that will take place during May 2019. It is pleasing that the terms of the Mining Charter were finalised in 2018.

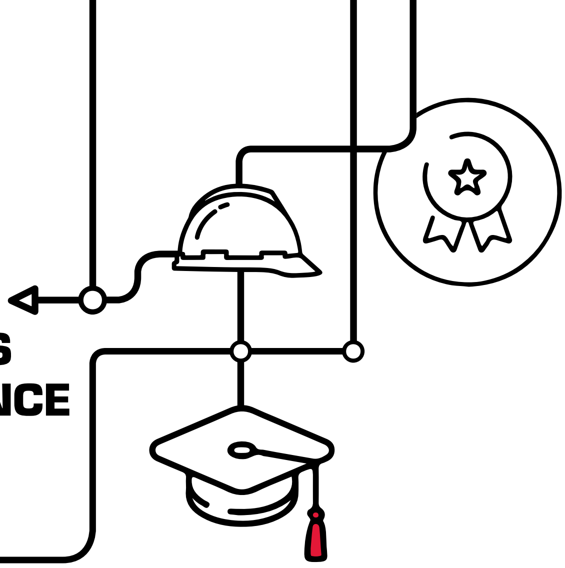
The Board will continue to focus on the delivery of the business case expectations of both Schirm and Much Asphalt. The case of the latter will be assisted significantly by the South African government delivering on infrastructure expansion and maintenance as promised in the latest budget speech delivered by the Minister of Finance.

ACKNOWLEDGEMENTS

I wish to record my thanks to all our stakeholders including my fellow Board members, AECI's management, its employees and customers for their continued support. I am confident that, with our sustained commitment, the Company is well placed to continue growing to the benefit of all.

Khotso Mokhele
Chairman

5 April 2019



CHIEF EXECUTIVE'S PERFORMANCE REVIEW

MARK DYTOR
CHIEF EXECUTIVE

Dear stakeholders

The AECI Group would not have achieved its pleasing 2018 financial results without the contributions of its more than 8 000 employees, all of them committed to the same values and goals. This commonality across our teams in all countries where we operate is acknowledged in AECI's new campaign with the tag line "A world in one".

REVENUE

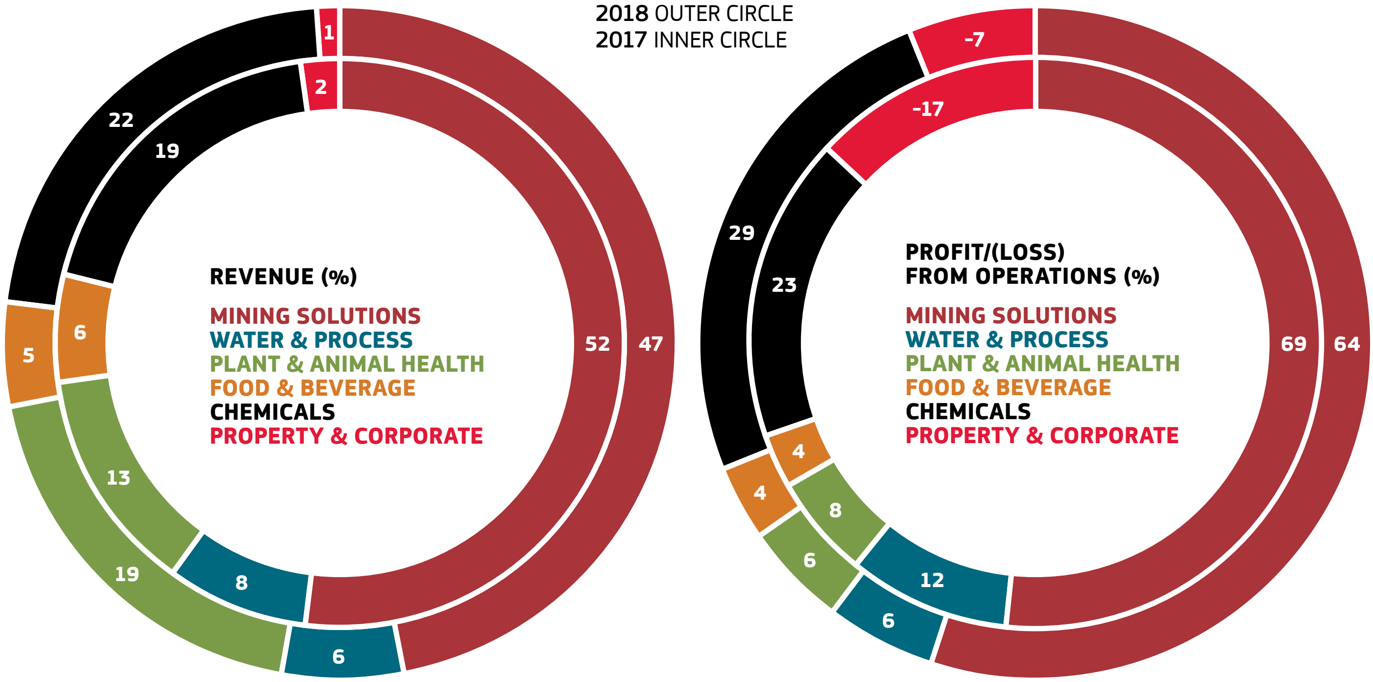
+26% to R23 314m

HIGHEST EVER PROFIT FROM OPERATIONS

+27% to R1 999m

ACQUISITIONS FULLY

INTEGRATED



"A world in one" replaces "A world in one company" which communicated the Group's growth strategy, particularly in terms of the pillar approach to managing our businesses.
"A world in one" goes beyond the Group structure to embrace a variety of themes. Key among these is acknowledgement of the promise and potential of every employee, the range of value-adding products and services that make them their customers' suppliers of choice, and common purpose in matters of leadership, strategy and vision.

Our BIGGER values — of being BOLD, INNOVATIVE, GOING GREEN, and being ENGAGED and RESPONSIBLE are the foundation for all activities in the AECI Group. To measure and enhance understanding of employees' perceptions and aspirations, in line with the ENGAGED value, the first-ever Culture Survey was conducted in 2018. We aspire to a culture that is transparent, equitable and fair, inclusive, collaborative, caring and engaging, and high performing and accountable.

The survey results per Group business and for AECI as a whole have been shared with employees and have informed action plans for 2019. The successful roll-out of these plans will empower employees to play an even more active part in shaping our culture.

Numerous other programmes and initiatives in Human Capital matters continued in 2019 and some highlights are presented elsewhere in this integrated report. Notable was the implementation of the first phase of a Human Capital Management Solution ("HCMS") Programme that standardises, streamlines and automates as many people management processes as possible. The HCMS went live in South Africa on 1 March 2019 and activation at international operations has commenced.

SAFETY, HEALTH, THE ENVIRONMENT AND QUALITY ("SHEQ")

Although good progress was made in implementing the Zero Harm strategy, the Chairman has highlighted that the biggest disappointment in the year was the tragic fatality that occurred in November. I add my own condolences and those of my Executive colleagues to the late Mr Morne Langeveldt's family, friends and colleagues.

The elimination of high severity incidents on our journey to Zero Harm remains the top priority going forward. Early in 2019 the Executive Committee approved a revised SHEQ Policy, committing the entire organisation to revised expectations for continual improvement in SHEQ management.

A standardised SHEQ Framework was also approved. It is aimed at driving world-class practices across our businesses globally in support of realising the Zero Harm aspirations.

Nine of the Group's businesses achieved excellent safety results and recorded a TRIR of Zero for 2018. Of those nine businesses, four achieved this Zero result in two consecutive years. The Explosives business also recorded safety milestones in Botswana, Ghana, the SADC region and Indonesia.

While the TRIR for the Group excluding the acquisitions finalised in 2018 showed further improvement to 0,32 from 0,39 in 2017 the inclusion of Schirm, in particular, resulted in the deterioration of the Group's TRIR to 0,58. A focused plan to address this is being executed at Schirm.

In terms of the diligent management of its environmental footprint, AECI developed a revised GOING GREEN strategy in the year. Over and above addressing compliance obligations, this strategy is aimed at improvements in five specific focus areas which are set out in the SHEQ report.

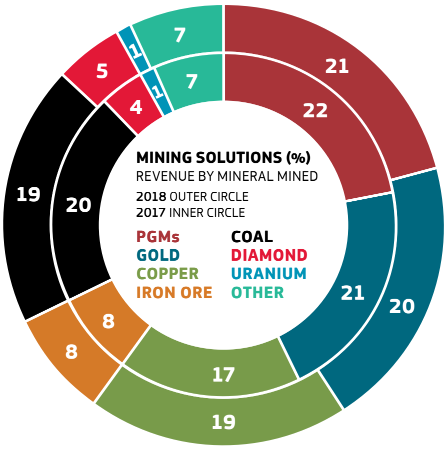
In 2018 we commenced tracking process safety and off-site product transportation incidents. Both these areas need attention and are acknowledged in Zero Harm.

GOVERNANCE

Strong and responsive governance structures under the Board's leadership are at the heart of our corporate citizenship imperatives. Further refinements to, inter alia, risk management systems and processes were made to reflect the increasingly complex matrix of compliance and other regulatory requirements that are implicit for a Group of companies that continues to expand its geographic footprint and diversify its customer base.

BUSINESS PERFORMANCE

The Chairman has summarised the year's performance and the factors that affected it. Robust global demand for most metals and minerals, movements in the ZAR/US$ exchange rate, oil prices and the impact of weather-related effects were key among these.



He also reiterated that we present our results by pillar so as to better align our reporting with our growth aspirations. The contributions of each pillar to revenue and profitability is shown in the graphics on the previous page.

MINING SOLUTIONS

REVENUE	PROFIT FROM OPS
R11 013m	**R1 274m**
▲ 13,3%	▲ 16,1%

This segment comprises explosives (AEL Intelligent Blasting ("AEL")) and mining chemicals (Experse and Senmin). It is our most geographically diversified pillar and has a footprint in more than 20 countries. Its customer base is also diversified across a spectrum of minerals mined and mining methods, as illustrated in the graphic above.

Revenue increased by 13% to R11 013 million (2017: R9 718 million) primarily as a result of growth in demand for explosives in the rest of Africa. There were strong performances in the copper, cobalt, nickel and coal mining sectors and this benefited the pillar as a whole since it offers a mine-to-mineral solution for customers, from explosives and blasting expertise right through to beneficiation in the extraction of metals from ore. Activity in the gold mining sector was robust, other than in South Africa.

The higher ammonia price was also beneficial, accounting for 4% of the 13% revenue increase.

Revenue from foreign operations was 56% of total revenue from Mining Solutions. The weaker ZAR/US$ exchange rate in the second half of the year boosted results in rand terms and profit from operations improved by 16% to R1 274 million (2017: R1 097 million). The operating margin strengthened to 11,6%, from 11,3% in the prior year.

EXPLOSIVES

Excellent results were driven by strong performances from the mining industries in the Democratic Republic of Congo, Francophone West Africa and Australia. Overall bulk explosives volumes were 5% higher whilst those for initiating systems declined by 10%.

In South Africa, bulk explosives volumes were 7% lower. The effects of Optimum Coal mine being placed in business rescue again and the loss of a contract in the iron ore mining sector, in the last quarter of 2017, continued to be felt. Reduced sales of initiating systems were the consequence of ongoing contraction in the underground narrow reef platinum and gold mining sectors. Shaft closures, industrial action and section 54 safety-related stoppages at customers' mines also contributed to the volume decline. AEL is reviewing its business model for this sector. Realignment will ensure that AEL remains a sustainable, reliable and shareholder value-creating local supplier to the South African mining industry while continuing to position itself for further growth in other countries.

Bulk explosives volumes in the rest of Africa were 11% higher as commodity price trends supported activity in the copper and cobalt mining sectors, in particular. Another six contracts were gained in the year. Strong growth was achieved in Francophone West Africa, on the back of new contracts secured in 2017 at gold mining customers, and two additional contracts were won. The diamond industry in Botswana also improved.

Volumes in the Asia Pacific region increased by 48%, owing to opportunistic sales as well as the deployment of an enhanced product and service offering in Australia. This includes a solution for mining in reactive ground conditions. By year-end mobile units in support of the overall service offering were being prepared for deployment in 2019.

In Indonesia, the transition to a new Explosives Licensee partner was completed successfully. Although the investment in the joint venture, PT Black Bear Resources Indonesia ("BBRI") was impaired by R78 million, in-country manufacturing capacity nonetheless remains a strategic advantage because imports of ammonium nitrate into Indonesia continue to be regulated. A capital replacement programme at the customer's site is underway to service contracts that have been rolled over.

An explosives business in Brazil was acquired in September 2018 for US$6,3 million. The transaction is expected to be finalised in the first half of 2019. It includes an explosives manufacturing plant, distribution and storage facilities and the requisite explosives operating licences and is an opportunity for the Explosives business to expand its already extensive footprint further.

MINING CHEMICALS

Volumes were 2,5% higher overall. Demand for both collectors and flocculants grew in South Africa as a result of increased activity in the platinum mining sector. Whilst there were good sales to the Central African region's copper mining sector, overall exports were lower than in the prior year. After review, a direct route to market strategy was put in place.

Delays in commissioning and ramp-up of Senmin's xanthates plant expansion in Sasolburg were experienced initially, but output from the facility is now in line with market requirements. This investment adds 4 000 tonnes per annum of capacity for xanthates in pellet form, mainly for export. Xanthates are used in the beneficiation of minerals such as gold, PGMs and copper.

The demand for surfactants used in explosives manufacture also increased, both locally and internationally.

WATER & PROCESS (IMPROCHEM)

REVENUE	PROFIT FROM OPS	VOLUMES
R1 376m	**R120m**	▼ 18%
▼ 5,4%	▼ 34,1%	

The year was extremely challenging for this pillar. Revenue declined by 5% to R1 376 million (2017: R1 454 million) and profit from operations by 34% to R120 million (2017: R182 million). The trading margin was 8,7%, from 12,5% in 2017. Volumes decreased by 18%.

The performance in the local water treatment chemicals market was negatively affected by the loss of two major customers and lower demand owing to persistent drought effects. Diminished water flow rates result in lower turbidity and hence lower dosages of purification chemicals. The Chemical Processing and Engineering Solutions businesses performed strongly, with four desalination plants installed in the Western Cape and service contracts for these were secured.

Export sales were curtailed in line with AECI's credit risk management processes and a doubtful debt provision of R30 million was raised. Alternative routes to market are being evaluated.

ImproChem is reviewing its go-to market model as a whole to enhance its capabilities and improve service delivery. The costs associated with this business redesign project and those associated with AEL's realignment will be incurred in the first half of 2019. Cost neutrality is targeted for the full year.

The availability of water of the required quality, and infrastructure that enables supply, remains a significant challenge locally and on the rest of the continent. ImproChem, with its extensive portfolio of water and process treatment chemicals and equipment, is well place to make a contribution to alleviating this situation. The opportunities in public water, in particular, will be pursued vigorously. Focus will also be maintained on water treatment technologies of the future. Climate change, and its effects on rainfall patterns among other things, makes it essential that resources be used as efficiently as possible, including a step-change in the approach to recycling.

PLANT & ANIMAL HEALTH (NULANDIS AND SCHIRM)

REVENUE	PROFIT FROM OPS
R4 423m	**R119m**
▲ 73,9%	▼ 10,5%

Revenue grew by 74% to R4 423 million following the inclusion of Schirm. Disappointingly, however, profit from operations was 11% lower at R119 million (2017: R133 million) and the operating margin was 2,7% (2017: 5,2%).

Nulandis continued to be adversely affected by generally depressed trading conditions in South Africa's agricultural sector where output remained curtailed, mainly due to the impact of climate-related challenges. These challenges were also experienced in Malawi, where Farmers Organisation is based. Shifts in the market to generic products made the trading environment in that country even more difficult. A R31 million impairment of the Farmers Organisation goodwill was taken at year-end.

The reality of the new normal that climate change effects imply cannot be ignored. As in the case of the availability of water for public and industrial consumption, the availability of the resource for agricultural purposes is an issue requiring attention and alternative solutions. Nulandis' NuWay philosophy addresses this by offering a holistic solution for plant health.

Another INNOVATIVE addition to the portfolio is the SupPlant technology, a sensor-based system that autonomously waters crops according to gathered data, while optimising water consumption and alerting farmers of the state of crops, soil, air, and irrigation in a field, vineyard or orchard.

Nulandis has signed a collaboration agreement with Israel-based agrotech company SupPlant to market the technology in South Africa and 14 other countries in Africa. To date, the technology has been deployed at 15 sizeable farms in the Western Cape and the feedback from farmers has been encouraging.

Schirm's performance was below expectations for reasons summarised by the Chairman, who also confirmed that confidence in the business case remains. The purchase price allocation for this acquisition (and for Much Asphalt) is explained in the Chief Financial Officer's report.

FOOD & BEVERAGE (LAKE FOODS AND SOUTHERN CANNED PRODUCTS)

REVENUE	PROFIT FROM OPS	VOLUMES
R1 248m	**R74m**	▲ 2,8%
▲ 4,4%	▲ 15,6%	

Overall volumes increased by 2,8%, revenue by 4,4% to R1 248 million (2017: R1 195 million) and profit from operations by 16% to R74 million (2017: R64 million). The trading margin maintained the improvement trend noted in the first half of the year and increased to 5,9% from 5,4% in 2017. Further gains in this regard will be pursued as will business expansion through exports to other African countries.

Benefits are also expected from investments in new facilities. Dairy is a priority category, contributing over 30% to the Consumer Packed Foods market. Lake Foods, in partnership with its principal Christian Hansen, has invested in a fermented dairy product pilot facility that provides a platform for development, technical support, the production of concept samples and training. Although consumption of yoghurt in Southern Africa is relatively low, fermented ethnic products are widely consumed in the region. Fermented dairy products improve nutrition and have the potential to increase food security.

A new warehouse built for Southern Canned Products has enhanced internal efficiencies and the logistics infrastructure, including additional refrigeration capacity.

CHEMICALS

REVENUE	PROFIT FROM OPS
R5 266m	**R559m**
▲ 47,8%	▲ 53,2%

A very pleasing result was delivered by this segment, notwithstanding the stagnation of South Africa's manufacturing sector. Revenue of R5 266 million (2017: R3 564 million) was up 48% year-on-year, profit from operations improved by 53% to R559 million (2017: R365 million) and the operating margin was 10,6%, from 10,2% in 2017.

Excluding Much Asphalt, volumes increased by 8,6%. The main drivers were high volumes of molten sulphur traded locally, exports of sulphuric acid to the Central African region and improved conditions in the domestic poultry sector.

All the underlying businesses in the segment generated high levels of cash. Excluding Much Asphalt, profitability was more than 15% higher.

As in the case of Schirm, Much Asphalt's performance was below expectations and the context for this as well as the Group's longer-term view of the business have been summarised by the Chairman. Much Asphalt is also pursuing opportunities in other African countries.

PROPERTY & CORPORATE

The revenue streams of the Group's remaining property activities comprise mainly the leasing of buildings at Modderfontein (Gauteng) and Umbogintwini (KwaZulu-Natal), and the provision of utilities and services at the multi-user Umbogintwini Industrial Complex. Revenue from these activities increased by 8% to R424 million (2017: R392 million) and profit from operations was 13% higher at R107 million (2017: R95 million).

Corporate costs were R254 million (2017: R357 million). The 2017 result included R105 million for transaction costs associated with the acquisitions concluded in that year. More details on comparative costs are in the Chief Financial Officer's report.

INNOVATION

The AECI Growth Office identified and assessed new opportunities for the Business of Tomorrow. The investments in Origin Materials and the introduction of SupPlant technology to South Africa's agricultural market are tangible examples of progress made in the last two years. A number of additional opportunities are at varying stages of evaluation.

In terms of improving the Business of Today, 27 internally-generated ideas have been launched. Of these, 16 have been implemented (nine commercially-based and seven SHEQ-based). Collectively, R14 million in additional profits or savings was achieved and the target is to increase this to R50 million in 2019.

OBJECTIVES

All at AECI are committed to sustaining the Group's 2018 performance. To enable this, the focus in the coming year will be as follows:

- further entrenchment of the Zero Harm strategy and delivery against interim milestones;
- the financial delivery of Schirm and Much Asphalt to expectations;
- the integration and delivery to expectations of the Explosives business acquired in Brazil;
- the delivery of returns in line with expectations of capital expenditure projects. Included here are projects totalling about R200 million to ensure compliance, at Modderfontein, with revised air emission standards that take effect in 2020, other recent and new investments in Mining Solutions as well as the single stage polyester fibre plant in commissioning at SANS Technical Fibers in the USA; and
- the successful execution of the realignment projects in progress at AEL and ImproChem, and realisation of the anticipated benefits thereof.

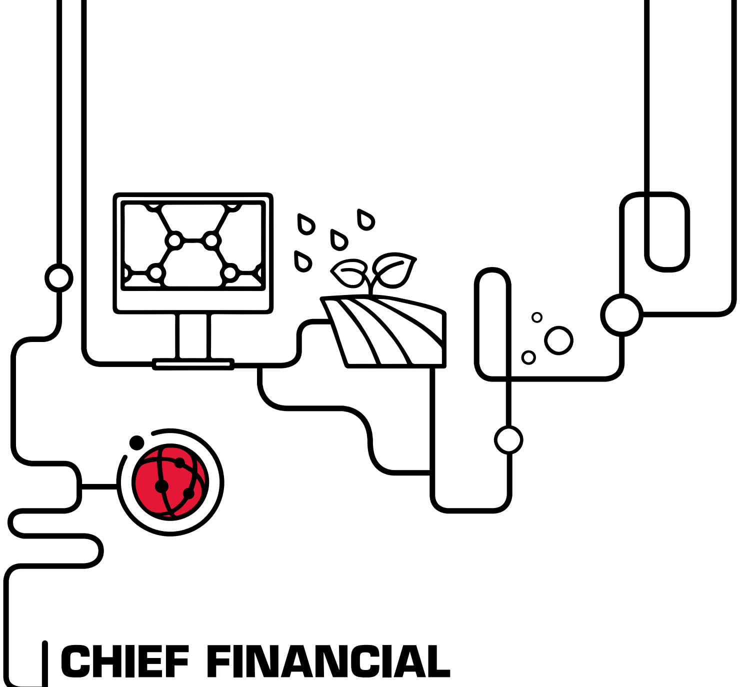
As always, the diligent management of cash will be a priority.

ACKNOWLEDGEMENTS

In addition to thanking all our employees, I wish to acknowledge the dedication of the Board and the Group's management teams. Thanks are also due to our many business partners, customers, suppliers and other stakeholders for their continued support.

Mark Dytor
Chief Executive

5 April 2019



CHIEF FINANCIAL OFFICER'S REPORT

MARK KATHAN
CHIEF FINANCIAL OFFICER

Dear stakeholders

This report is intended to provide a high level overview of the financial performance of the AECI Group for the year ended 31 December 2018. It should be read in conjunction with the full AFS for that year.

EBITDA

+21% to R2 631m

ORDINARY DIVIDENDS FOR THE YEAR

+7,6% to 515cps

CASH GENERATED FROM OPERATIONS

R2 029m

HEPS ANALYSED

R millions	Excluding acquisitions	Acquisitions	**2018 Reported**	2017 Reported	Growth % Excluding acquisitions	Growth % Acquisitions	Growth % Overall
Revenue	20 174	3 140	**23 314**	18 482	9,1	17,0	26,1
Profit from operations	1 868	131	**1 999**	1 579	18,3	8,3	26,6
Headline earnings	1 157	(54)	**1 103**	1 012	14,3	(5,3)	9,0
HEPS (rand)	10,96	(0,51)	**10,45**	9,59	14,3	(5,3)	9,0
PPA effects (rand)		0,57	**0,57**			5,9	5,9
HEPS excl. PPA (rand)	10,96	0,06	**11,02**	9,59	14,3	0,6	14,9

FINANCIAL PERFORMANCE

AECI delivered a good performance in 2018, assisted by the addition of Much Asphalt and Schirm to the portfolio.

Some Group businesses delivered excellent results and all businesses are well placed for growth in future years. Revenue improved by 26,1%, with the acquisitions adding R3 140 million for the period. Schirm also accounted for part of the increase in revenue earned from foreign operations and exports, which for 2018 was 40% of total revenue. It was pleasing that volumes for the full year grew in several businesses. Operating profit was 26,7% higher at R1 999 million and EBITDA of R2 631 million (excluding equity-accounted earnings) improved by 21%. Excluding the acquisitions, operating profit was 18% higher.

In the Mining Solutions segment, a specific and detailed review of plant and equipment ("PPE") and useful lives was undertaken, especially in light of the age of assets in the Explosives business. The review indicated that an extension of useful lives was reasonable and resulted is a lower depreciation charge in the year.

EARNINGS PER SHARE

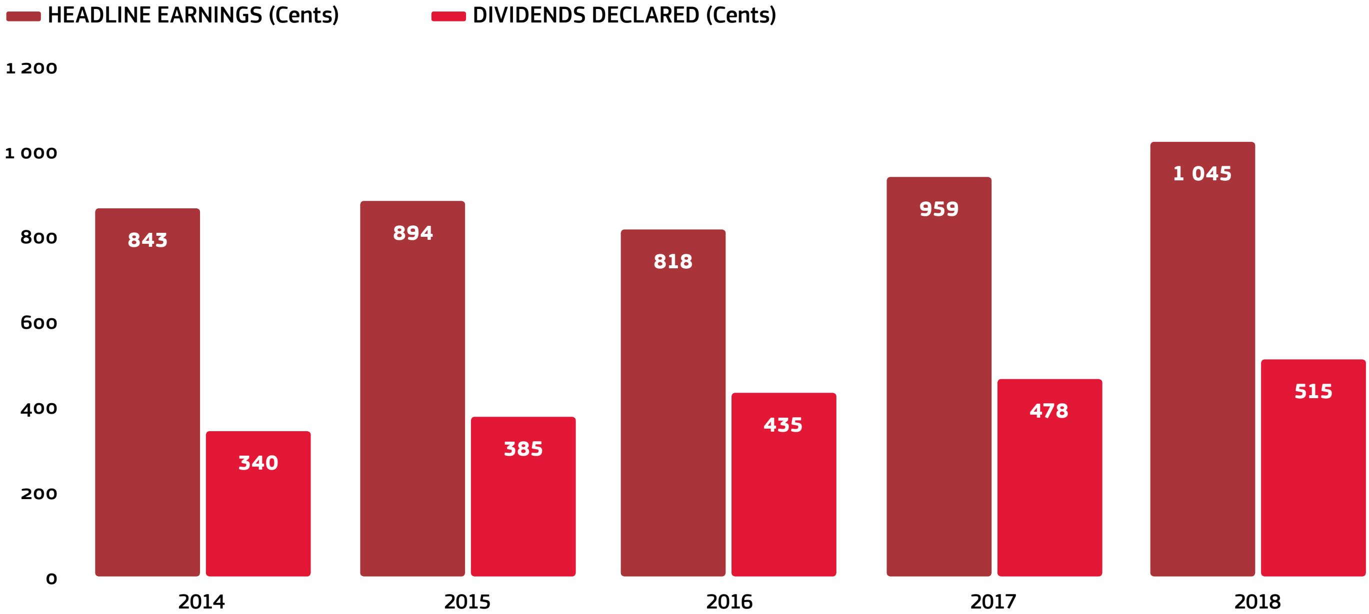
Headline earnings per share ("HEPS") increased by 9% to another record of 1 045 cents and basic earnings per share rose by 4% to 938 cents, negatively impacted by the impairments of goodwill for Farmers Organisation and the Group's investment in PT Black Bear Resources Indonesia. Excluding the effect of the acquisitions, HEPS rose 14,3% to 1 096 cents. The acquisitions contributed 6 cents to HEPS before the effects of the purchase price allocation ("PPA"), which resulted in additional depreciation and amortisation due to the assets (intangible and fair value adjustments) being identified and recognised in terms of IFRS 3 Business Combinations. A detailed HEPS analysis is presented above.

DIVIDENDS

The Board declared a final ordinary cash dividend of 366 cents for the 2018 financial year. This was 7,6% up on 2017's 340 cents and brought the total dividend for the year to 515 cents (478 cents in 2017), a 7,7% year-on-year increase. The dividend at this level represented a two times dividend cover for 2018.

A gross dividend of 49 cents per share was also declared and paid on the unlisted B ordinary shares granted to employees in their capacity as beneficiaries of the AECI Employees Share Trust.

HEADLINE EARNINGS AND DIVIDENDS PER ORDINARY SHARE



BUSINESS COMBINATIONS AND INVESTMENTS

Two of the largest acquisitions in our history were completed in the first quarter of 2018 in pursuit of the strategy to accelerate growth by continuing to diversify the geographic footprint and by expanding into new markets.

The acquisition of Schirm from Imperial Holdings, for a cash consideration of €134,4 million, became effective on 30 January 2018. Schirm is based in Germany and also has a site in the USA. It operates as a stand-alone entity in AECI's Plant & Animal Health segment. The acquisition of Much Asphalt from Capitalworks Private Equity and its partners, for a gross cash consideration of R2 047 million, closed on 3 April 2018 and this business operates in the Chemicals segment, also as a stand-alone entity.

Both the businesses acquired have long-established histories in their markets and with their customers. These were identified as the main intangible assets in the PPA exercise performed in the second half of the year. The Group obtained independent expert advice in identifying and valuing all identifiable assets in terms of IFRS 3. It was determined that the most significant intangibles related to the companies' brands and their customer relationships, while also adjusting the fair value of items of PPE (see notes 4 and 12 to the AFS). The PPA resulted in the recognition of R872 million of intangible assets with R139 million attributed to indefinite life company brands and R733 million to customer and marketing relationships, which will be amortised over periods between 10 and 20 years.

Fair value adjustments to PPE amounted to R64 million, though the PPE at Much Asphalt was recognised at a fair value below the net book value acquired, with useful lives between seven and 30 years. In addition, there were amounts ascribed to inventory and open orders, based on fair value, of R42 million. Those current assets fair value adjustments, and the depreciation and amortisation effects of the non-current assets, impacted profit after tax in the current year by R60 million and are expected to have a R32 million impact in 2019.

In September 2018, and also in line with our pursuit of further geographic diversification, the Group entered a judicial recovery auction process in Brazil. This was to acquire the explosives manufacturing plant, related licences, and distribution and storage facilities of Dinacon in Lorena. The Group was successful with its cash offer of US$6,3 million. The transaction is not yet unconditional but is expected to take effect in the first half of 2019. The acquisition represents an expansion of our Mining Solutions offering. It is our intention to move the new business' focus from the civils and construction market to the sizeable mining industry in Brazil, and ultimately to other countries in Latin America, where the Group's technology and expertise have the potential to add significant value.

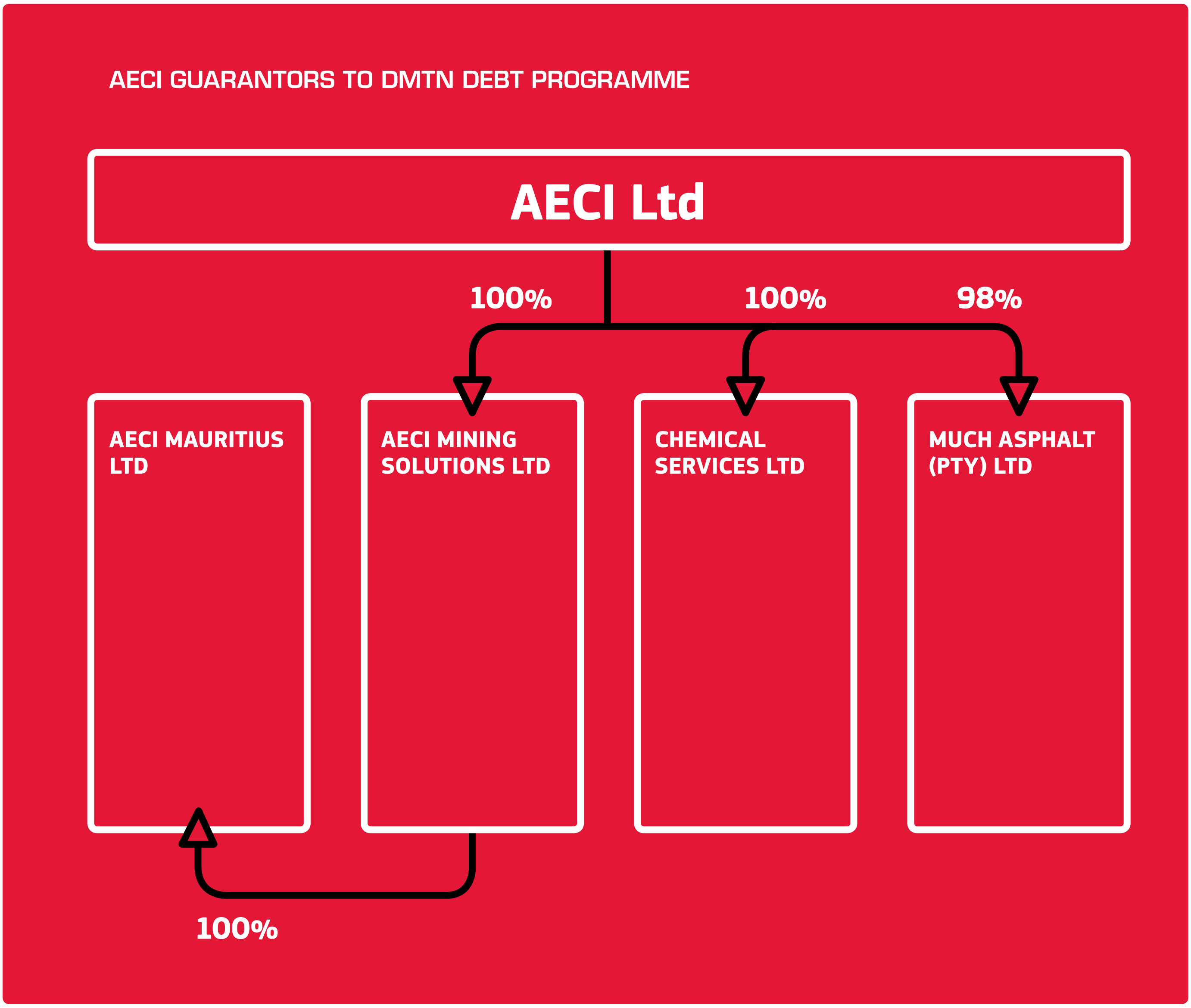
FINANCIAL POSITION AND CASH FLOW

The Group generated cash flows of R2 029 million from its operating activities, substantially above 2017's result. Working capital, a focus for the year, was well managed. Notwithstanding the significant increase in revenue, only 5% of the cash generated by operations was utilised for this purpose. This was particularly significant in the context of the Group's much higher debt to equity ratio, or gearing. At year-end and excluding the businesses acquired, the Group's net working capital to revenue ratio was 16,2% — a slight deterioration from the 15,4% in December 2017.

R847 million was invested in capital projects (2017: R704 million). Of the total investment, R328 million was for expansion projects, including at Schirm where capital projects were already underway prior to the effective date of the transaction. Other key expansion projects included the completion of Senmin's new xanthates pellet plant in Sasolburg, SANS Technical Fibers' single stage polyester fibre plant in North Carolina, USA, and asset deployments in the rest of Africa to maintain and expand the Explosives footprint. Replacement capital included the statutory shutdown of the boiler at Modderfontein undertaken in the year, as well as equipment for nitrogen oxide abatement, also at Modderfontein, for site compliance with the air emissions licence.

DEBT MATURITY PROFILE

	Currency	2020	2021	2022	2023	**Total**
Existing term	ZAR		1 100			**1 100**
DMTN auction	ZAR		360		520	**880**
DMTN private placement	ZAR			500	300	**800**
Term	ZAR		200		500	**700**
Total ZAR			1 660	500	1 320	**3 480**
Term	US$	12	14	15	20	**61**
Term	EUR				68	**68**
Total projected repayment	**ZAR**	**173**	**1 861**	**716**	**2 725**	**5 475**



Net debt, which includes long-term and short-term debt and cash balances, was R4,2 billion at year-end, following the funding arrangements put in place as detailed separately in this report. Gearing, was 41% at 31 December 2018 (5% in December 2017). This ratio is within the targeted 40% to 60% range which we consider appropriate for our business. Owing to excellent cash generation, the Group's interest cover was still comfortable at 8,2 times.

Interest paid increased significantly, as expected, and will be higher over the near-term due to the long-term funding secured in 2018.

Tax paid was lower despite the higher profit before tax due principally to lower provisional or assessed taxes paid in 2018. The cash outflow relating to defined-benefit obligations has normalised and can be expected at these levels into the future. The cash flows relating to employee benefits, specifically long-term incentives, increased in line with the higher levels of earnings in 2017 and 2018. Dividends paid increased by 15% to R571 million.

The Group's term debt was R5 475 million at year-end, with R500 million of the 2017 debt repaid in June 2018. The term debt is repayable at the end of the term of each loan. Short-term debt was approximately R283 million.

All loan covenants were met and AECI's external credit rating from a South African credit rating agency remained at a long-term "A" rating with a "stable" outlook. In light of the higher gearing, debt levels and increased financing costs, focus on cash management and generation will be key in the coming year to ensure that stability is retained.

TAX

Profit after tax for the year increased by 4,4% and was impacted by an increase in the effective tax rate compared to 2017. The current year's effective rate of 34% was a consequence of higher dividend withholding taxes paid, the effects of impairments and the mix of profitability in jurisdictions that impose higher tax rates.

US$20 million in dividends was repatriated from foreign operations.

LISTED AND TERM DEBT

The Group funded the acquisitions of both Schirm and Much Asphalt initially with two bridge funding loans provided by the Standard Bank Group, These loans were denominated in euro and rand respectively. In September 2018, AECI held its inaugural Debt Capital Markets auction and issued Senior Unsecured Floating Rate Notes of R880 million in terms of its listed Domestic Medium Term Note programme ("DMTN"). This debt was raised in the ordinary course of business.

The two bridge facilities were settled and replaced with term borrowings on 21 November 2018. This replacement funding took the form of rand term loans of R700 million and rand private placements written off the DMTN programme of R800 million (listed), US dollar floating rate loans of U$61 million, with tenors from two to five years, and euro fixed and floating rate loans of €68 million with a five-year tenor. See the table on the previous page.

The Group manages its debt exposure on an ongoing basis, including regular stress testing of its forecasts against the covenants associated with the Group's term debt. These loan covenants describe thresholds for net debt to EBITDA (rolling 12 months), EBITDA (rolling 12 months) to net interest and tangible net worth, all of which were met at 31 December 2018. This discipline includes solvency and liquidity testing in advance of any dividend declarations.

Cash is conserved through active management of working capital levels in the Group by way of targeted annual improvements. Cash spent on fixed asset maintenance is similarly managed to not exceed depreciation levels.

The Group's Foreign Investment Committee meets on a regular basis to manage processes such as repatriating cash from operations outside of South Africa to pay down debt or make cash available for the expansion of Group activities, as well as the manner in which new business is accommodated in both existing and new countries of operation. This ensures a consistent approach to capitalisation, financial controls, taxation, requirements for transacting in local currency, ethics and compliance, and any legacy items.

Upward support for the Group's debt is provided by its entities as depicted on page 31.

IFRS — NEW STANDARDS AND ACCOUNTING POLICIES

The Group adopted two new IFRS standards with effect from 1 January 2018. An extensive project to implement IFRS 15 Revenue from Contracts with Customers was concluded with no significant impact on the Group's financial position or financial performance. IFRS 9 Financial Instruments was also implemented, again with limited effects on the Group as a whole. The most significant impact was in the measurement of impairment of financial assets, specifically impairment of trade receivables using the expected credit loss model instead of the incurred loss model. The Group uses a provision matrix to calculate expected credit losses, with amounts more than 90 days past due viewed as a default event. This change resulted in an increase in the loss allowance compared to the previous impairment model. An amount of R56 million (pre-tax) was adjusted to equity as permitted by the standard, with a consequential increase in the impairment charge compared to what would have been provided under the previous Accounting Policy.

2019 has seen the introduction of IFRS 16 Leases. The effect will be a significant increase in assets and liabilities for the Group and a change in the future operating profit as the lease costs previously expensed will be converted to depreciation and finance charges (See the Accounting Policies in the AFS).

CORPORATE COSTS

Corporate costs were R254 million (2017: R357 million). The 2017 result included R105 million for transaction costs associated with the acquisitions concluded in that year. In 2018, there were lower charges relating to long-term incentives, at the lower level of the AECI share price.

As already indicated, defined-benefit costs stabilised. The acquisition of Schirm included an unfunded defined-benefit obligation of €12 million which will increase the Group's exposure to these type of liabilities again. We will evaluate the Group's options for converting this obligation in future years.

EXPLOSIVES LICENSEE IN INDONESIA

AEL has exited its arrangement with the former Explosives Licensee in Indonesia. Recovery methods for amounts owing are being explored. The transition to a new Explosives Licensee partner was completed successfully following a rigorous due diligence process and finalisation of appropriate agreements and controls.

EXTERNAL AUDITOR

Deloitte & Touche ("Deloitte") was appointed external auditor with effect from 6 April 2018. The tender process for the appointment commenced in November 2017 and was managed by AECI's Group Strategic Sourcing function. The process was open to all interested professional firms (excluding KPMG as outgoing auditor) and a shortlist of six bids was evaluated by senior AECI Finance staff and management. The final three contenders were presented to and evaluated by the Audit Committee.

Subsequent to the appointment, a strategy was designed and implemented by AECI and Deloitte to transition the audit and to transition Deloitte's non-audit services and consulting work to other suitable parties. This transition was completed in the first quarter of 2019. I thank all the affected AECI teams and Deloitte for embracing the complex process required to ensure and safeguard the independence of the external audit.

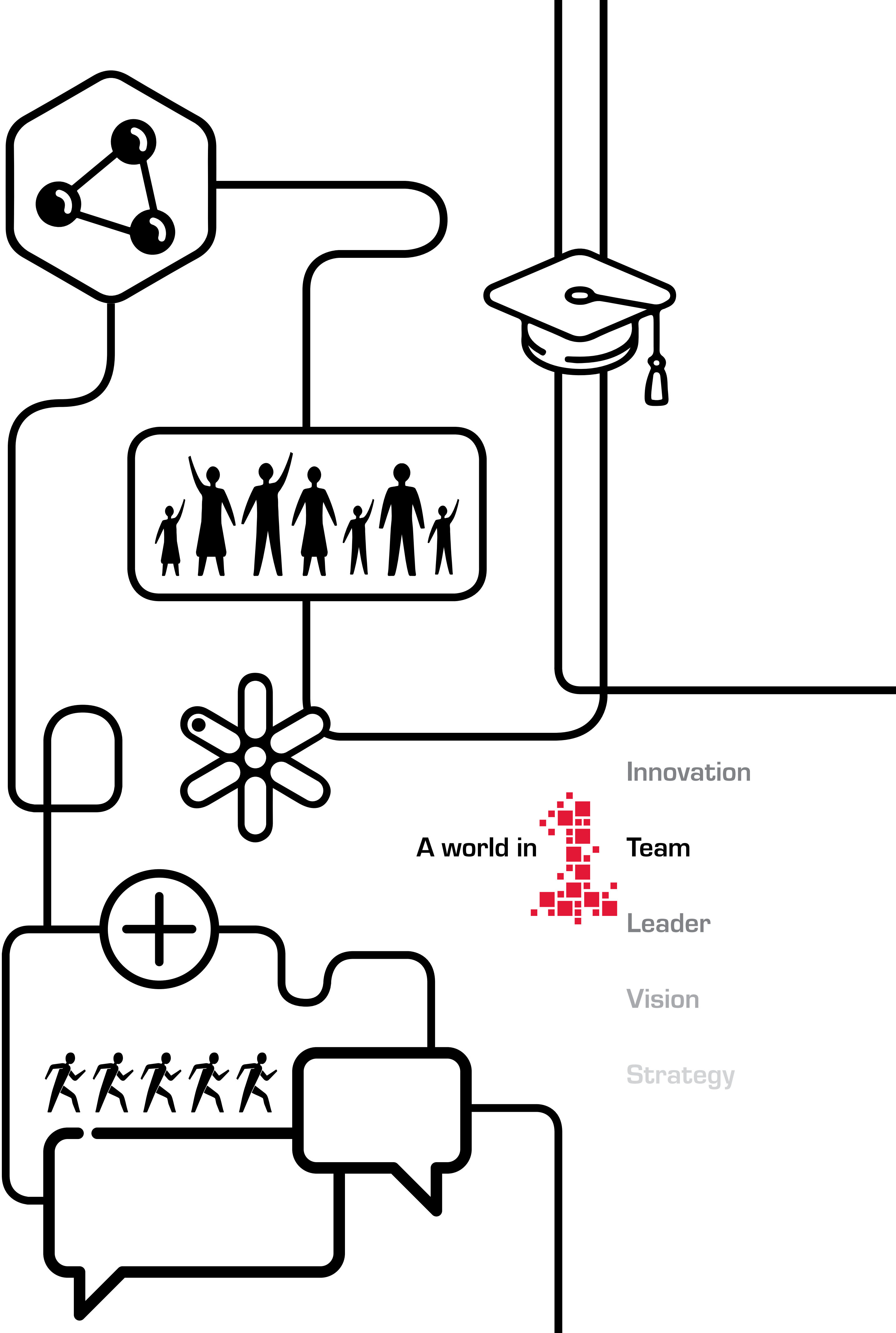
It was pleasing in that the new auditor's work confirmed the appropriateness of the systems, polices and processes management in place in the Group. In this regard, I take this opportunity to thank KPMG, the former auditor, for its excellent service, professionalism and support over many years.

ACKNOWLEDGEMENTS

My thanks are also due to the Audit Committee, the Group's Reporting, Tax, Governance, Legal, Internal Audit, IT, Treasury, Investor Relations and Retirement Funds teams in all the businesses and countries in which we operate. Their continued diligence and professional oversight of the Group's finances, internal controls and related matters is appreciated by me, my Executive Committee colleagues and the Board.

Mark Kathan
Chief Financial Officer

Woodmead, Sandton
5 April 2019



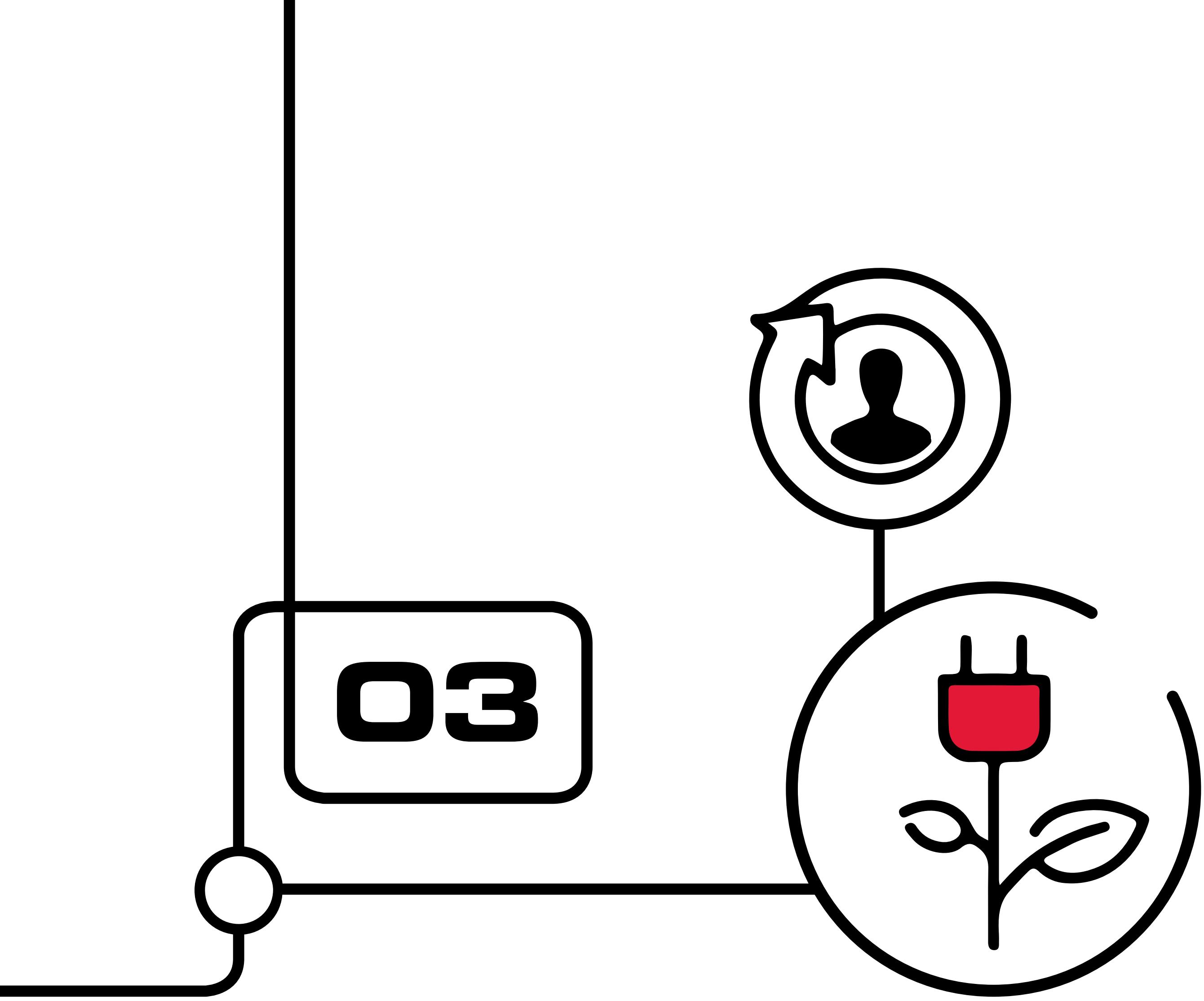
Innovation

A world in 1 Team

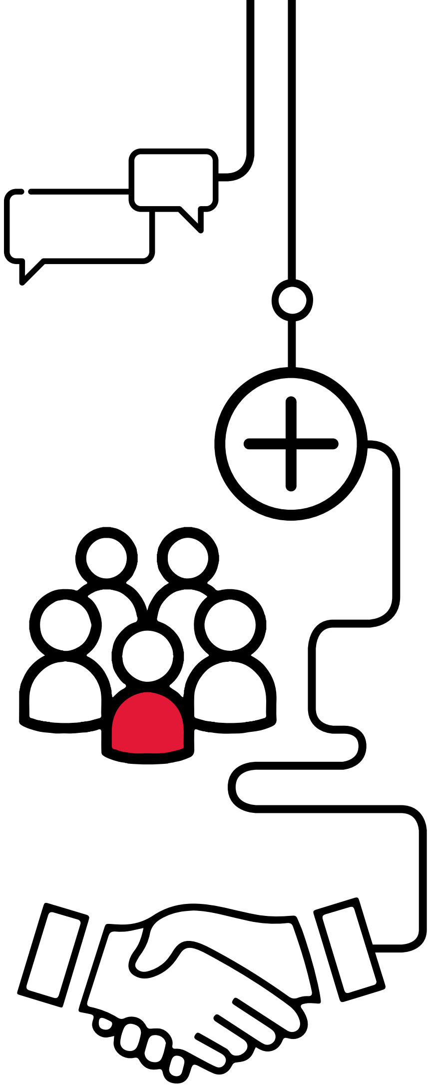
Leader

Vision

Strategy


03

STAKEHOLDER ENGAGEMENT



The AECI Group comprises 17 businesses that serve a spectrum of customers in 25 countries.

The diversity of the businesses and their combined geographic footprint are matched by an equally diverse range of stakeholders — those persons or groups who can affect or be affected by the Group's activities.

Key stakeholders include employees, trade unions, internal and external auditors, shareholders and fund managers, financiers, customers, suppliers, technology and business partners, local and national government structures in the countries where the Group operates, industry bodies, neighbouring communities, special interest groups and the media.

Engagement with stakeholders is largely the domain of either AECI or of its businesses, but there are instances where engagement occurs at both levels. The approach to engaging with stakeholder groups and AECI's efforts in this regard are summarised here.

INTERACTION BETWEEN AECI AND ITS BUSINESSES

Two-way interaction between AECI and its businesses occurs on an ongoing basis, both formally and informally. All the operating entities report to the AECI Executive Committee ("Executive Committee") and, via this Committee, to the Board. Formal structures include operating entity Board meetings, business reviews and Executive Committee meetings. AECI's Executives, in their capacity as the Company's Executive Directors and/or Chairmen of businesses, are in attendance at most of these meetings.

Other forums, such as segment-specific or Group-wide conferences and management meetings, also provide opportunities for information sharing and relationship building. Examples are structures such as quarterly Financial Directors' forums that include representatives from all of the Group's international businesses, Human Capital meetings, and the IT forum and Steering Committee.

The Group's strength is enhanced by sharing best practice and experience in all areas of activity. A culture of collaboration across businesses encourages the streamlining and harnessing of efficiencies, including those enabled by centralised Strategic Sourcing. A common drive for excellence leads to better results for the businesses individually and for the Group as a collective.

STAKEHOLDERS WITH WHOM ENGAGEMENT IS MOSTLY VIA AECI

AECI AND SHAREHOLDERS, FUND MANAGERS, FINANCIERS, AND FINANCIAL ANALYSTS

AECI communicates with these stakeholders by way of a number of processes, including announcements released on the JSE's Stock Exchange News Service ("SENS"), the dissemination of financial results and reports electronically and in print, results presentations, business-specific presentations and site visits and one-on-one or small group meetings.

The Company's Chief Executive, Chief Financial Officer and the other Executives conduct timely presentations on the Group's performance and strategy to institutional investors, financiers, financial analysts and the media in South Africa. The Executive Directors also undertake international roadshows in Europe and the USA, aimed mostly at potential investors. Further, there are regular one-on-one meetings with this group of stakeholders.

Presentations, corporate actions and financial results, as well as any other information deemed relevant, are published on the Company's website. Stakeholders are advised of such newly-published items via SENS. Additional information on the Company, such as inter alia its management and governance policies and structures, is also available at www.aeciworld.com.

To ensure that shareholders without access to electronic communication are not prejudiced, AECI currently publishes and reports on details of its corporate actions and financial performance in at least one daily national English newspaper as required by the JSE.

AECI, THE JSE AND THE LSE

As an entity listed in South Africa, AECI is required to comply with regulatory frameworks such as the JSE Listings Requirements, the Companies Act and the principles contained in King IV.

Alignment with King IV progressed further in 2018 and the process will continue in coming years.

Compliance is managed largely through the Company's Legal and Secretariat and Corporate Communications functions. Interaction with the JSE is via Rand Merchant Bank as AECI's corporate sponsor in South Africa, when such sponsor input is required. Further liaison with the JSE, such as work related to assessments for inclusion in specific Indices, is undertaken directly.

In addition to ordinary shares traded on the JSE, AECI has 3 000 000 cumulative preference shares listed on the London Stock Exchange. To meet its obligations opposite that Exchange, all announcements released on SENS are also released in London via the Company's London Secretary, St James's Corporate Services.

STAKEHOLDERS WITH WHOM ENGAGEMENT IS VIA AECI AS WELL AS ITS BUSINESSES

THE GROUP AND ITS EMPLOYEES

The same information that is shared with investors and other financially-based stakeholders is made available to employees Group-wide. This takes place via communication in print, electronic media and personal interactions between the Group's leadership at all levels and the staff complement as a whole.

Across all businesses, Human Capital departments and Specialists are primarily responsible for the Group's policies, procedures and practices in employment, benefits and related human resource matters, and for the communication of these via established structures. At Group level, businesses participate in forums and structures dealing with, inter alia, Employment Equity and SHEQ-related strategies and performance tracking. The Chief Executive and the rest of the Executive Committee meet with the Group Employment Equity Committee, which includes representatives from businesses Group-wide in South Africa, on an annual basis.

THE GROUP AND TRADE UNIONS

The AECI Group subscribes to the freedom of association principle and recognises the right of all employees to join a trade union of their choice. Unions participate in various consultative and negotiation structures such as Management/Shop Stewards Consultative Forums, Employment Equity and Skills Development Steering Committees, Wellness Committees and Safety, Health and Environment Committees that deal with issues that affect employees' interests.

Group businesses in South Africa are members of the National Bargaining Council for the Chemical Industry ("NBCCI"). Substantive collective agreements for the Bargaining Unit are negotiated on an annual basis with representative trade unions under the auspices of the NBCCI — Industrial Chemical Sector. Senior Industrial Relations Managers from the Group participate in this forum as employer representatives.

In other countries employees also have the right to join representative bodies of their choice, where these exist.

A list of unions with whom formal recognition agreements are in place is available at https://www.aeciworld.com/pdf/trade-unions/2018-trade-unions.pdf.

THE GROUP AND INTERNAL AND EXTERNAL AUDITORS

This engagement is driven by good governance requirements, through compliance with relevant legislation and standards. It includes the limited assurance, undertaken annually for publication in the integrated report, of selected non-financial indicators which AECI believes are material in view of the nature of its businesses and the environment in which they operate.

The Directors are required in terms of the Companies Act and the JSE Listings Requirements to prepare annual financial statements which fairly present the state of affairs of the Company and the Group as at the end of the financial year period, in conformity with IFRS. The external auditor is responsible for auditing the financial statements of the Company and its subsidiaries and for expressing its opinion on these statements to shareholders. In addition, the external auditor is responsible for confirming whether the financial statements meet the requirements of the Companies Act and IFRS. In 2018, the external auditor was also engaged to carry out an Agreed Upon Procedures Review in respect of the interim financial results to 30 June.

The Directors must ensure that Group entities maintain adequate accounting records, that an effective risk management process and internal controls are in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. To enable the Directors to meet these responsibilities, management sets standards and implements systems of risk management and internal control aimed at reducing the risk of error or loss in a cost-effective manner. The Group's Internal Audit function appraises the internal controls of Group businesses and submits its assessment of these to the Board on an annual basis.

The management team of each business also submits an annual self-assessment of internal control (Internal Control Matrix) to the Audit Committee affirming that the systems of internal control, in entities for which they have responsibility, are adequate for their operations and are functioning effectively. Internal Audit assesses the controls opposite this Matrix and reports thereon to the Audit Committee.

THE GROUP AND GOVERNMENT/ REGULATORY AUTHORITIES

AECI and its businesses are subject to the laws of the jurisdictions in which they operate. This means governments and regulatory authorities are able to have a significant impact on the Group as a whole or on one or more of its entities. As a consequence, the management of the impact through engagement with relevant authorities is a business imperative.

Such engagement may range from advocacy initiatives associated with the development of legislation and standards, to cooperative work with those regulators who have the responsibility of governing the Group's activities through the application of these laws and standards. To facilitate engagement, AECI and/or its businesses may choose to develop relationships with relevant government and regulatory entities in a proactive manner.

All government engagement by AECI employees is subject to the Group's Code of Ethics and Business Conduct ("the Code") as approved by the AECI Board. The Code "is designed to provide clear guidelines for engaging with all stakeholders" and there is an explicit expectation that employees will have zero-tolerance to bribery and corruption. The statement that "AECI will not condone any violation of the law" is unequivocal. With respect to donations, the Code is clear that "no donations will be made to political parties and political candidates under any circumstances."

A second policy document of relevance is the Delegation of Authority Framework ("the Framework"). This document notes that the AECI Board "is ultimately accountable and responsible for the performance and affairs of the AECI Group of companies ... and derives its authority primarily from the (Company's) MOI as well as the general regulatory framework and common law". The Framework stipulates that subsidiary Boards and other high-level Committees have been set up to ensure, inter alia, "that the business entity is run in accordance with good corporate governance practices". The Framework is clear that "no delegation of authority may be exercised for any immoral or unlawful purposes". While naturally silent on the details of government engagement, the document clarifies governance roles and responsibilities in the Group.

AECI's engagement with government may take place at the level of national, provincial and local or municipal entities. It may also involve a range of regulatory bodies in jurisdictions where the Group operates.

In South Africa, the points of contact set out in the table on page 38 are current priority areas for government engagement. This view is informed by AECI's risk registers and the Group Compliance Framework.

Engagement is usually directly between Group personnel and the respective government official(s). In certain cases, though, it is deemed more effective and/or more practical for engagement to take place under the auspices of industry forums. The main such forum is the Chemical and Allied Industries' Association ("CAIA"), of which AECI is a founder member and on whose Board AECI is represented in the person of its Chief Executive.

In jurisdictions other than South Africa, it is not appropriate to tabulate such a set of priorities based on functional areas. These priorities differ from country to country based on the nature of AECI's operations, country-specific factors and the level of maturity of the business in each country.

Accountability for government engagement in these jurisdictions lies with the in-country Managing Director. The Managing Director ascertains the priority areas of engagement and is expected to form relationships with government officials and regulators accordingly.

Where appropriate, Managing Directors are encouraged to leverage existing relationships established by their customers' businesses. Managing Directors may also call on diplomatic staff at South African embassies, including but not limited to Department of Trade and Industry representatives.

Under conditions of uncertainty, and in accordance with the Framework, issues can be escalated to Head Office functions or more senior Executives.

THE GROUP AND NEIGHBOURING COMMUNITIES

AECI has formal structures in place for engaging with its neighbouring communities. In the mid-1990s, the Umbogintwini Industrial Complex ("UIC") was the first site or business in the Group (and South Africa) to sign a formal charter with its neighbours. The charter sets out principles, responsibilities and procedures to serve as a framework for interaction between the parties.

Communities living within the footprint of influence of manufacturing and storage sites are most often concerned about the potential effects of site incidents and the management of these. Emergency preparedness and emergency response information, therefore, is shared with neighbours using channels such as local print and social media, site performance reports and invitations to participate in site-based emergency exercises. Their participation is via representatives mandated by communities to represent them in these matters.

Structures in place at AECI's largest operating sites include:

- at Modderfontein, AEL oversees the functioning of a Community Awareness and Emergency Response ("CAER") Committee; and
- at the UIC, issue-specific stakeholder and community liaison forums deal with inter alia water quality (including discharges to sea), air emissions, remediation activities, and development plans. Although stakeholder engagements are generally managed by the Umbogintwini Industrial Association, the AECI Group provides assistance with logistical arrangements and, more importantly, through the site's Community Liaison Officer.

Other interactions include local socio-economic development projects in the areas of education, health, the environment, charitable contributions, and skills and enterprise development. Often, contributions are not only in cash but also in the form of expertise and guidance. This is also true for a number of businesses beyond South Africa's borders. See page 50 for further details on engagement for sustainable community development.

Communities in which the Group operates or has an interest in South Africa are the primary intended beneficiaries of the AECI Community Education and Development Trust.

KEY POINTS OF CONTACT FOR GOVERNMENT ENGAGEMENT IN SOUTH AFRICA

DEPARTMENT	LEVEL	ACCOUNTABILITY
PRESIDENCY	Minister	Chairman and Chief Executive, via CAIA and directly
LABOUR	National	Group Transformation Manager and Group Executive: Human Capital
	Provincial	Group Transformation Manager and Group Executive: Human Capital
	Chief Inspector Health and Safety	Group SHE Manager
WATER AND SANITATION	National — Director	Group SHE Manager, via CAIA
	Provincial	Group SHE Manager
	Municipality	Business Operations Managers
POLICE	Chief Inspector Explosives	AEL Safety Manager
SARS	Large Business Centre	Group Financial Manager/Group Tax Manager
	Commissioner	Chief Financial Officer
TRADE AND INDUSTRY (including Competition authorities)	National — Director-General	Chief Executive, via CAIA and directly
		Group Company Secretary
ENVIRONMENT	National — Director-General	Chief Executive, directly and via CAIA
	National — Director	Group SHE Manager
	Provincial — various	Group SHE Manager
	Municipality	Business Operations Managers

THE GROUP AND SPECIAL INTEREST GROUPS

These stakeholders are often, but not always, aligned with communities in which the Group operates.

Although their engagement requirements often overlap with those of communities, their needs are recognised separately.

Wherever possible, these stakeholders are encouraged to participate in the Group's affairs via existing structures (liaison forums and the like). Where this is not possible separate arrangements are made to meet the needs of the stakeholders who, as a rule, are concerned mainly with matters broadly classified as being environmentally- and health-based. Arrangements include meetings, site/business visits and participation in/support of interest group initiatives.

Examples of interest groups in South Africa include the Modderfontein Conservation Society, the Wildlife and Environment Society of South Africa and residents' associations.

THE GROUP AND THE MEDIA

All issues pertaining to the Group and its stakeholders are of potential interest to the media in its role as a conduit for public information.

AECI's Corporate Communications function maintains contact with the media by disseminating relevant information proactively or in response to enquiries. Group businesses also interact with the media regarding matters specific to their sites or businesses. Other than in instances where media comment/coverage relates to marketing or product news, businesses are required to keep the AECI Head Office informed of likely coverage.

This is particularly true in instances where potentially controversial or negative comment is expected, or when it is possible that coverage will impact on/refer to the Group as a whole.

Where businesses do not have the necessary resources to deal with media requests or enquiries on their own, AECI's Corporate Communications function provides guidance or responds on that business' behalf after having confirmed the content of the response with management.

For communication in any situation which can be defined as a crisis or potential crisis (operational, industrial action, legal issues etc.), the preparedness of each business for such an eventuality is confirmed by annual Letters of Assurance submitted by the Managing Directors of Group businesses to the AECI Chief Executive.

Depending on the type and scale of an emergency, AECI Head Office resources are made available to assist the affected site or business. The hierarchy for escalating notifications of incidents, and subsequent progress reports, is clearly defined and has been communicated to all businesses.

THE GROUP AND INDUSTRY BODIES

In addition to its involvement in CAIA, AECI and its businesses participate in a number of initiatives and associations pertinent to all or some of their business activities. In this way, issues relevant to the sustainability of the Company or that of one or more of its businesses are addressed.

Initiatives include but are not limited to:

- longstanding membership of and involvement in SAFEX International, which aims to protect people and property against dangers and damage by sharing experiences in the global explosives industry. An AEL representative serves on the organisation's Board of Governors;
- active membership of the Responsible Care® Standing Committee;
- active membership and leadership of the Process Safety Forums in KwaZulu-Natal and Gauteng for South Africa's chemical industry;
- the Chemicals Handling and Environmental Forum is tasked with promoting responsible handling of chemicals throughout their lifecycle by providing a forum for stakeholders to discuss critical issues pertaining to the handling, storage, transport and distribution of hazardous chemicals. The Forum comprises representatives of CAIA member companies, government departments, other allied industry associations and various industry experts. AECI is represented at this Forum;
- Responsible Care® is the global chemical industry's voluntary initiative for the continual improvement of performance in safety, health and environmental practices. It is a public commitment to the responsible management and stewardship of products and services through their lifecycle. It is also the vehicle used by the industry in its pursuit of improved product stewardship. CAIA is the custodian of Responsible Care® in South Africa, with 161 South African businesses being signatories. AECI is a signatory as are the Group's companies in South Africa in their own right. Signatories have their compliance with the Management Practice Standards verified by independent assurance providers;
- participation in the CDP Climate Change and the CDP Water Programs. The CDP is a global initiative administered locally by the National Business Initiative. The CDP is an international voluntary disclosure programme. Data on greenhouse gas emissions and climate change response actions by business are collated on behalf of global investors. The CDP Water Program is aimed at catalysing sustainable corporate water management globally;
- the Group is well represented in legislative forums in structures of the Chemical Industries Education and Training Authority. Subject matter experts represent AECI at employer organisations including the National Association of Speciality Chemicals Employers Association, the National Institute of Explosives Technology and the National Artisan Training Committee. These relationships optimise the Group's ability to make contributions that are suitable and beneficial to the sectors in which it operates.

STAKEHOLDERS WITH WHOM ENGAGEMENT IS MOSTLY VIA GROUP BUSINESSES

GROUP BUSINESSES AND CUSTOMERS/SUPPLIERS

Customer service and engagement is at the heart of the daily business of AECI's operating entities. It is fundamental to the value-add business model and, as such, it embraces the spectrum of business-related issues that could affect performance and also addresses external considerations such as labour relations, socio-political imperatives and, in South Africa, B-BBEE matters.

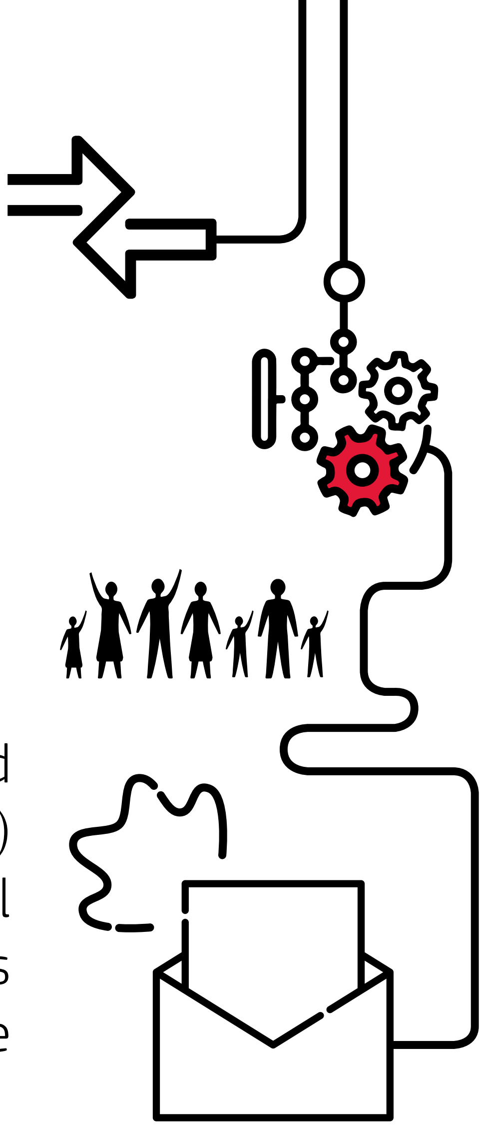
Each Group business has a robust system in place to ensure that changes in customers' needs are met quickly and efficiently. Equally, relationships with suppliers are monitored continually and are modified as required. Terms of engagement with customers and suppliers are clearly defined and, where appropriate, Group-wide policies and procedures guide the businesses to ensure that customer- or supplier-related risks are properly understood and managed in line with AECI's risk appetite.

GROUP BUSINESSES AND TECHNOLOGY AND BUSINESS PARTNERS

Long-term technology and other agreements, as well as strategically advantageous partnerships, are one of the bases for the AECI Group's growth. Individual businesses engage with their principals and partners as a matter of course. Major changes, developments or opportunities are escalated to the Executive Committee and then to the Board, depending on the significance of the real or proposed change, development or opportunity.

This ensures that issues such as competitor and customer trends, economic conditions and industry trends, and the appropriateness of technologies, products and services are addressed.

SOCIAL AND ETHICS COMMITTEE'S REPORT TO STAKEHOLDERS



Dear stakeholders

This report is provided by the Social and Ethics Committee ("the Committee") appointed in respect of the 2018 financial year of AECI Ltd. This report incorporates the requirements of section 43 of the Regulations of the Companies Act.

MEMBERSHIP

Four meetings were held in the year and full details on the meeting dates and attendance by members are available via the link https://www.aeciworld.com/pdf/board-meetings/2018/board-meetings.pdf.

The members in the year were:

› Z Fuphe (Chairman)

› MA Dytor

› NA Franklin

› MVK Matshitse (retired on 31 January 2019)

› AJ Morgan

› R Ramashia

Ms Fuphe has served on the Committee since 2008, Adv Ramashia since 2010, Mr Dytor since 2013, Mr Morgan since 2014 and Mr Franklin since 2017. Ms Matshitse, who retired after the reporting date, had served since 2012.

The Chief Financial Officer, the Group Compliance function, the Group Risk Manager and the external auditor attend meetings by invitation.

OBJECTIVES

The Board of Directors has conferred upon the members of the Committee the following powers:

STATUTORY DUTIES

› To consider, recommend and monitor AECI's activities with regard to the following and report accordingly to the Board:

  » good corporate citizenship, specifically in relation to (i) the promotion of equality, (ii) the prevention of unfair discrimination and the reduction of corruption, and (iii) AECI's record of sponsorship, donations and charitable giving;

  » labour and employment matters: specifically in relation to AECI's standing on (i) the International Labour Organization's protocol on decent work and working conditions, and (ii) employee relations and contributions to the educational development of employees;

  » safety, health and the environment: specifically in relation to the impact of the AECI Group's activities and those of its products and services;

- » social and economic development of defined communities: specifically in relation to (i) the 10 principles set out in the United Nations Global Compact, (ii) the Organisation for Economic Co-operation and Development's recommendations regarding corruption, (iii) the South African Employment Equity Act, No. 55 of 1998, (the "Employment Equity Act"), and (iv) the South African Broad-Based Black Economic Empowerment Act, No. 53 of 2003; and
- » consumer relations: specifically in relation to advertising, public relations and compliance with consumer protection laws.

› To monitor and advance the implementation of policies and plans approved by the Board on matters as contemplated above.

NON-STATUTORY DUTIES

The Committee is further mandated as follows:

- › to monitor to the best of its ability that AECI and its operating business entities adhere to the approved Code of Ethics and Business Conduct Policy and Guidelines;
- › to provide guidance and advice on sustainability trends and issues relevant to the AECI Group as well as review and approve the Group's Sustainability Policy from time to time. The Committee will be informed of the sustainability risks as recorded in the AECI Group risk register and provide related input to the Risk Committee, as appropriate. Further, the Committee will review Safety, Health and Environmental Incident reports;
- › to monitor to the best of its ability that AECI and its operating businesses have properly identified stakeholders, and understand their issues, and ensure that all stakeholders are treated in an equitable and fair manner. Details of identified stakeholders and the AECI Group's approach to engagement with them appear in the Stakeholder Engagement commentary.

KEY ACTIVITIES IN THE YEAR UNDER REVIEW

THE COMMITTEE

- › received and considered reports on AECI's management of safety, health and environmental issues. This included extensive engagement regarding the tragic fatality that occurred at one of the Group's operations on 14 November 2018. The Committee discussed root causes as well as lessons learnt, and approved that these be shared across the Group;
- › monitored the launch and implementation of the revised safety, health and environment Zero Harm strategy which was approved in 2017;
- › received and reviewed reports on AECI's progress on Employment Equity ("EE") in its South African operations. This included monitoring against the targets which management submitted to the South African Department of Labour in its three-year EE Plan for the period 2017 to 2020;
- › received and reviewed reports relating to Broad-based Black Economic Empowerment and considered management's analysis of the effect of amendments to the Codes of Good Practice;
- › received and reviewed reports on ethics management across the Group, including the workings of the Tip-offs Anonymous whistle-blowing line;
- › received and reviewed reports on AECI's talent management processes, including retention strategies, succession plans and reports on termination trends;
- › received and reviewed reports on the AECI Employees Share Trust, including the review and approval of a proposal to pay a dividend to beneficiaries of this trust in 2018;
- › received and reviewed reports on the AECI Community Education and Development Trust;
- › received and reviewed reports in relation to the AECI Code of Ethics and Business Conduct; and
- › visited some of the SED programmes in KwaZulu-Natal supported by the Group, including the award-winning Wize Wayz Water Care project.

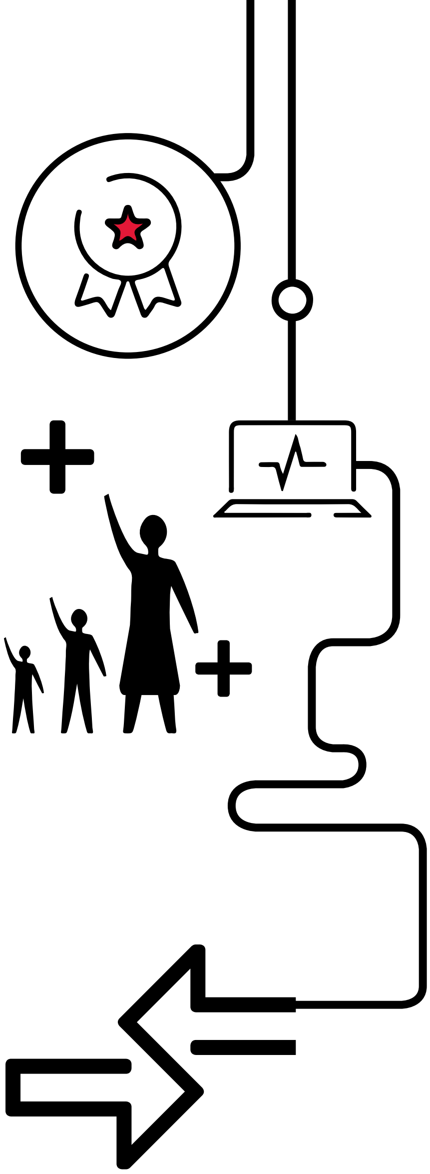
For and on behalf of the Social and Ethics Committee

Zellah Fuphe

Chairman

5 April 2019

HUMAN CAPITAL



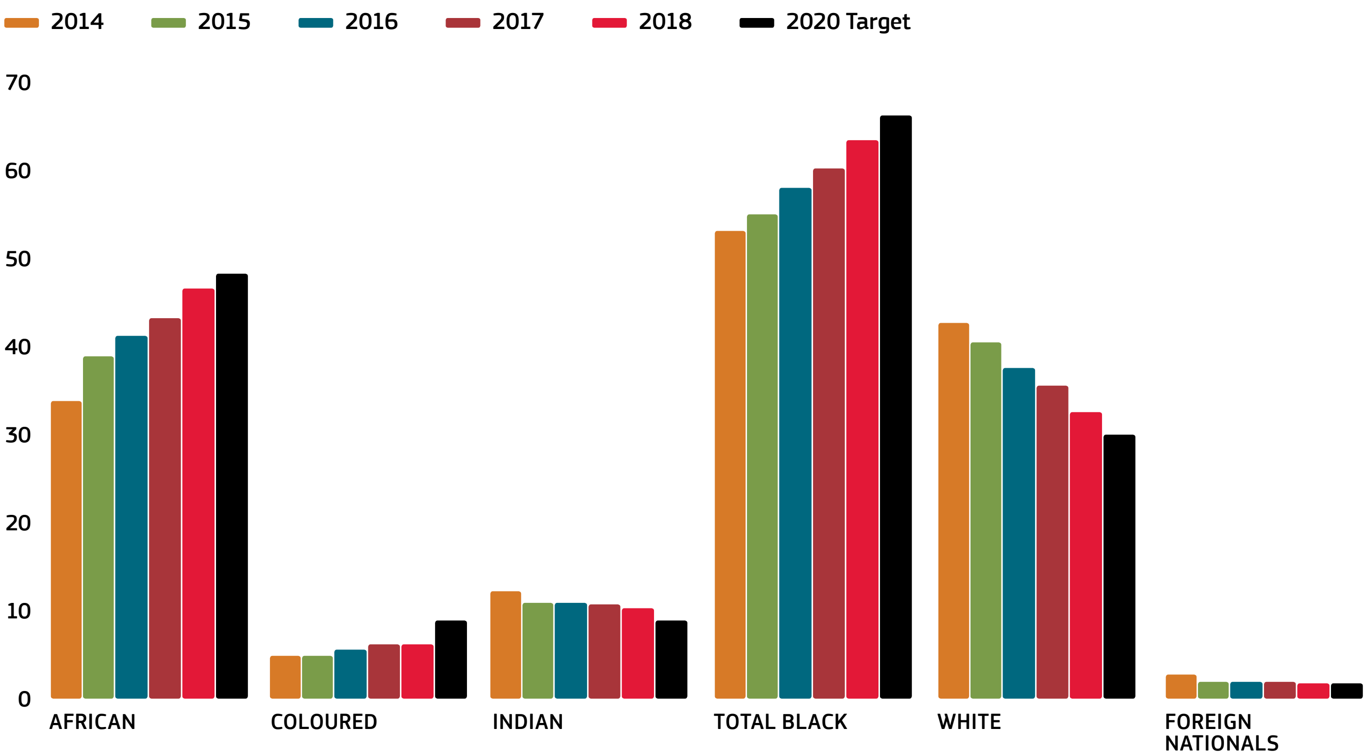
AECI's Human Capital function provides a strategic service to the Group as a whole. Its objective is to support the organisation's growth aspirations in an environment of internal change as well as shifts in external social, legislative and other frameworks. Highlights from 2018 and some objectives for 2019 in this important area are highlighted here.

TRANSFORMATION

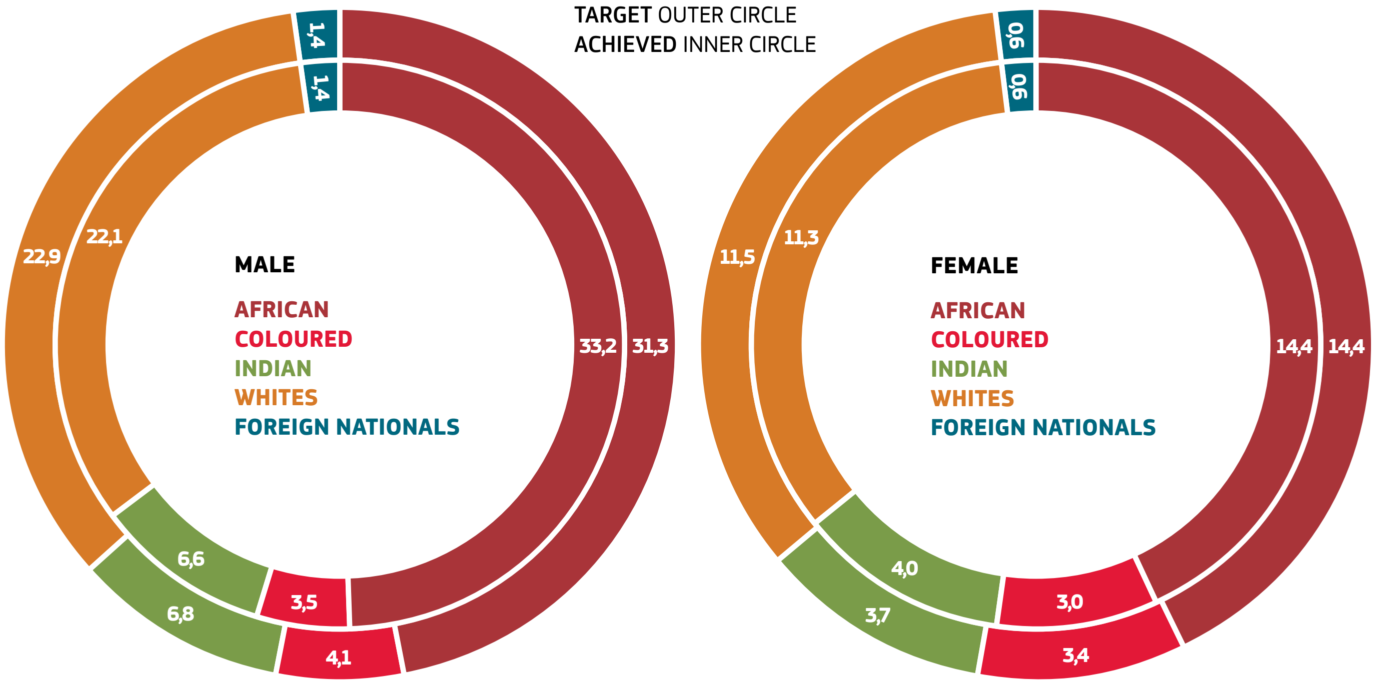
AECI follows an integration approach to transformation to drive inclusivity, diversity and empowerment in line with the Employment Equity Act, No. 55 of 1998, and the B-BBEE Codes of Good Practice in South Africa.

Demographic representation, per the prescribed national Economically Active Population ("EAP") statistics, has improved over the years, particular at Junior and Middle Management levels.

REPRESENTATION BY RACIAL GROUP AT ALL MANAGEMENT LEVELS
2014 TO 2018 PERFORMANCE AND 2020 TARGETS (%)



REPRESENTATION BY RACE AND GENDER AT ALL MANAGEMENT LEVELS
2014 TO 2018 (%)



EMPLOYMENT EQUITY ("EE")

The starting date of Group's three-year EE plan was 1 September 2017 and its end date will be 31 August 2020. The plan's numerical goals and targets are intended to improve representation further at every occupational level by race and gender, in line with EAP statistics.

As required by law the related 2018 EE report was submitted to the Director General of the Department of Labour on time, after consultation with all stakeholders. The Group submitted a consolidated report for all its South African businesses except Much Asphalt, which was acquired with effect from April 2018.

The charts above present numerical targets for 2020 and actual performance as at 31 August 2018 for the combined four top occupational levels (namely Top, Senior, Middle and Junior Management/Technical skills).

Numerical targets were met for the majority of designated and non-designated groups. A noticeable under-achievement related to Coloured males and females at all four occupational levels.

To accelerate the achievement of goals and targets, integrated people management initiatives are being rolled out. These take into consideration the needs and expectations of a multi-generational work force and the importance of proactively creating a conducive workplace that embraces diversity and inclusion. Key considerations are:

- a clearly defined and articulated employee value proposition;
- awareness, mind set and behavioural change programmes that reinforce diversity and inclusivity across generations, race, nationality and gender in the workplace; and
- complementary capacity-building and fast-tracking programmes for identified designated groups, particularly women, the Coloured population and people with disabilities.

Recruitment also plays a role. The Recruitment Policy provides a framework for promoting good practice and equality in the field. Appointments are made based on objective criteria for skills, experience, qualifications and competencies, with preference given to employees from under-represented groups.

Awareness and capacity-building workshops were conducted in the year for Human Capital Specialists and Business Partners, members of EE Committees, Shop Stewards and Occupational Health personnel. Similar training will take place in 2019 for Line Managers, with the rest of the workforce to follow.

The charts on page 44 summarise the AECI Group's demographic representation by occupational level, race and gender in the current and prior reporting periods.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

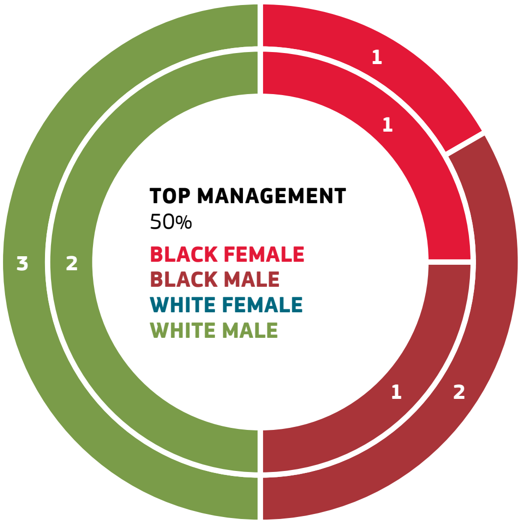
AECI is committed to contributing towards the achievement of a sustainable socio-economic environment through the meaningful participation of Black people in the mainstream economy. AECI supports the South African government's Broad Based Black Empowerment ("B-BBEE") Act, No. 53 of 2003, the Codes of Good Practices gazetted in 2007 and the Amended Codes of 2013.

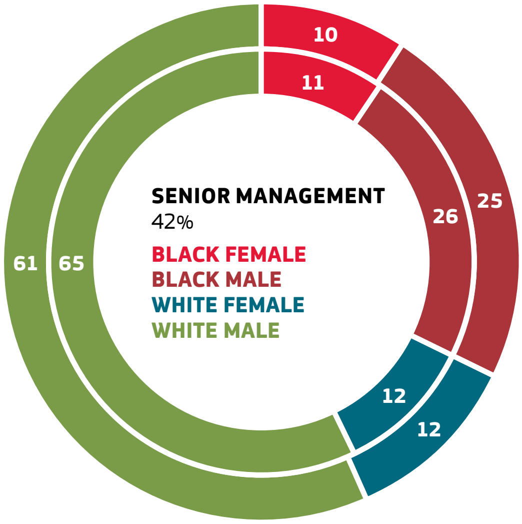
On 29 March 2019 the Group was certificated as a Level 2 B-BBEE Contributor. This was a further improvement from the Level 3 achieved in the prior year. The objective going forward will be to maintain the current status and to improve in the longer term. A copy of the certificate is available via the link https://www.aeciworld.com/pdf/certifications/bbbee-certificate-2019-level2.pdf.

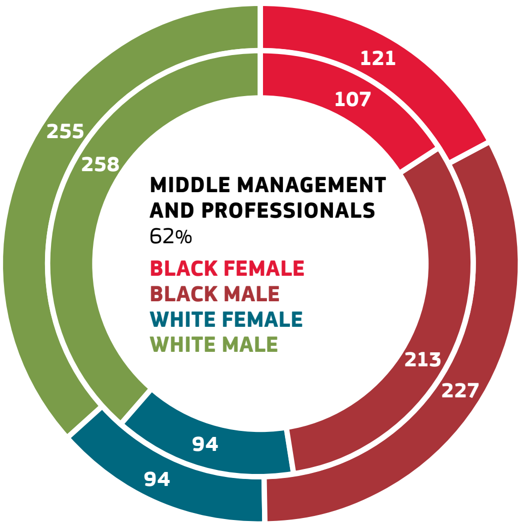
REPRESENTATION BY OCCUPATIONAL LEVEL, RACE AND GENDER — YEAR-ON-YEAR COMPARATIVES

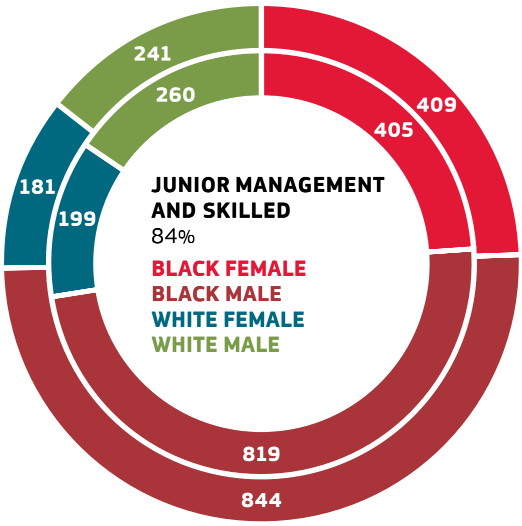
The graphics below indicate the number of individuals as well as representation in percentage terms by Black people, White females and Foreigners at each employment level in the Group's South African operations.

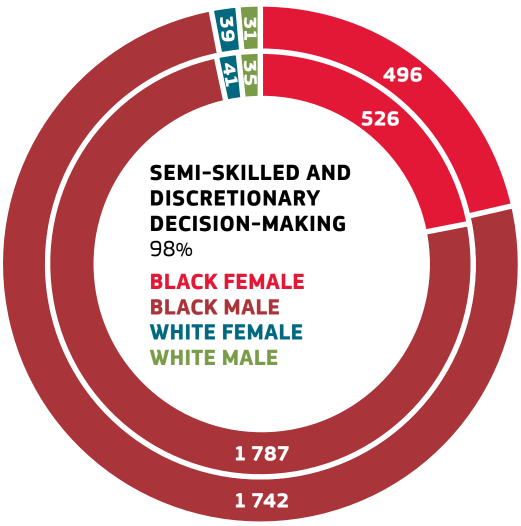
2018* OUTER CIRCLE **2017*** INNER CIRCLE

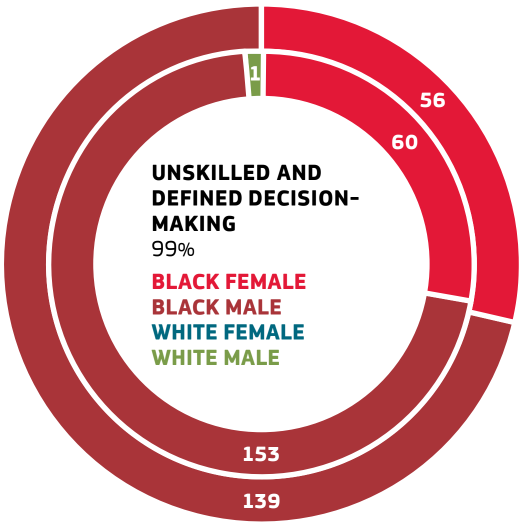












* Indicates limited assurance. See page 58.

ENTERPRISE AND SUPPLIER DEVELOPMENT ("E&SD")

The Good Chemistry Fund was launched in 2017 with a committed capital amount of R30 million. The Fund is in line with AECI's E&SD strategy to support Black Owned Exempt Micro Enterprises and Qualifying Small Businesses. It is governed by an independent Board that oversees its management according to the principles envisaged in the B-BBEE Codes of Good Practice and in line with the Fund's mandate.

2018 HIGHLIGHTS

Since its inception, the Good Chemistry Fund has committed to projects in transportation, engineering, agriculture and customer development. Commitment to transforming the AECI supply chain is the basis on which projects are selected and there is a strong intent to localise imports by working with internal and external stakeholders.

Through a co-investment with Shell SA, AECI contributed R5 million in expansion capital for Road Bulk Services ("RBS"), a Black Owned Qualifying Small Enterprise. Further funding for this business has been provided as has technical assistance to improve its financial reporting, subsequent to a comprehensive due diligence process. Eight jobs have been created as a direct result of this investment.

RBS is a long haul transporter of hazardous goods. The business was established in Durban, in 2014. Chemical Initiatives, which manufactures sulphur-based products at the Umbogintwini Industrial Complex, has played a pivotal role in on-boarding RBS into the AECI E&SD programme and the growth of RBS, becoming this beneficiary's first customer.

A Nulandis initiative has taken the form of a pilot project aimed at assisting aspiring Black farmers, with the longer-term objective of expanding the Nulandis footprint in this emerging market.

As part of the pilot project AECI and Nulandis together with project partners have created a comprehensive development framework for farmers, for implementation in 2019. R6 million in funding has been allocated for this New Era Farming project. Funds will cover operational costs such as seed, fertilizer, chemicals and irrigation for identified farmer/s. The expectation is that 20 jobs will be created.

Other AECI businesses have supported E&SD initiatives in their own capacity. Examples are the Cotat recycling initiative at Chemfit, Kgabo Plumbing Services at Acacia Operations Services and the Landevan and Chemtrans transportation initiative at Crest Chemicals.

AECI EMPLOYEES SHARE TRUST ("EST")

In compliance with the Trust Deed, the Board of Trustees was reconstituted after an election process. All three independent Trustees who availed themselves for re-election were elected. A new beneficiary Trustee was also elected.

As at September 2018, 9 516 567 AECI B Ordinary shares of a total 10 117 951 shares authorised had been allocated. There were 5 180 beneficiaries at that date. Since the Trust's inception in 2012, dividend payments in excess of R15 million have been paid to beneficiaries. A total of 468 beneficiaries were not traceable and, consequently, it was not possible to effect their dividend payments.

The Board of Trustees' work in the year included:

- beneficiary road shows at all major employment centres to raise awareness of the EST rules and benefits, improve understanding among beneficiaries of the separate legal status of the Trust, and to give beneficiaries an opportunity to express their views and raise any questions relating to their status as beneficiaries. Subsequently, a task team was formed to prepare answers to beneficiaries' questions that could not be addressed immediately by Trustees during the road shows;
- managing and monitoring a process to trace beneficiaries;
- authorising and monitoring payments to the beneficiaries of deceased beneficiaries, in line with the EST rules; and
- preliminary work, in terms of communication and processes, in preparation of the Trust's vesting date in 2022.

EMPLOYEE RELATIONS

AECI strives to operate in a manner that provides a safe, fair and harmonious working environment for all employees and for the Group. The Group subscribes to the principles of the International Labour Organization's ("ILO") conventions. Human Capital policies are intolerant of any form of unfair discrimination, harassment, child labour, intimidation or bullying in the workplace.

The Employee Relations function ("ER") is tasked with implementing and overseeing compliance with employment policies and practices that meet the necessary statutory and regulatory conditions across AECI's geographic footprint and are aligned with the over-arching imperative of mutual respect. ER supports a culture of fairness and transparency among all employees (irrespective of race, gender, nationality, religion and sexual orientation) while at the same time maintaining strong collective relationships and agreements with these stakeholders.

Mutual trust in relationships with employees and trade unions is the underlying principle, with its application being facilitated through various forums that bring together employees, Shop Stewards, trade union leaders and management. The aim is to inform, engage, secure and maintain employees' confidence that they will always be treated in a fair and equitable manner.

LABOUR LEGISLATION

Labour laws in South Africa continue to evolve as government seeks to balance stronger protection for employees with the need to create a business-friendly investment climate. The following amendments were signed into legislation in November 2018 and took effect on 1 January 2019:

- National Minimum Wage of R20,00 per hour;
- extension of the duration of unemployment benefits from 238 to 365 days; and
- the introduction of parental and adoption leave.

Group policies will be amended to comply with these changes.

In July 2018, the Constitutional Court handed down a judgement to the effect that the Temporary Employment Service is the employer of the placed employee (earning below the income threshold as determined by the Minister of Labour from time to time) for the first three months of employment. Thereafter, the client becomes the sole employer. A monitoring process has been introduced to ensure that AECI's businesses are compliant with this judgement and that utilisation of Temporary Employment Service is minimised.

In September 2018 the Constitutional Court ruled that the personal use of cannabis is not a criminal offence. The ruling means that it would not be a criminal offence to use or be in possession of cannabis for personal consumption in a private space. Measures are being put in place to ensure that the Group's Alcohol and Drug Abuse Policy is aligned with this.

OPERATIONAL REQUIREMENTS DISMISSALS

Dismissals on the basis of operational requirements are regarded as "no fault" dismissals. Thus, the Labour Relations Act, No. 66 of 1995, places particular obligations on an employer. Most these obligations are directed towards ensuring that all possible alternatives to dismissals are explored and that the employees to be dismissed are treated fairly.

The employer's obligations are both procedural and substantive. This Act also requires that the employer engage through consultations with affected employees and their representative trade union(s) to minimise the negative impact of potential dismissals.

In 2018, the Group was faced with a need for changes in organisational structures and business models owing to the necessity to reduce costs, cease potentially unsafe work and adjust to the effects of closures at customers' businesses.

These changes resulted in six section 189(3) consultations, affecting 22 positions. As a result of consistent, clear communication and commitment during these processes, only five employees were ultimately retrenched.

Similar processes were initiated at ImproChem and parts of AEL in January 2019. Finalisation is anticipated by mid-year.

RECOGNITION AGREEMENTS

The purpose of these is to determine recognition of unions in a company and to establish a framework for consultation and participation in decision-making in matters that affect employees, policies and practices since employee representatives play an important role in the development and implementation of policies and procedures.

2018 brought finalisation and conclusion of Recognition Agreements discussions with all representative trade unions in the Group's South African operations, with the last union signing the agreement in July 2018.

TRADE UNION REPRESENTATION

In terms of section 23 of South Africa's Constitution, every worker has the right to join a trade union of his/her choice. Trade unions are an important force in South Africa, with 3,1 million members representing 25% of the formal work force.

The AECI Group recognises employees' right to freedom of association and to bargain collectively. Representative trade unions are acknowledged as one of the Group's key stakeholders.

In South Africa, 46% of Group employees are unionised as are 59% of employees in all other countries of operation.

A list of recognised trade unions is available at https://www.aeciworld.com/pdf/trade-unions/2018-trade-unions.pdf as are further details on membership splits by union, in South Africa.

ACCOUNTABILITY AND GOVERNANCE

ER is guided by the Human Capital strategy that is well integrated into the Company's business streams. This enhances engagement levels with employees and supports effective decision-making.

EMPLOYEE WELLNESS

AECI's new Employee Wellness programme, branded **YouThrive**, aims to increase awareness and adoption of behaviours and resources that reduce health risks and improve overall quality of life. Over and above physical health aspects, this multi-dimensional approach addresses employees' wellbeing in the financial, social, psychological and intellectual spheres.

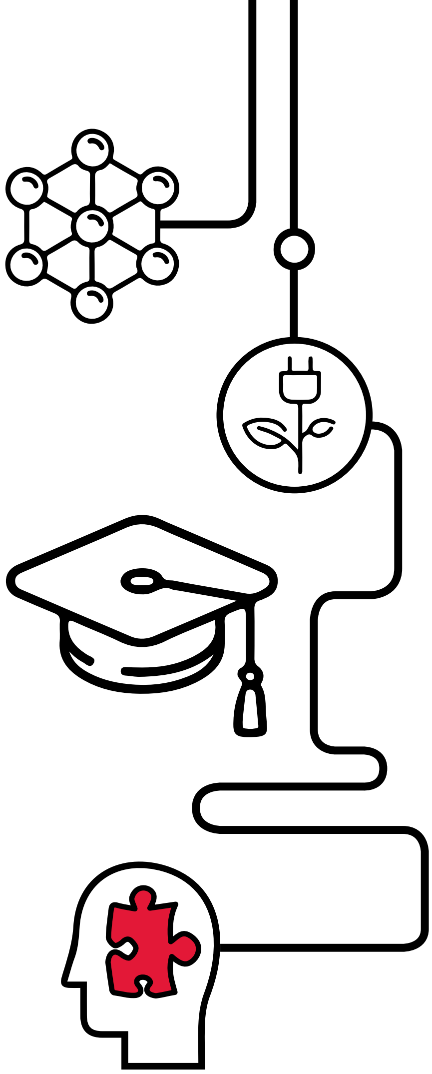
YouThrive intends that employees Thrive through two strategies:

- proactive, by encouraging and strengthening the consciousness of behaviours and the ability to deal with aspects of their lives that can cause stress and health issues; and
- reactive. This approach aims to support employees in their time of need.

Core service providers are entrusted with supporting and guiding employees and their dependents in times of stress-related incidents and performance loss situations. Services range across a broad spectrum, from trauma counselling to performance management consultations. They are easily accessible, professional and immediate and are made available at no charge to AECI's people.

During 2018, 585 employees availed themselves of the Employee Assistance Programme for guidance and assistance in matters ranging from money management and legal issues to addictive behaviours.

INTELLECTUAL CAPITAL



AECI's people are its greatest asset and it is they who will enable the attainment of growth goals, both locally and internationally. Accordingly, the Group actively seeks to attract, develop and retain talent at all levels in all its countries of operation. Underlying policies, as well as highlights from programmes and initiatives in support of the employee value proposition, are presented here.

LEARNING AND DEVELOPMENT

Building skills and behaviours which promote a culture of continuous learning, leadership and diversity is significant for the achievement of the Group's strategic goals and objectives, including its Employment Equity targets.

Training programmes safeguard the timely availability of the Group's human capital requirements and learning interventions aim to deliver well-rounded, competent employees who make contributions that provide them with personal growth and career development in the Group while facilitating increased productivity and improved shareholder value.

A banded approach to learning and development gives employees opportunities to participate in programmes appropriate to their levels of work, but also to attend interventions at more advanced levels. Particular attention is given to improving the skills and competencies of employees from designated groups.

There was a slight reduction in the number of employees applying for study assistance year-on-year, with a corresponding reduction in expenditure, as individuals who completed their studies outnumbered new learners. The percentage of employees from designated groups participating in study programmes increased by 4,5%. Although this scheme is currently available only to employees based in South Africa, a decision to include employees in other countries will be made once the Human Capital Management System has been introduced internationally.

Investment in the current and prior four years is summarised on page 48.

Examples of the courses of study pursued in 2018 were Masters in Business Administration ("MBA"), Bachelor of Arts Psychology in Human Resources, Bachelor of Science, Bachelor of Accounting Science, and National Diplomas in Electrical Engineering, Analytical Chemistry, Safety Management and Operations Management. Five employees are studying towards MBA degrees and six are enrolled in other post-graduate qualifications.

Skills Development ("SD") is a priority element in the amended B-BBEE Codes and it is vital that Group businesses in South Africa achieve the 40% threshold. A number of workshops related to this imperative were presented by SAGE and EmpowerLogic during 2018, to ensure that employee and expenditure data are properly captured on the SAGE BEE123 System and hence maximise the Group's overall score and those of its operating businesses.

Investment in the Group's **External Bursary Scheme** and the **Employee Dependent Bursary Scheme** is targeted towards achievement of the 40% threshold since this investment is measured as part of SD.

Full-time students, primarily from designated groups and studying towards qualifications identified as critical and scarce skills, were sponsored through the **External Bursary Scheme**. Their fields of study included chemistry, agriculture, and chemical, mechanical and mining engineering. Graduates of the scheme are employed in the Group for a minimum of 12 months in line with their bursary work-back requirements and to provide them with industry experience, depending on the availability of suitable positions in the Group.

AECI forged a partnership with Nelson Mandela University in 2015 to support students studying towards the Chemical Process Technology Diploma. Five students graduated in 2018. They are fulfilling their work-back obligations and it is anticipated that most of them will be retained in the Group.

Another three students who graduated at the end of 2017 or during 2018 were undertaking graduate development work in Group businesses. Six more students completed the theoretical component of their diplomas and commenced in-service training. They, too, will be placed for their bursary work-back periods.

BENEFICIARIES OF EMPLOYEE STUDY ASSISTANCE SCHEME BY RACE AND GENDER

2014 TO 2018

	African		Coloured		Indian		White		Total by gender			
Year	M	F	M	F	M	F	M	F	M	F	Total beneficiaries	Investment (R millions)
2014	82	63	0	8	5	16	7	8	94	95	189	1,9
2015	46	33	3	4	8	10	11	9	68	56	124	2,3
2016	89	59	5	11	11	15	12	14	117	99	216	2,9
2017	116	76	8	17	15	18	15	18	154	129	283	4,1
2018	**106**	**78**	**4**	**13**	**16**	**16**	**13**	**16**	**139**	**123**	**262**	**3,5**
Total	**439**	**309**	**20**	**53**	**55**	**75**	**58**	**65**	**572**	**502**	**1 074**	**14,7**

INVESTMENT IN BURSARY SCHEMES

2017 AND 2018

Scheme	No. of beneficiaries		Designated group beneficiaries (%)		Female beneficiaries (%)		Investment (R millions)	
	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**
External	35	**33**	94	**93**	42	**36**	4,4	**4,0**
Employee dependent	34	**27**	100	**88**	64	**48**	0,7	**0,7**
Total beneficiaries	69	**60**					5,1	**4,7**

SUMMARY OF CHIETA GRANTS

2014 TO 2018

Type of grant (R millions)	2014	2015	2016	2017	2018
Mandatory	3,0	4,1	4,1	4,8	**5,1**
Discretionary	7,7	6,2	6,8	7,8	**7,6**
Total grants	10,7	10,3	10,9	12,6	**12,7**

R4 million was spent on 33 students in 2018. This represents a slight decrease on 2017, attributable to sponsoring two MSc students and one PhD student in the current year. Usually, students at these levels of post-graduate study do not require the same funding for inter alia accommodation and stipends as their under-graduate counterparts.

The Group offered extended vacation work opportunities, resulting in stronger relationships between management and the students. It is envisaged that this will increase the retention rate of students, resulting in an improved return on investment and a talent pipeline of future leaders and technical experts.

Financial support also continued to be provided through the **Employee Dependent Bursary Scheme** to dependents of employees in lower income brackets. The bursary recipient must register with an accredited educational institution for a tertiary qualification, irrespective of the course of study.

Although the number of bursary holders was lower year-on-year, expenditure remained in line with that for 2017 because of institutional increases. A summary of these investments is presented at the top of the page. Sixteen additional bursaries were awarded for 2019.

Learning and development strategies are aligned with the Employment Equity Act and the Skills Development Act, No. 97 of 1998. The Workplace Skills Plans and Annual Training Reports of Group businesses in South Africa were submitted timeously to the Chemical Industries Education and Training Authority ("CHIETA"), as required by legislation. No issues of concern were identified.

Collaboration between the Group and the CHIETA stakeholders continued and the required criteria for funding applications were implemented. The centralised submission of grant applications to the CHIETA has enabled the Group to reimburse its businesses more than R68 million since 2012.

The table above summarises the amounts received in grants from the CHIETA over the last five years. Funding indicated for 2018 includes payments received to year-end. The total could increase when the CHIETA makes additional payments in respect of completed learnerships and when Discretionary Grant interventions have been completed.

TALENT MANAGEMENT

Further enhancements were made to processes that enable and facilitate the development and growth of AECI's employees. Several additional projects and programmes were initiated to reinforce their workplace engagement and experience.

Executive coaching has been made available at senior levels, with the specific emphasis placed on meeting the aspirations of a changing workforce, such as the growing representation of Millennials for example. Also recognised was the need to highlight fourth industrial revolution competencies in leadership programmes.

The development of leadership capability for a pipeline of future leaders is achieved, inter alia, through the Group's partnership with the Gordon Institute of Business Science ("GIBS"). GIBS provides customised and accredited management interventions in the context of the AECI Leadership and Management Development Programmes. The Programmes are designed for leaders from Junior to Senior management levels, offering participants the most up-to-date knowledge.

The sixth intake of 129 participants enrolled in 2018. The success of the initiative was illustrated by the need to present the Foundation Management Programme for the second time to two groups of employees. Over five years, more than 660 employees have benefited, with 80% of them from designated groups.

At Senior and Middle management level, especially, participants are exposed to stretch assignments from individual and syndicate perspectives. Action Learning and Business Improvement Projects continued as part of the Programmes, with the results and outcomes of the assignments being the identification of growth or improvement opportunities, and the development of these. Efforts in the areas of Group-wide collaboration and innovation initiatives have yielded good results.

For the Middle Management Development Programme, subject matter experts from across the Group were invited to share their experience and expertise with the class. The delegates found this valuable and similar engagements will be extended to the Senior programme going forward.

Two Senior Managers completed the GIBS Global Executive Development Programme. This Programme will continue to be offered until all Senior Managers have had an opportunity to attend.

In 2018, significant effort was invested in workforce planning. Group businesses assessed their existing plans and amended them, where necessary, to address the most up-to-date information on short- and long-term employment needs.

HUMAN CAPITAL MANAGEMENT SOLUTION ("HCMS") PROGRAMME

To enable improvements in engagements between managers and employees, as many people management processes as possible have been standardised and their automation is being rolled out in South Africa and internationally. Payroll and Human Capital administrative tasks have been the first items addressed.

Good progress has been made in the programme as a whole. It went live in South Africa on 1 March of 2019 and international deployment has commenced.

The HCMS is a collaborative effort between the Group's businesses and the IT, Finance and Human Capital functions, with all parties having been involved in determining business requirements, process design and technical functionality.

The programme is underpinned by an integrated technology platform, branded AECI-connect, which provides the control required to streamline and govern processes, create a single set of employee master data, create a people analytics platform and enable the design and implementation of an optimal Human Capital operating model. The platform accommodates the use of mobile devices, hence allowing valuable on-the-go transacting for the business and its more than 8 000 employees.

AECI-CONNECT

The AECI-connect analytics platform will provide visibility of the employee life-cycle and enable actionable insight into employee-related matters. It will also enable an integrated decision-making ability, linking financial data, production data, employee data and various other data sources required to generate predictions and apply metrics.

A Human Capital Shared Services Centre has been established at the same time. It provides administrative, reporting and payroll services globally.

The new operating model empowers Human Capital professionals to focus on strategic partnering with business, Line Managers to engage with their employees more effectively and employees to access their data and manage their transactions effortlessly.

Common access points are being made available for non-computer users, thereby ensuring that they, too, transition to more efficient and paperless transactions. Basic computer literacy training will be provided to them, as required.

To cater for the need of employees across AECI's extensive geographic footprint, AECI-connect is also being configured in Spanish, Indonesian Bahasa, French and Portuguese. Employee training material will be translated into these same languages to facilitate comprehensive understanding of the processes and functionality.

PERFORMANCE MANAGEMENT

By year-end, the AECI Group had almost completed its second performance management cycle since automating and launching the system, branded Khula Nathi (translated from Zulu as "Grow With Us"), in 2017. The focus shifted from enabling employees to use the online system and following a standardised process, to improving the quality of KPIs and conversations between Managers and employees.

Crucial Accountability training for Managers was introduced in 2018, to enhance their skills in conducting effective performance conversations, and will continue in the coming year. A further focus in 2019 will be completing individual development plans as part of the Performance Management process.

ORGANISATIONAL DESIGN AND DEVELOPMENT

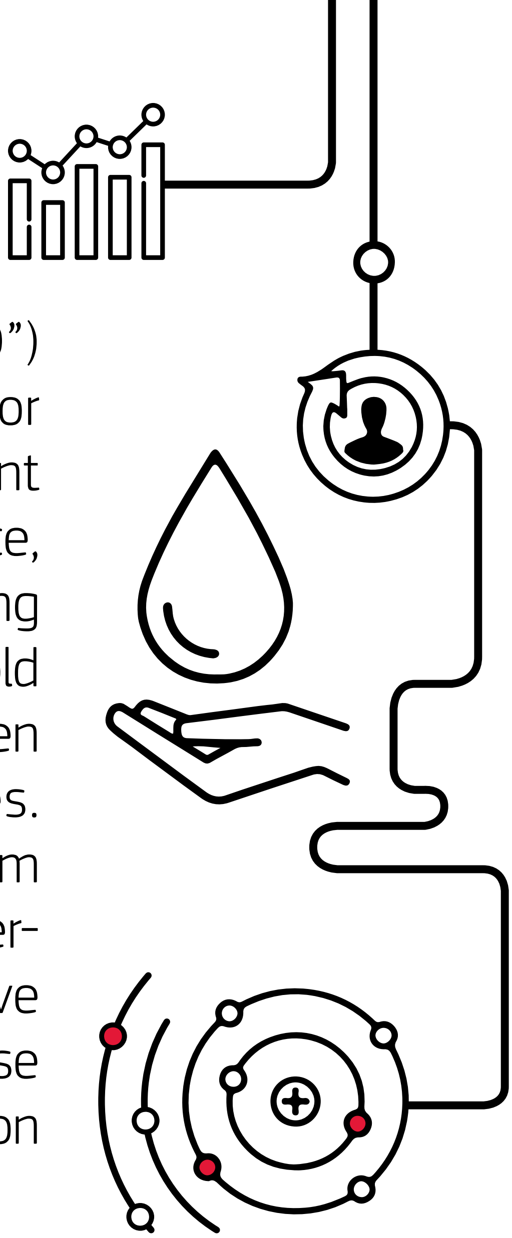
CULTURE SURVEY

A Culture Survey was conducted across the Group to gain insight into employees' perceptions and aspirations in terms of AECI being the company they choose to work for. The project was overseen by Deloitte so as to guarantee the anonymity of respondents. The overall response rate was 64%.

The Group achieved 58,8% for the Attraction Index, which measured employees' overall attraction to AECI and its businesses. This equates to a Bronze award in Deloitte's scoring hierarchy. For the Engagement Index measure, the Group achieved 65,5%. This measure reflects employees' state of mind relating to behaviours and discretionary work effort.

The overall results as well as business-specific scores were communicated, key change initiatives have been identified and they will be actioned in the coming year. Each Group business is establishing task teams to facilitate the culture change process. Regular feedback and progress reports will be communicated to AECI's Executive Committee and, via this Committee, to the Board.

SOCIAL AND RELATIONSHIP CAPITAL



Socio-economic Development ("SED") is a business and moral imperative for AECI. Although the level of investment is dependent on financial performance, AECI has established a trend of investing more than the mandated annual threshold of 1% of net profit after tax in its chosen SED partners and their programmes. Partners operate across a broad spectrum of communities. Some of these partnerships are longstanding while others have been forged more recently, including those initiated in 2018. The Group's contribution in 2018 totalled R30 million.

ENGAGEMENT

An inclusive approach to engagement is vital in balancing the needs, interests and expectations of all SED stakeholders, including the best interests of the Company over time. The AECI SED Programmes drive this process, particularly as it affects communities close to Group operations. The primary goal is to invest in effective community-focused organisations and initiatives that will develop and uplift these often vulnerable communities. The key principles followed are:

› developing a stakeholder map for the particular community in need;
› understanding the community's need through baseline studies;
› aligning these needs with the Programme strategy, national development priorities and local municipal plans;
› consultation and validation with the relevant community bodies, including other stakeholders such as local government;
› being mindful of potential risks and proactively planning to mitigate these;
› identifying platforms for all participants to engage positively and effectively;
› partnering with relevant, credible partners to address the agreed SED programme;
› agreeing roles and responsibilities with stakeholders;
› managing the expectations of all stakeholders;
› agreeing the expected outcomes;
› ensuring that efficiencies are designed and in place to hold stakeholders accountable for their delivery; and
› reporting to and regular communication with the relevant AECI leadership structures on the progress and impact of Programmes.

SED FUNDS

The R30 million invested in uplifting vulnerable communities was channelled through three well-established funds: the AECI Group CSI Fund, the AECI Community Education and Development Trust and the Tiso AEL Development Trust. Each of these funds is governed by a Board of Trustees, with some Trustees being independent and others appointed by the Company. The Trustees' responsibilities include overseeing the application of the following governance and performance drivers:

› thorough planning and strategic alignment with development priorities;
› creating shared value;
› responsible management;
› inclusive stakeholder management;
› sound governance and effective financial management;
› legal compliance;
› outcomes and impact-based reporting; and
› robust risk management.

SUMMARISED 2018 REVIEW

The areas of focus remained aligned with national development imperatives, including quality basic education, the protection and conservation of natural resources, inclusivity, food security, skills development and caring for orphans and vulnerable children.

A highlight was AECI being named the recipient of the 2018 Trialogue Strategic CSI award. This award recognised the work done through the Wize Wayz Water Care ("WWWC") project. WWWC aims to create sustainable livelihoods through food security, water resource management and monitoring, and environmental

conservation. The project commenced in 2016 and has grown to include 122 volunteer participants from the Folweni and Ezimbokodweni communities close to the Umbogintwini Industrial Complex, in KwaZulu-Natal. These volunteers keep a 30km stretch of the eZimbokodweni River catchment area clear of litter and debris and they have also helped rehabilitate a local wetland that stretches over nearly a kilometre.

In addition, AECI was a finalist for two other awards:

- **Trialogue's Gender Mainstreaming award, empowering women in communities category; and**
- **Mail & Guardian Greening Awards, Community Conservation Award.**

Also pleasing was the increase in participation in employee volunteerism campaigns across the Group, reflecting improved awareness and a sense of appreciation for the role the Group plays in vulnerable communities.

Four campaigns were implemented to address some key SED challenges in South Africa:

- drought relief;
- food security for orphans and vulnerable children;
- teenage pregnancy;
- school shoes and stationery packs for needy learners.

More than R500 000 was donated and distributed to needy communities, through charitable organisations.

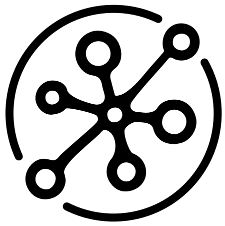
INTERNATIONAL

The same social responsibility philosophy that applies in South Africa is equally valid for the Group's operations internationally. Mining Solutions has the most extensive geographic footprint and these businesses invest resources in upskilling and developing their own communities. Contributions in this regard were made in Indonesia, Zambia and Ghana, among others.

All initiatives are aligned with local legislative requirements and are undertaken in consultation with the relevant stakeholders. Specific examples in 2018 included the provision of emergency relief in Indonesia, subsequent to an earthquake and resultant tsunami, and learner support in that country.

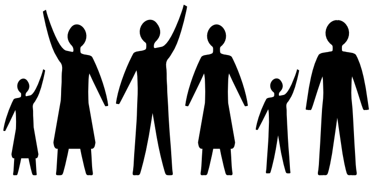
In Zambia and Ghana areas of activity included support for the establishment and maintenance of food gardens, medical assistance, upgrading of community facilities and infrastructure, education and sports development. Also supported are organisations such as Women in Mining to assist gender empowerment and inclusion.

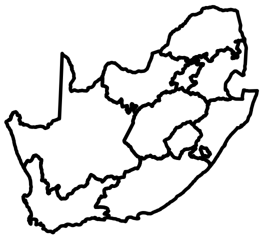
SUMMARY OF INVESTMENT



53
BENEFICIARY PARTNERS

TOWARDS
76
PROJECTS





305 254
BENEFICIARIES IMPACTED

ALL 9
PROVINCES IN SA INCLUDED

SUMMARY OF IMPACT

148 183
TEACHERS AND LEARNERS WERE IMPACTED THROUGH THE EDUCATION PROGRAMME

1 062
STUDENTS WERE ENABLED TO ACCESS TERTIARY EDUCATION

24
EARLY CHILDHOOD DEVELOPMENT CENTRES WERE SUPPORTED — IMPACTED **15 808** VULNERABLE CHILDREN

556
ARTISANS WERE TRAINED

22
COMMUNITIES WERE PROVIDED WITH ACCESS TO POTABLE WATER — IMPACTED **4 135** BENEFICIARIES

996
JOBS WERE CREATED IN THE FOLLOWING DISCIPLINES: PLUMBING, ELECTRICAL ARTISANS, MECHANICAL ARTISANS, FITTING ARTISANS, PLANT PRODUCTION, IT, BAKING

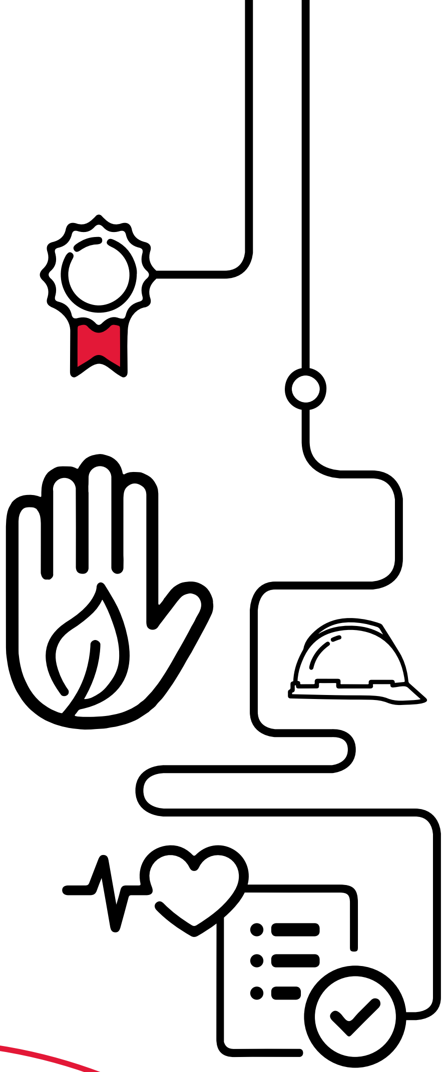
4
COMMUNITIES RECEIVED ACCESS TO PRIMARY HEALTHCARE SERVICES — IMPACTED **128 060** PATIENTS

440
PEOPLE WITH DISABILITIES WERE AFFORDED SKILLS TRAINING TO ENHANCE THEIR EMPLOYABILITY

1 058
BENEFICIARIES WERE PROVIDED WITH FOOD

5 952
LEARNERS WERE EDUCATED IN ENVIRONMENTAL AWARENESS AND CONSERVATION

SAFETY, HEALTH, ENVIRONMENT AND QUALITY ("SHEQ")



The AECI Executive Committee approved a revised SHEQ Policy in February 2019. This Policy, which is available at https://www.aeci-world.com/pdf/policies/2019/safety-health-and-environment.pdf, sets out as follows:

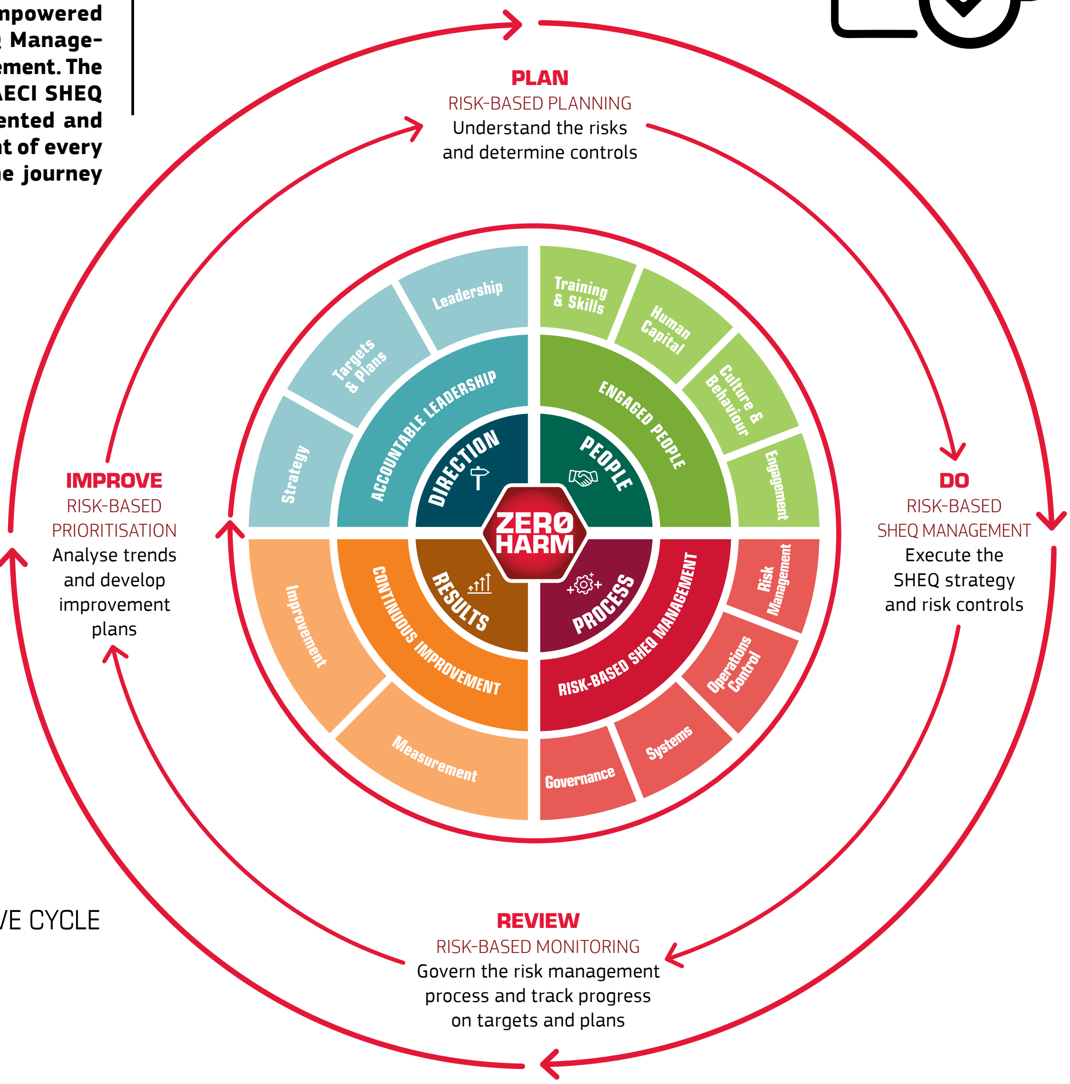
"The safety and wellbeing of all our people (employees, contractors, suppliers, customers, and communities) and the environment is of paramount importance to the AECI Group and fundamental to the sustainability and growth of our operations. Our aspiration is to operate sustainably, without harm to people, the environment and the communities in which we operate.

"Our Zero Harm integrated approach to the management of Occupational Safety, Process Safety, Occupational Health, the Environment, Product Transportation, Responsible Care® and Quality is based on the fundamentals of Accountable Leadership; Engaged and Empowered Employees; Risk-based SHEQ Management; and Continuous Improvement. The approach is detailed in the AECI SHEQ Framework which is implemented and embedded by the management of every Group company to enable the journey towards Zero Harm."

ZERO HARM STRATEGY

In 2018 a single, standardised approach to SHEQ Management was approved and documented in the Group's SHEQ Framework to guide leaders on the journey to Zero Harm. The Framework, summarised in the graphic below, comprises 13 elements in four segments. Detailed practices have been defined for each element and a risk-based approach underpins all activities. The full document is available at https://www.aeciworld.com/sheq-framework.php.

Embedded in the Framework is an Operations Excellence philosophy that requires an understanding and improvement of the maturity of SHEQ practices for excellent results and, eventually, Zero Harm. Implementation of the Framework is one of 12 focus areas in the three-year SHEQ strategy. Progress has been made in developing priority areas as follows: Process Safety, Occupational Safety, Occupational Health, Environment, Product Transportation and Quality.



PLAN, DO, REVIEW, IMPROVE CYCLE

In addition to launching Zero Harm across the Group and aligning the leadership with the new vision and strategy, a standardised set of Life Saving Behaviours was also developed. Documentation has been translated into key languages for the Group's countries of operation.

The two acquisitions finalised in 2018 have been incorporated into the strategy and a specific plan is being executed to drive improvements, particularly in safety at Schirm.

COMPLIANCE

The legal environment and compliance universe in which AECI operates became even more complex with the acquisition of Schirm in Germany and the USA as well as continued expansion of the Group's footprint in Africa and elsewhere. A Group Compliance Officer was appointed in the year and, in SHEQ-specific matters, the focus was on reviewing compliance with the Major Hazard Installations Regulations in South Africa. The next phase of work will entail a risk-based review of all applicable legislation, regulations and associated permits and licences.

The National Environmental Management Act: Air Quality Act, No. 39 of 2004, specifies Minimum Emission Standards ("MES") which will come into effect on 1 April 2020. Certain manufacturing operations at AEL's Modderfontein facility will be unable to meet the 2020 MES immediately. Although the installation of abatement equipment has commenced in these areas, AEL is applying for postponement of the compliance 2020 timeframes to allow the company sufficient time to complete the installation and commissioning of the abatement equipment required to achieve full compliance. Compliance projects in other manufacturing areas at Modderfontein have been completed or are at an advanced state. The total investment is approximately R200 million.

As in previous years, the Managing Director of every Group business has submitted a Letter of Assurance to the Chief Executive, describing the main SHEQ-related risks faced by the business and the controls in place to manage these, and also confirming that the business is in compliance with AECI's SHEQ Standards and Policy. Where such confirmation cannot be given, the level of non-compliance is described and details of the plans in place to achieve compliance are provided.

SHEQ MANAGEMENT SYSTEMS

Using a risk-based approach, AECI's businesses are required to align their SHEQ Management Systems with the relevant external standards against which third-party audits may be undertaken. Over the medium to long term, all Management Systems will be re-aligned to the new SHEQ Framework and prioritised in line with the needs and risks of each business.

The most commonly adopted external standards are:

› OHSAS 18001/ISO 45001 — Occupational Health and Safety Management;
› ISO 14001 — Environmental Management;
› Risk Based Process Safety — Process Safety Management;
› ISO 9000 — Quality Management;
› ISO 22001/FSSC 22000 — Food Safety and Quality;
› ISO 50001 — Energy Management;
› NOSA CMB 253 — a South African-based integrated SHEQ Specification;
› Responsible Care®.

A list of certifications for Group sites can be found at https://www.aeciworld.com/pdf/certifications/2018-site-certifications.pdf.

NATURAL CAPITAL

HIGHLIGHTS

7 346
TONNES OF WASTE RECYCLED

12%
YEAR-ON-YEAR REDUCTION IN SCOPE 1 CO_2 EMISSIONS

Maintained "B" Level status
PERFORMANCE IN THE CDP CLIMATE CHANGE AND WATER PROGRAMS — SCORES HIGHER THAN SECTOR AND REGIONAL AVERAGES

ENVIRONMENTAL INCIDENTS

Because the Group has well over 100 manufacturing sites and an extensive product transportation network, the responsible management of environmental incidents is important in terms of AECI's values and the SHEQ strategy. The prevention of incidents detrimental to the environment remains a key focus area and it is pleasing to report that there were no * on-site major or serious environmental incidents in the year (no * major or serious incidents in 2017).

The Group also commenced tracking off-site product transportation incidents. Most products are transported by third parties and the data obtained in 2018 indicate that this is an area requiring improvement, especially across international borders in Africa.

Environmental incidents are reported to external stakeholders through structures such as Modderfontein's Community Awareness and Emergency Response Committee, Stakeholder Forums and Licence Advisory Forums. Incidents are also reported to the Executive Committee on a monthly basis and to the Board and its mandated Committees on a quarterly basis.

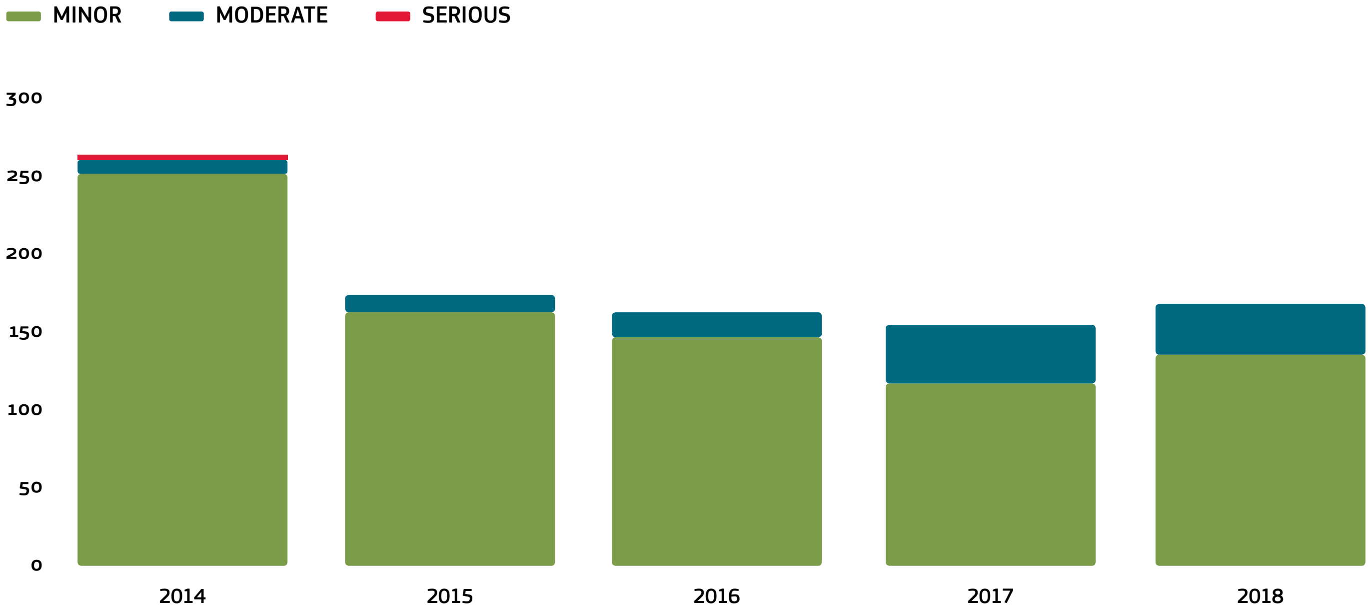
Of the moderate and minor incidents (both on- and off-site) that did occur in 2018, the most significant are described below:

› AEL, Australia: the rear trailer of a delivery truck suffered a mechanical malfunction, resulting in a tyre fire, eventual failure of the truck trailer and loss of approximately 23 tonnes of product;
› AEL, Modderfontein — Nitrates: during loading of 25% ammonia solution, a flange came loose. Approximately 900kg of product was spilt;
› AEL, Modderfontein — Nitrates: four incidents of spillages from the fly ash boiler area amounted to approximately 20 tonnes of ash in total;
› AEL, Zambia: a road tanker spilt 122kg of emulsion on the road as a result of the cap coming off the tanker during delivery;
› AEL, Zambia: a truck carrying ammonium nitrate lost control and turned on its side when it was forced off the road by another vehicle. Approximately 1 tonne of product was spilt;
› AEL, Modderfontein: an unknown amount of calcium carbonate overflowed from the main effluent line manhole;
› Chemical Initiatives, Chloorkop: there were excessive moisture and sulphur trioxide emissions from the exhaust stack during plant start-up. This resulted in a complaint from a neighbouring company;
› Chemical Initiatives, Umbogintwini: a sulphuric acid leak occurred in the effluent pipeline during transfer to the treatment plant;
› ChemSystems, Umbogintwini: product was spilt onto the ground when a runaway reaction of products inside flow-bins caused the flow-bins to rupture.

In all of the incidents, clean-up was conducted effectively and there was no lasting, material environmental impact.

* Indicates limited assurance. See page 58.

ENVIRONMENTAL INCIDENTS PER YEAR*



PERFORMANCE BY BUSINESS SEGMENT

	Mining Solutions	Water & Process	Plant & Animal Health	Food & Beverage	Chemicals	Property & Corporate	**Total 2018**	Total 2017*	% change
Water usage (m^3)	1 818 960	79 123	291 637	50 699	991 073	115 504	**3 346 996***	2 945 905*	13,6
Hazardous waste generated (t)	1 172	553	4 421	16	4 208	122	**10 492***	6 592*	59,2
Waste recycled (t)	1 081	4	861	140	4 836	424	**7 346**	7 414	(0,9)
Scope 1 emissions (tonnes of CO_2e)	237 409	2 004	4 667	2 835	48 652	12 658	**308 216***	351 317*	(12,3)
Scope 2 emissions (tonnes of CO_2e)	137 798	5 316	31 515	5 089	97 951	34 841	**254 234***	216 971*	17,2
Total emissions (Scopes 1 and 2 tonnes of CO_2e)							**562 450***	583 251*	(1,0)

TOTAL FOR THE GROUP

	2018	2017	% change
Water usage (m^3)	**3 346 996***	2 945 905*	13,6
Hazardous waste generated (t)	**10 492***	6 592*	59,2
Waste recycled (t)	**7 346**	7 414	(0,9)
Electricity consumption (MWh)	**258 617***	211 635*	22,2
Energy usage (GJ)	**3 121 388***	2 320 449*	34,5

* Indicates limited assurance. See page 58.

The number of minor environmental incidents recorded increased. This was attributable to heightened focus on and reporting of transportation incidents as well as the inclusion of data from the acquisitions. A significant proportion the incidents related to the transportation of products by third parties. The number of moderate incidents decreased.

RESOURCE EFFICIENCY

Water usage by the Group's operations increased by 13,6% to 3 346 996m^3* (2017: 2 945 905m^3*), owing mainly to the inclusion of Schirm and Much Asphalt.

The generation of hazardous waste was 59% higher at 10 492 tonnes* (2017: 6 592 tonnes*), with Schirm's operations accounting for 4 245 tonnes of the total amount. 7 346 tonnes of waste were recycled (2017: 7 414 tonnes).

CARBON FOOTPRINT

The term "carbon footprint" is defined as the total greenhouse gas emissions caused directly and indirectly by an individual, organisation, event or product, and is expressed as tonnes of carbon dioxide equivalent ("CO_2e"). AECI's carbon footprint was calculated using the United Nations' Intergovernmental Panel on Climate Change Guidelines for National Greenhouse Gas Inventories and the Greenhouse Gas Protocol's Corporate Accounting and Reporting Standards, as developed by the World Business Council for Sustainable Development. All of the Group's operations were included in the calculation of the carbon footprint for the full year, other than the two acquisitions which were integrated from January and April.

Total CO_2e emissions decreased by 1%. Scope 1 emissions decreased by 12,3% as a consequence of reduced production at AEL's Nitric Acid plants, at Modderfontein, and hence lower nitrous oxide emissions. Scope 2 emissions increased by 17,2% due mainly to the inclusion of Schirm and Much Asphalt.

The target is to reduce Scope 1 CO_2 emissions per tonne of nitric acid produced by 15% by 2022, using 2019 as the baseline. This reduction will be enabled by the use of a secondary catalyst on Modderfontein's No. 9 Nitric Acid plant in 2019. It is anticipated that Scope 2 emissions will also decrease between 10% and 15%, off an adjusted baseline, due to the positive outcomes of initiatives in the GOING GREEN programme.

Scope 2 emissions in 2018 were mainly from electricity consumption and steam purchased. The Group consumed 258 617 MWh* of electricity (2017: 211 635 MWh*). This represented a 22,2% year-on-year increase. Total energy usage was 3 121 388 GJ* (2017: 2 320 449 GJ*).

GOING GREEN
KEY FOCUS AREAS

WATER
› Water and effluent optimisation (recycling, reuse, treatment)

WASTE
› Reduce, reuse, recycle
› Waste innovation

CO_2
› Reduce emissions
› Carbon credits

ENERGY
› Energy efficiency
› Renewable energy
› Alternative fuels

GREEN CHEMISTRY
› Innovation
› Research and Development
› Value chain

GOING GREEN

As part of Zero Harm, a new GOING GREEN programme was developed to improve alignment with AECI's values. Five key focus areas were identified: Energy, Water, Waste, CO_2 emissions and Green Chemistry.

At the same time, a number of GOING GREEN projects were implemented in the year:

- SCP's new warehouse was fitted only with LED lighting and there was sequential replacement of conventional lightbulbs to LEDs across the Group;
- recycling of water from the washbay at a Crest Chemicals facility;
- automatic shutdown of forklifts if idling longer than three minutes, at Nulandis' facilities;
- Schirm sites in Germany: reduction in compressed air leaks and installation of a more energy-efficient compressor; insulation of water pipelines; replacement of defective steam traps;
- Senmin, Waltloo: plant modification to enclose the screw conveyor system, resulting in a reduction in product fallout previously disposed of as waste;
- change from aged power-consuming machine technology to more energy-efficient technology at ImproChem;
- AEL, Modderfontein: installation of variable speed drives at the Nitric Acid facility, enabling noteworthy energy savings; use of recycled water instead of potable water in processes; reduced discharge of effluent to sewer by managing surges from the Nitrates area.

The National Cleaner Production Centre completed energy usage assessments at the Group's facilities in KwaZulu-Natal. Opportunities for improvements have been identified and presented to management for consideration.

LAND REMEDIATION

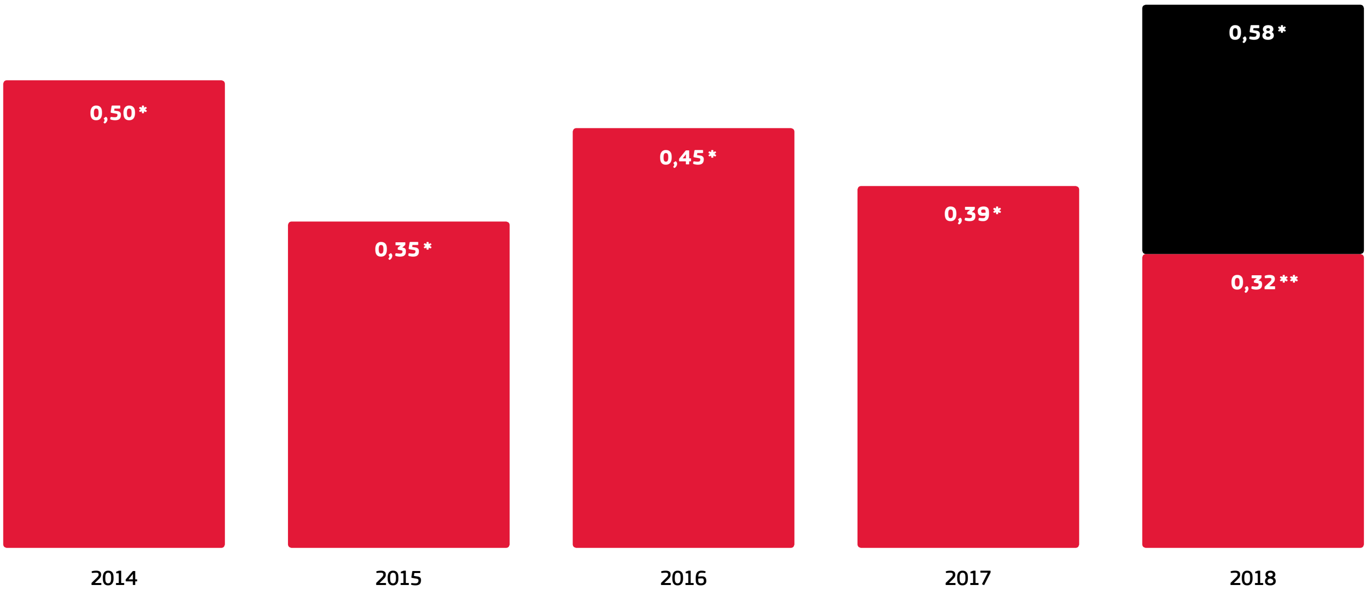
The guiding principles for AECI's land remediation activities are the protection of human health and the environment and the use of good science, proven concepts and the best available appropriate technologies. Human health and environmental risk assessments are undertaken and these influence subsequent activities.

Stakeholder communication in the remediation process is vital and AECI cooperates with regulatory authorities and shares information with interested and affected parties on a regular basis. As part of the Group's commitment to environmental best practice, the environmental status and baseline of a site is required to be verified prior to re-development.

As in the prior year the majority of AECI's remediation expenditure in 2018 was at the Umbogintwini Industrial Complex as the Group continued the progressive roll-out of its enhanced in-situ bioremediation programme, implemented in response to the impact of operations that commenced in the first half of the previous century. Details on this work and other remediation highlights from 2018 are set out at https://www.aeciworld.com/sustainability-land-remediation.php.

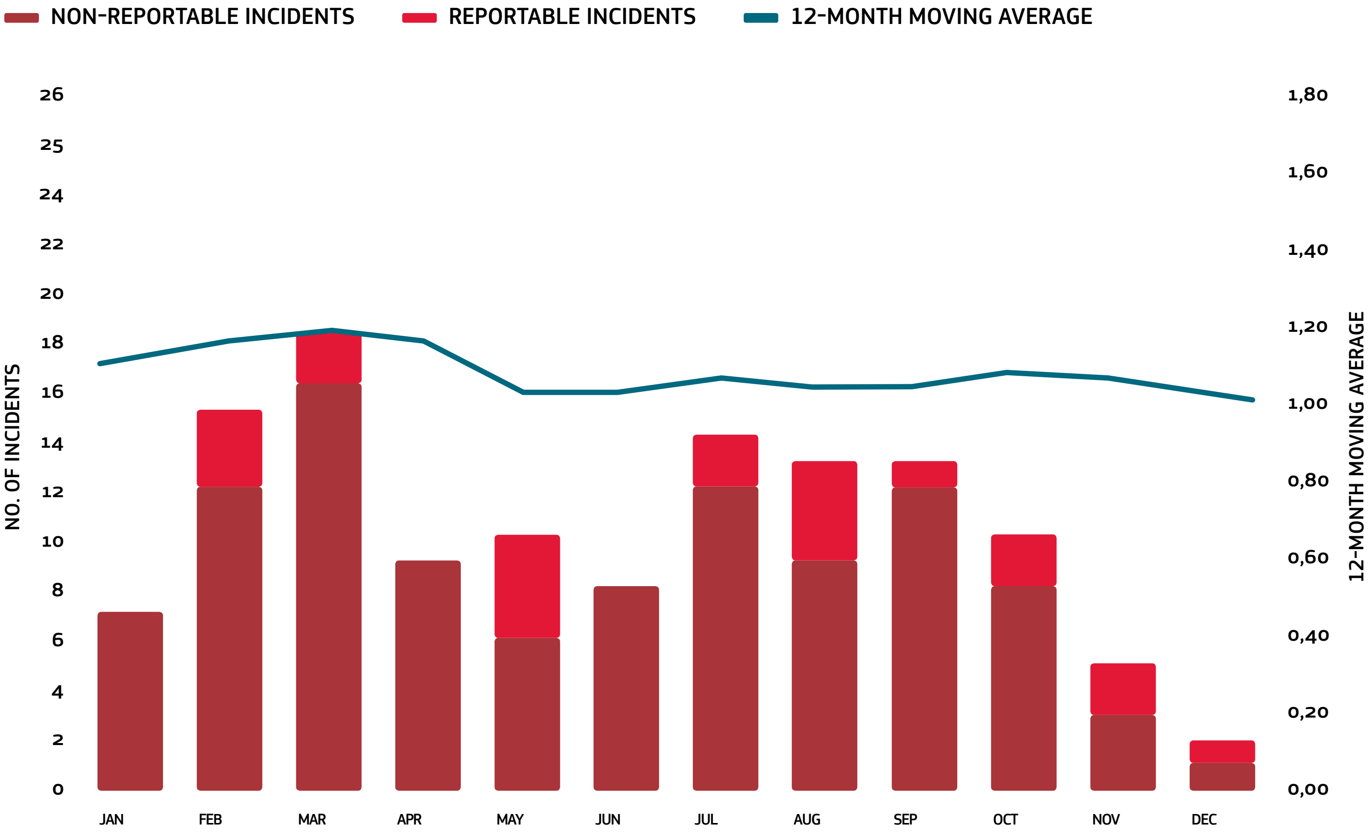
* Indicates limited assurance. See page 58.

ALL WORKERS TRIR BY YEAR*



** Excluding acquisitions.

2018 PROCESS SAFETY TOTAL INCIDENT RATE



* Indicates limited assurance. See page 58.

SOCIAL CAPITAL: EMPLOYEE SAFETY AND HEALTH

PERFORMANCE

As already commented on by the Chairman and the Chief Executive, the biggest disappointment in the year was the tragic death of Morne Langeveldt, a Driver Assistant, who sustained fatal injuries while delivering product on behalf of a supplier to Much Asphalt's Contermanskloof site in the Western Cape. The investigation into this tragedy revealed a number of learning points which have been shared Group-wide and with key suppliers to prevent a recurrence.

The primary indicator used to measure occupational health and safety performance in AECI is the Total Recordable Incident Rate ("TRIR"). The TRIR measures the number of incidents per 200 000 hours worked. Excluding the acquisitions, the TRIR improved to 0,32 from 0,39 in 2017. Including the acquisitions, the TRIR deteriorated to 0,58* with the largest number of incidents recorded at Schirm in Germany. A bespoke safety improvement plan is being implemented and early results are encouraging.

The occupational illness rate was 0,00* (2017: 0,03*), with no new reportable occupational illnesses diagnosed.

PROCESS SAFETY MANAGEMENT ("PSM") PERFORMANCE

One of the focus areas in the revised SHEQ strategy is the implementation of the Group's risk-based PSM System. Eventually, the System will comprise 17 individual elements which are being prioritised for development and implementation in the medium term.

The reporting of process safety incidents gained momentum and it was pleasing that the number of Reportable (Tier 1 and Tier 2) events reduced from 25 in 2017 to 21 in 2018. It is recognised, however, that the number could increase going forward as the reporting culture matures.

The total number of incidents increased from 105 in 2017 to 124 in 2018 and the Process Safety Total Incident Rate, which reflects the occurrence of all levels (severity) of process safety incidents in relation to exposure hours worked, improved slightly from 1,14 to 1,08.

ANNUAL AWARDS

CAIA

Two businesses were recognised at the prestigious Responsible Care® Awards, hosted by CAIA in the year.

The Responsible Care® Award went to **Senmin**, a year-on-year top performer. When data from the 2017/2018 Quantitative Indicators of Performance submissions were compared with those from 2016/2017, improvements were noted in: process safety incidents, community awareness, water consumption, solid waste generation and disposal, reduced effluent discharged and environmental incidents.

The Responsible Care® Sustained High Performance Award went to **AEL** for its positive contribution and ongoing commitment to the Responsible Care® initiative. AEL also demonstrated a sustained good performance in SHE matters.

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

INTERNAL

AECI ENVIRONMENTAL AWARD — IMPROCHEM

This Award acknowledges excellent levels of environmental compliance, the quality of data reporting, the severity and nature of environmental incidents and improvements made in environmental management and GOING GREEN.

ImproChem was recognised for environmental compliance at its manufacturing sites, it had no major, serious or moderate environmental incidents, it has excellent housekeeping practices, shows good support for GOING GREEN initiatives, excellent tracking and awareness of environmental performance and it executed complex remediation projects without incident or production interruptions.

AECI HEALTH AND SAFETY AWARD — INDUSTRIAL OLEOCHEMICAL PRODUCTS ("IOP")

The key elements included in the evaluation process for this Award were improvements in occupational and process safety as well as occupational health. IOP received the 2018 award for sustaining a TRIR of Zero over two years and for its excellent process safety performance.

INVESTOR-RELATED INITIATIVES

AECI is involved in three main sustainability-related investor initiatives, namely the FTSE/JSE Responsible Investment Index Series, and the CDP Climate Change and Water Programs. The latter two are global programmes, administered in South Africa by the National Business Initiative.

AECI was included in the FTSE/JSE Responsible Investment Index for the third consecutive year.

The Company participated in the CDP Climate Change Program for the ninth consecutive year and achieved a score in the "B" performance band — a score higher than the sector and regional average. It also participated in the CDP Water Program, for the fourth year, and maintained a score in the "B" band, again higher than the sector and regional average. See https://www.aeciworld.com/sustainability-cdp-wdp-submissions.php for AECI's submissions.

* Indicates limited assurance. See page 58.

INDEPENDENT ASSURANCE PROVIDER'S LIMITED ASSURANCE REPORT ON SELECTED KEY PERFORMANCE INDICATORS

To the Directors of AECI Ltd

We have performed our limited assurance engagement in respect of the key performance indicators for the year ended 31 December 2018.

The subject matter comprises the key performance indicators disclosed in accordance with management's basis of preparation, as prepared by the responsible party, during the year ended 31 December 2018.

The terms of management's basis of preparation comprise the criteria by which the Company's compliance is to be evaluated for purposes of our limited assurance engagement. The key performance indicators, marked with a * in the relevant pages of the integrated report, are as set out below:

NO.	SUSTAINABILITY INDICATOR DESCRIPTION AND METRIC
1	**Environmental indicators**
1a	Number of environmental incidents (total major and serious)
1b	Total water usage (m^3)
1c	Hazardous waste generated (t)
1d	Carbon footprint — Scope 1, Scope 2 and total of Scopes 1 and 2
1e	Total electricity usage (MWh)
1f	Total energy usage (GJ)
2	**Health and safety indicators**
2a	Total Recordable Incident Rate (TRIR)
2b	Work-related fatalities
2c	Occupational illness rate (excluding German-based operations)
3	**Employment Equity indicators** (expressed as the total number of people for each category)
3a	Black males, Black females, White males and White females per category of Top Management, Senior Management, Middle Management and Professionals, Junior Management and Skilled, Semi-skilled and Discretionary Decision-making and Unskilled and Defined Decision-making

DIRECTORS' RESPONSIBILITY

The Directors being the responsible party, and where appropriate, those charged with governance are responsible for the key performance indicator information, in accordance with management's basis of preparation.

The responsible party is responsible for:

› ensuring that the key performance indicator information is properly prepared and presented in accordance with management's basis of preparation;
› confirming the measurement or evaluation of the underlying key performance indicator against the applicable criteria, including that all relevant matters are reflected in the key performance indicator information; and
› designing, establishing and maintaining internal controls to ensure that the key performance indicator information is properly prepared and presented in accordance with management's basis of preparation.

ASSURANCE PRACTITIONER'S RESPONSIBILITY

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historic Financial Information. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement with the aim of obtaining limited assurance regarding the key performance indicator of the engagement.

We shall not be responsible for reporting on any key performance indicator events and transactions beyond the period covered by our limited assurance engagement.

QUALITY CONTROL

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

INDEPENDENCE AND OTHER ETHICAL REQUIREMENTS

We have complied with the independence and other ethical requirements of Parts A and B of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

SUMMARY OF WORK PERFORMED

We have performed our procedures on the key performance indicator transactions of the Company, as prepared by management in accordance with management's basis of preparation for the year ended 31 December 2018.

Our evaluation included performing such procedures as we considered necessary which included:

› interviewing management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process for the selected key performance indicators;
› assessing the systems and processes to generate, collate, aggregate, validate and monitor the source data used to prepare the selected key performance indicators for disclosure in the reports;
› inspecting supporting documentation and performing analytical review procedures; and
› evaluating whether the selected key sustainability performance indicator disclosures are consistent with our overall knowledge and experience of sustainability processes.

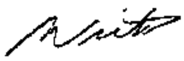
Our assurance engagement does not constitute an audit or review of any of the underlying information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and, accordingly, we do not express an audit opinion or review conclusion.

We believe that our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the key performance indicator information has been properly prepared and presented, in all material respects, in accordance with management's basis of preparation.

CONCLUSION

Based on our work described in this report, nothing has come to our attention that causes us to believe that the key performance indicators are not prepared, in all material respects, in accordance with management's basis of preparation.



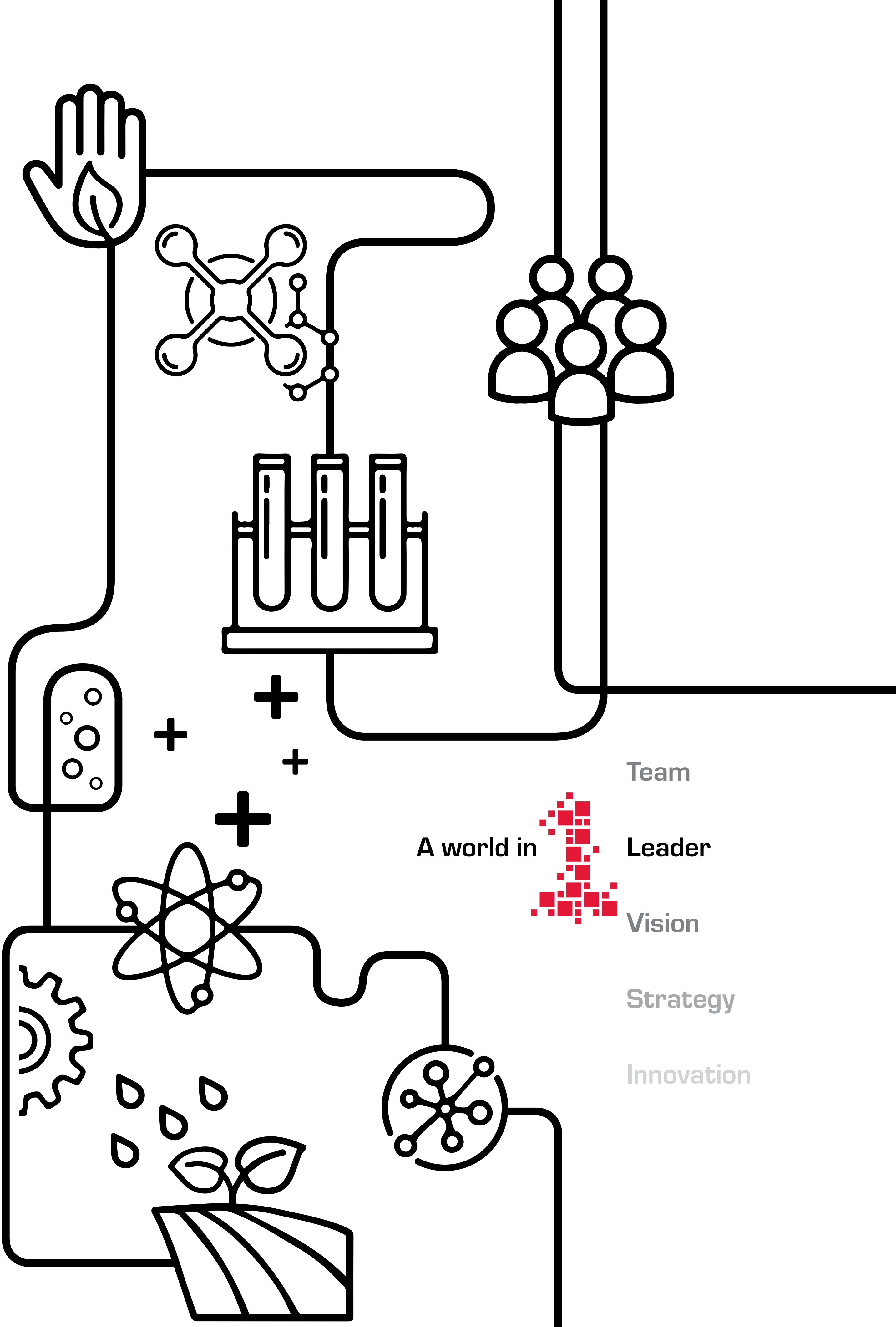
Deloitte & Touche

Registered Auditors

Per Mark Victor

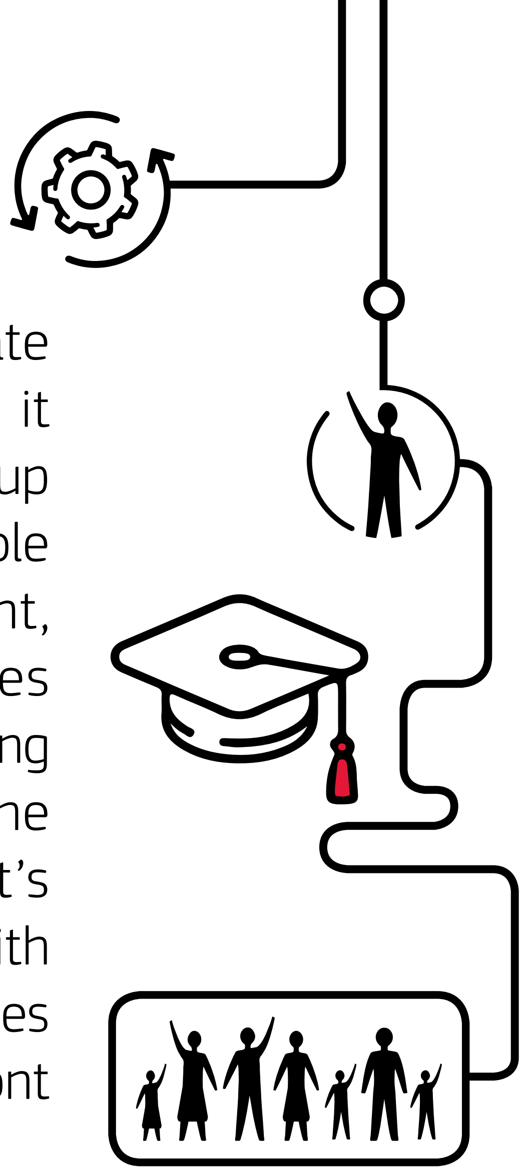
Partner

5 April 2019


Team
A world in 1
Leader
Vision
Strategy
Innovation

05

GOVERNANCE REPORT



The AECI Board views good corporate governance as fundamental to how it discharges its duty to oversee the Group as a whole. The Board's leadership role includes providing sound judgement, ensuring that the business operates sustainably and with integrity, and guiding the Company's strategic journey. The Board also supports management's efforts in the execution of strategy, with a keen understanding of the opportunities and key risks facing the Group at front of mind.

The approach is to effect continuous improvement, with the specific aim of going beyond minimum compliance imperatives wherever appropriate. In 2018 the Directors discharged their governance oversight so as to facilitate their ability to execute their statutory and fiduciary responsibilities and their duty of care and skill.

The Board, via its Committees, ensures alignment with best practice in support of effective and ethical leadership, sustainability and good corporate citizenship.

The decision-making role of the Board is exercised through the formulation of fundamental policy and strategic goals in conjunction with management, whereas the oversight role concerns the review of management's decisions, the adequacy of systems and controls and the implementation of policies. The Board continues its journey of aligning its governing processes with amendments to the JSE Listings Requirements, other legislative changes in countries in which AECI operates, and general best practices and governance codes, including King IV.

An extensive review of the charter in terms of which the Board operates was undertaken in the year and the revised document is due to be signed off by the Board in May 2019.

Application of the guidelines contained in King IV is a journey that commenced in 2017 and gained further traction into 2018. A summary of current adherence to King IV appears on page 67.

THE BOARD OF DIRECTORS

BOARD CHANGES DURING THE YEAR

The following members joined the Board:

- Philisiwe Sibiya, with effect from 27 February 2018;
- Jonathan Molapo, with effect from 1 June 2018.

BOARD STRUCTURE AND COMPOSITION

AECI has a unitary Board structure, led by an Independent Non-executive Chairman, seven other Independent Non-executive Directors and two Executive Directors. The Board charter, as well as the terms of reference of the Nominations Committee, detail the procedure for appointments to the Board. Such appointments are formal and transparent and a matter for the Board as a whole.

During 2018 the Board supplemented its numbers through the appointments of Philisiwe Sibiya and Jonathan Molapo. These appointments were undertaken to ensure a seamless Board succession process, thereby safeguarding the Board's ability to discharge its fiduciary duties. Additional appointments will continue to be evaluated to reinforce capacity and capability, in the interest of the Company and its stakeholders.

The appointment process in 2018 considered issues of diversity, race and gender as the Board, through its Nominations Committee, is mindful of best practice and requirements in this regard. The right balance of skills, expertise, experience and diversity underpins the Board's ability to execute its functions to maximum effect.

GOVERNANCE FRAMEWORK

The Company's governance framework is defined as "freedom supported by a framework".

The intention of the framework is to enable entrepreneurial flair and performance improvement by Group businesses while simultaneously ensuring that governance and regulatory obligations are met. A robust process is in place to confirm that the framework supporting the governance of the Group remains relevant, efficient and clear and aligns the expectations of the Board, management and the stakeholder community as a whole.

In the year under review the Board continued to monitor the implementation and adherence to the approved governance framework and it is pleasing to report excellent adherence and compliance in the Group as a whole.

ROTATION, TENURE, DIVERSITY AND SUCCESSION

In terms of the Board charter, the Company undertakes to submit for retirement those Board members who are more than 70 years of age (in the context of the Company's needs and in agreement with the impacted Directors).

Generally, Non-executive Directors may serve for up to nine years, subject to retirement and re-election by rotation as set out in the Company's MOI. Extensions of this period may be granted, provided the Nominations Committee remains satisfied that the Director's independence has not been compromised. The independence assessment is part of the Board and Committee evaluation and is conducted on a case-by-case basis, with all Board members participating in the review process.

The outcomes of the 2018 assessment confirmed that all Directors were considered independent, courageous and prepared to raise issues that are not always easily resolved. This evaluation included those Directors who are due for retirement by rotation at the forthcoming AGM. Their fellow Directors had no hesitation in recommending them for re-election.

Individualised assessments for Directors who have served beyond the nine-year mark will continue in future.

The performance of the Chairman of the Board is also assessed by fellow Directors. The outcome of this assessment informs the decision on the continuation of the chairmanship.

The Board is mindful of ensuring that there is a robust succession plan in place and, through the Nominations Committee, has initiated the identification of talent for appointment to its ranks in due course. Appropriate mix of skills and experience in areas of direct relevance to the operations of the Company, diversity of race and gender, the latter in line with the Company's Gender Diversity Policy as well as, capacity and capability at Directorate level will remain imperatives when formulating and implementing succession plans. The Company's Race Diversity Policy is being finalised for ratification by the Nominations Committee at its meeting in May 2019.

TERMS OF EMPLOYMENT OF DIRECTORS

Executive Directors are employees of the Company and have standard terms and conditions of employment. Their notice periods are six months. They do not receive any special remuneration or other benefits for their additional duties as Directors. The Board, through its Nominations Committee, has had detailed discussions with the two Executive Directors regarding succession planning for all key roles, including their own. The Board is satisfied that the potential risk associated with the continuity of leadership at this level has been mitigated adequately.

The Board, on the recommendation of the Remuneration Committee, determines the remuneration of Executive Directors, Executives and other Senior Managers as underpinned by the remuneration philosophy of the Company.

None of the Non-executive Directors are Company employees. Non-executive Directors' remuneration is arrived at after an annual benchmarking exercise performed by the Executive Directors and the approval by shareholders of the proposed fees, on the Board's recommendation.

DIRECTORS' MANAGEMENT OF CONFLICT OF INTERESTS

AECI has a Conflict of Interests Policy (embedded in the Group's Code of Ethics and Business Conduct) which provides guidance and procedures for Directors on managing and dealing with potential conflict of interests situations. The same Policy applies to all Group employees. The Group Company Secretary is charged with maintaining a comprehensive register of Directors' declarations of interests and this is submitted for updating by the Directors before each Board meeting. All Directors duly completed and updated this register in 2018 and no conflicts of interests were reported or recorded.

INDUCTION AND ONGOING DEVELOPMENT OF DIRECTORS

The Directors have expertise and experience in diverse industries including banking, chemicals, mining, technical, accounting and strategic matters.

As is the case with all Directorate appointments, the incumbents who joined the Board in 2018 underwent a Group-specific induction programme. This includes one-on-one meetings with Executives, Senior Managers and the Managing Directors of subsidiaries. The two new Directors, accompanied by the Chairman of the Board, also undertook visits to key operational sites to learn more about the business. Other Non-executive Directors also have an open invitation to participate in these visits which they find valuable in terms of deepening their insights into the underlying businesses and as a good platform to engage with related management teams.

With regard to formal training, the Group Company Secretary is charged with sourcing and organising relevant training for Board members, based largely on the specific needs of each Director. In the year under review no formal training was requested but the Group Company Secretary continued to provide Directors with articles and other material on key trends and topical industry issues.

BOARD AND COMMITTEE PERFORMANCE EVALUATION

The Board undertook its annual effectiveness evaluation process, in line with its charter. Assisted by an independent third party, all Non-executive Directors were assessed to verify their continued independence. This applied more specifically to those retiring and those with long tenure, as already described.

Areas highlighted for improvement related to **succession planning** and **reinforcing oversight** of **information technology** in the Group's centralised context. The Company's centralised Human Capital and IT functions have been mandated to address these matters further.

BOARD RELATIONSHIPS WITH STAFF AND EXTERNAL ADVISORS

To the extent that they may require such access to make informed decisions, Board members have unrestricted access to the Company's records, information, documents and property. They also have unrestricted access to Executives, Senior Managers, the internal auditors and the external auditor to consult on any aspect of the Company's operations.

Furthermore Board members may collectively or individually, at the expense of the Company, consult external professional advisors on any matter of concern to themselves or the Company after having advised the Chief Executive or the Chairman.

BOARD MEETINGS

The Board met four times in the year and one of these meetings included a session to review the development of Company strategy. Meeting dates for the Board and its Committees, and details of attendance, are available via the link https://www.aeciworld.com/pdf/board-meetings/2018/board-meetings.pdf. Between Board meetings, the Executive Directors kept the Board up-to-date on emerging material matters that could not be deferred until the next formal Board meeting.

The Non-executive Directors meet the day before each Board meeting so as to raise matters of interest and concern, without the Executive Directors being present. This contributes to the overall maturity of governance. The Chairman of the Board is charged with the responsibility of conveying any related discussions to the Executive Directors, as warranted.

The Chairman, assisted by the Chief Executive and the Group Company Secretary, is responsible for setting the agenda for each Board meeting.

BOARD COMMITTEES

COMMITTEE	SUMMARISED DUTIES AND RESPONSIBILITIES
Audit	› monitor the adequacy of financial controls and reporting; › review audit plans and adherence to these by assurance providers; › ascertain the reliability of the internal and external audit processes; › ensure that financial reporting complies with IFRS, the Companies Act and the JSE Listings Requirements; and › nominate the external auditor. Both the internal and external auditors have unrestricted access to the Chairman of the Committee and it is standard operating procedure for them to meet privately with the Committee. The Chief Executive, the Chief Financial Officer and the external and internal auditors attend meetings of the Committee by invitation. The Chairman of the Board has a standing invitation for attendance. More information on the Audit Committee, including a summary of its work in 2018, is published in its report to stakeholders on page 69. Owing to the geographic diversification and complexity of the Group, two Financial Review and Risk Committees ("FRRCs") have been established — one for Mining Solutions (formerly the AEL FRRC), and the other for Water & Process, Plant & Animal Health, Food & Beverage, and Chemicals (Integrated Chemicals). Both these FRRCs are chaired by Non-executive Directors and they assist the Committee in its work relating to these segments.
Risk	› oversee the overall management of risk, operational resilience and business continuity; › monitor Company decisions to ensure alignment with the risk appetite; › ensure that proper controls and mitigations are in place to prevent risk; › oversee IT governance and related risks; and › oversee compliance management processes. In 2018 this Committee comprised five Non-executive Directors and all the Executive Committee members, including the two Executive Directors.
Social and Ethics	Monitor the Company's compliance with section 72(8) of the Companies Act, read together with regulation 43. Focus is on the following: › recommendations on corruption of the Organisation for Economic Co-operation; › Employment Equity Act, No. 55 of 1998, in South Africa; › Broad-Based Black Economic Empowerment Act, No. 53 of 2003; › labour and employment principles in line with global best practice; and › safety, health and environmental issues and performance. More information on the Social and Ethics Committee, including membership and a summary of its work in 2018, is published in its report to stakeholders on page 40.
Remuneration	› establish the Group's remuneration philosophy; › determine the remuneration framework for Executives and Senior Managers; and › consider, review and approve Group policy on Executive remuneration and communicate this and the implementation thereof to stakeholders in the Company's integrated report. This Committee is comprised solely of Non-executive Directors.
Nominations	› consider suitable nominations for appointment to the Board and Executive succession planning, and make appropriate recommendations based on qualifications, experience, race and gender; › oversee the appointment of Board members to serve on various Committees; and › oversee the assessment of the Board and its Committees to ensure continual governance improvement. This Committee is comprised solely of Non-executive Directors and chaired by the Chairman of the Board.
Investment	› assist and advise the Executive management on acquisition opportunities or significant projects that fall outside the ordinary course of business; › make recommendations to the Board regarding material transactions or acquisition opportunities available to the Company; and › monitor progress, performance and the impact of material transactions/acquisitions and report on these to the Board. This Committee comprises four Non-executive Directors and both Executive Directors. It is chaired by the Chairman of the Board. It was formalised as a standing committee at the end of 2018.
Executive	The Board has delegated the day-to-day running of the Company to the Chief Executive who works with an Executive Committee to assist him in this task. The Executive Committee is the highest executive decision-making structure in the Group. Central to its role is the formulation and implementation of the Group's strategy and policy direction, and ensuring that all business activities are aligned in this respect and that the business strategy is implemented accordingly.

The full Board has the opportunity to provide input. Board meetings are scheduled well in advance and the Group Company Secretary ensures that Directors are provided with the information required timeously to enable them to prepare for meetings and formulate their views on matters.

BOARD COMMITTEES

The Board has established a number of Committees to assist it in fulfilling its duties and objectives. Their duties and responsibilities are summarised on the facing page.

The terms of reference of all Board Committees were reviewed in 2018. Copies of all these documents are available via the website link https://www.aeciworld.com/governance-policy-documents.php. The objectives of the newly-established Investment Committee were also finalised.

Committees usually meet before each Board meeting and the Chairmen table at the Board meeting a report of their Committees' proceedings. The minutes of each Committee meeting are included in the full Board information pack.

All Committees are satisfied that in 2018 they carried out their responsibilities in compliance with their mandates and terms of reference.

GROUP COMPANY SECRETARY

The Group Company Secretary oversees the portfolio of secretariat, legal services, risk and compliance management, and attends all Board and Committee meetings as secretary, other than those of the Remuneration Committee.

The Board as a whole and individual Directors have access to the Group Company Secretary who provides guidance on how they should discharge their duties and responsibilities in the best interests of the Company.

In 2018 the Group Company Secretary oversaw the ongoing education and training of the Company's Directors (as described) and assisted the Board and its Committees in preparing annual plans, agendas, minutes, and terms of reference as warranted.

In line with the JSE Listings Requirements, the Board undertook the annual performance appraisal of the Group Company Secretary as part of its annual effectiveness assessment. The assessment reviewed the performance of the incumbent, taking into account the quality of support received and guidance provided to the Board and management during the year. All parties were satisfied with the quality of support received as well as the competency and experience demonstrated by the incumbent, Ms Nomini Rapoo. Her abridged biography is available on page 11.

The Group Company Secretary is not a Director of the Company nor of any of its subsidiaries and, accordingly, maintains an arm's length relationship with the Board and its Directors.

FULFILMENT OF BOARD RESPONSIBILITIES

ACCOUNTABILITY AND INTERNAL CONTROL

The Directors are required in terms of the Companies Act and the JSE Listings Requirements to prepare annual financial statements which fairly present the state of affairs of the Group as at the end of the financial year and of the profit or loss for that period, in conformity with IFRS.

The external auditor is responsible for auditing the financial statements of the Company and its subsidiaries and for expressing its opinion on these statements to shareholders. In addition, the external auditor is responsible for confirming whether the financial statements meet the requirements of the Companies Act and IFRS. In 2018 the auditor also carried out certain agreed upon procedures pertaining to the Group's half-year results to 30 June.

Following discussions with the external auditor the Directors consider that, in preparing the financial statements, the Company has consistently used appropriate accounting policies supported by reasonable and prudent judgement and estimates. All applicable international financial reporting standards have been followed.

GOING-CONCERN

The Directors have formally reviewed the budgets and forecasts of the business and have concluded that the Group will continue in business for the foreseeable future. They also conducted liquidity and solvency tests as required by the Companies Act. Accordingly, the going-concern basis of accounting remains appropriate.

COMPLIANCE

The Board and its Committees monitor the implementation of AECI's Compliance Framework and related processes so as to effect ongoing improvements. Competition laws, anti-bribery, anti-corruption, health, safety and environmental laws identified as key

REGULATORY INTERACTION

AUTHORITY	PURPOSE OF VISIT	OUTCOME
Department of Trade and Industry	The Non-Proliferation Secretariat met with representatives from Group businesses that carry earmarked "controlled goods," for training on various aspects of the Non-Proliferation of Weapons of Mass Destruction Act, No. 87 of 1993.	The officials were satisfied with the Group's engagement and, subsequently, controls relating to this matter to enhance the management thereof.
Department of Labour ("DoL")	A routine visit was sanctioned under the Basic Conditions of Employment Act, No. 75 of 1997, which authorises inspectors to visit places of employment to conduct inspections, at a reasonable time, where records are kept, without a warrant or notice to enter a place of employment.	The DoL was satisfied that all the requisite documentation was in order.
eThekwini: Health Department	Approach to the Air Quality Officer to regularise operations in terms of the National Environmental Management: Air Quality Act, No. 39 of 2004.	Administrative penalty of R200 000 paid.
NERSA	Approach to NERSA to confirm the need for a Petroleum Products Licence for the loading and storage facility at the Durban harbour.	Obtained advisory from NERSA that a licence is required. The application is in process.

compliance risk areas remain of focus. The Board, via the Risk Committee, has implemented risk mitigations and controls for these matters, aiming to have a balanced approach to compliance and taking into account the Company's obligations, rights and related costs.

The Group's compliance universe is refined continually, considering all related developments in the regulatory context in all jurisdictions where the Group has business operations. The focus in the year was on installing a compliance tool (Exclaim) geared at assisting with compliance across a large and diverse footprint. Good progress was made although the project was not completed. Additional work is planned for 2019.

With operations in 25 countries, mostly in Africa, there is an appreciation that it is important for the Group to stay abreast of all legislative developments. Although this is sometimes a challenging undertaking, owing to alignment with in-country operators, with the input of a comprehensive network of legal experts there has been measured success in ensuring that the Group remains on par with the high standards set by other multinationals. The compliance processes and approach will be subjected to an independent review in 2019 to gauge the Group's maturity levels in this area and to effect the desired improvements, where required.

REGULATORY INTERACTION

Interactions with regulators in South Africa on key ongoing matters are summarised in the table on page 65. The outcomes of these matters are not expected to have a material effect on either the operations of the Group or on the results as presented.

ETHICAL BUSINESS CONDUCT

TRANSPARENCY

Because government, business, civil society and individual citizens are highly interconnected and interdependent, a company's actions and its interaction with its stakeholders, both internal and external, are highly significant. The need to balance diverse stakeholders' expectations shapes the way the Group conducts its business. In an environment of increasingly empowered communities and individuals, social activism and a trust deficit, transparency and accountability are non-negotiable.

An ethical culture is fundamental to driving long-term business value and stakeholders' support of business. To embed such a culture more strongly AECI formalised its Code of Ethics and Business Conduct ("the Code") several years ago and training on the Code and its application continues across the Group.

The Code was revised in 2018 to incorporate emerging best practices and alignment with the UK Bribery and Foreign Corrupt Practices Acts. The revision will be submitted for Board approval in 2019. It will be rolled out as the new standard of operation across the Group thereafter. A copy of the current Code is available at www.aeciworld.com/governance-policy-documents.php.

ETHICAL RISKS IDENTIFIED AND WHISTLE-BLOWING

Owing to the difficult prevailing economic climate in South Africa and in certain other countries, the Board, via its Audit and Risk Committees, is cognisant that ethics-related risks like conflict of interests, bribery and corruption remain. The Group's ethical risk mitigation processes include a whistle-blowing service, management reports and the like. Education and communication relevant to these risks are a cornerstone of preventative processes.

The whistle-blowing service, Tip-offs Anonymous, is managed by an independent third party and serves as a primary tool utilised by employees in diverse countries of operation to register concerns regarding non-compliance with policies, fraud and other matters relating to acceptable business conduct.

In 2018, the reports received were investigated by the Internal Audit function and shared with the Board. Issues related mainly to

- failure to follow established business processes;
- unfair human resources practices; and
- unethical business conduct.

Corrective measures included retraining on the principles and requirements of the Code and disciplinary action was taken where necessary. This included dismissal where the circumstances so warranted.

On an annual basis, as required by the Code, Group employees who have outside interests are required to declare them. Employees are also encouraged to declare any gifts that they may have accepted or given above a stated monetary value equivalent, further underpinning the Group's ethos of doing business ethically.

DEALING IN SECURITIES

In terms of the Dealing in Securities and Price Sensitive Information Policy in place, there is a "closed period" that endures from the end of a financial reporting period until the publication of financial results for that period. Additional closed periods may be declared from time to time if circumstances so warrant.

During closed periods Directors, Prescribed Officers and other designated employees are prohibited from dealing in the Company's securities, either directly or indirectly. Identified employees are advised to this effect. The Group Company Secretary advises the Directors of all the closed periods.

The Policy has been shared with all affected individuals to ensure full compliance.

The Group also has in place an Information Disclosure and Communications Policy designed to record AECI's procedures with regard to communicating with the media, the investment community, securities professionals and other stakeholders to avoid the selective disclosure of material information and govern the disclosure of price-sensitive information to the public in a broad, comprehensive and lawful manner. This Policy has been brought to the attention of all employees and must be adhered to by them.

DIRECTORS' AND PRESCRIBED OFFICERS' LIABILITY INSURANCE

The Company has in place Directors' and Prescribed Officers' liability insurance which provides some cover against legal action by third parties.

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Company's Chief Executive, Chief Financial Officer and members of the Executive Committee conduct timely presentations on the Group's performance and strategy to financiers, institutional investors, financial analysts and the media, mainly in South Africa.

Presentations, corporate actions and reports on performance, as well as any other information deemed relevant, are published on the Company's website. Shareholders and other stakeholders are advised of such newly-published items via SENS. Other information on the Company, such as inter alia its management team and sustainability information, is also available on the website.

All Non-executive Directors are invited to attend the Company's financial and business-specific presentations.

The Company publishes and reports on details of its corporate actions and performance, including its half- and full-year financial results, in print and electronic media as specified by the JSE Listings Requirements from time to time. AECI's Corporate Communications function maintains contact with the media by disseminating relevant information.

SUMMARY OF ADHERENCE TO KING IV

A King IV gap analysis can be viewed via the website link: www.aeciworld.com/governance-king-compliance.php.

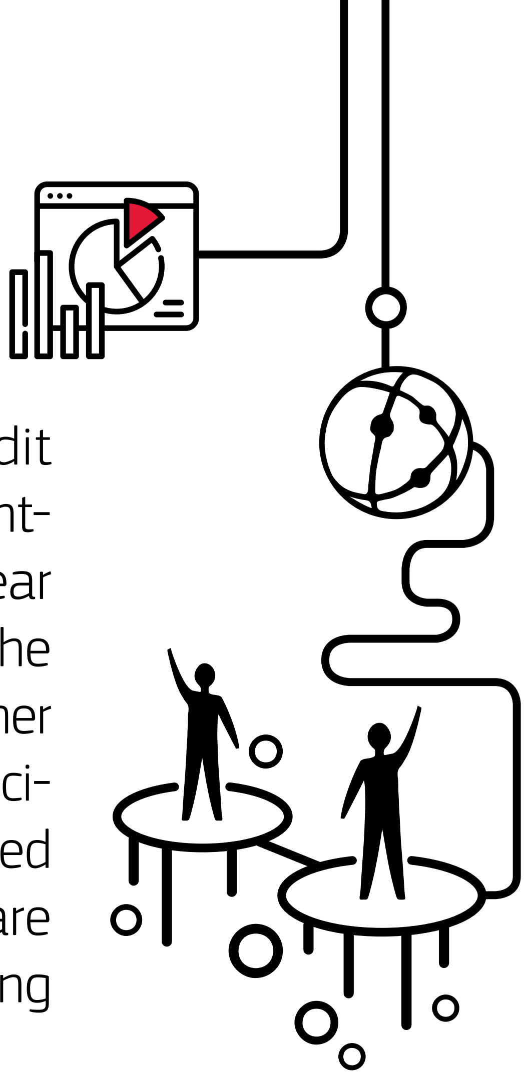
PRINCIPLE	APPLIED	COMMENT
Principle 1: The Governing Body ("GB")* should lead ethically and effectively.	✓	See Ethical Business Conduct on page 66. The Code has been revised in line with the Group's international expansion and, in 2019, it will be submitted to the Board for approval prior to roll-out.
Principle 2: The GB should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	✓	The GB, via its Risk and Social and Ethics Committees, monitors and supports practices and behaviours in line with an ethical culture (e.g. the engagement on reports from Tip-offs Anonymous). See Ethical Business Conduct on page 66.
Principle 3: Responsible corporate citizenship.	✓	From both the compliance and corporate social investment perspectives, the GB, via its Social and Ethics Committee, focuses on health, safety and environmental issues and supports management in driving compliance and the adoption of best practices.
Principle 4: The GB should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	✓	The GB reviews the Group's strategic direction each year. Management is charged with the implementation of strategy and reports back at each Board meeting. The KPIs of the Executive team include non-financial indicators and are aligned with related remuneration. The Board conducts solvency and liquidity tests for the Group, as required by the Companies Act.
Principle 5: The GB should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its long, medium and short term prospects.	✓	The GB approves the reporting framework, inclusive of content. The financial statements and selected non-financial information in the integrated report are subject to audit and/or assurance by independent parties.
Principle 6: The GB should serve as a focal point and custodian of corporate governance in the organisation.	✓	See the link www.aeciworld.com/governance-policy-documents.php. Board charter and terms of reference ("TORs") for various Committee. The structure ensures the proper balance of power and authority at Board level.
Principle 7: The GB should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	✓	In 2018, the Board undertook an annual effectiveness evaluation process, in line with its charter. Assisted by an independent third party, all Non-executive Directors were assessed to verify their continued independence. This applied more specifically to those retiring and those with long tenure. In addition the GB, via its Nominations Committee is mindful of diversity objectives in its appointment and succession planning processes, in line with policy. The focus going forward will remain on enhancing the gender balance.
Principle 8: The GB should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and effective discharge of duties.	✓	The GB has set up adequate Committees with clear mandates to support its work, and these report back to the GB at each Board meeting. In the reporting period, the GB formalised the Investment Committee as an additional structure to assist with the vetting of material transactions between Board meetings (with no approving powers).
Principle 9: The GB should ensure that the evaluation of its own performance and that of its Committees and individual members support continued improvement in its performance and effectiveness.	✓	The GB conducts an evaluation of its performance annually (see above). Areas for improvement in 2018 are disclosed on page 63.
Principle 10: The GB should ensure that the appointment of and delegation of management contribute to role clarity and effective exercise of authority and responsibilities.	✓	The Chief Executive's appointment is approved by Board via its Nominations Committee and his performance is evaluated by the Chairman of the Board and ratified by the full Board. The Group Company Secretary is appointed by the Board via the Chairman and the Chief Financial Officer. The Secretary's performance is evaluated by both of them and ratified by the Remuneration Committee.
Principle 11: The GB should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	✓	The process of setting strategy is aligned to the risk management evaluation — see Risk Management and Material Issues on page 14.

* In AECI, the Board is the GB.

SUMMARY OF ADHERENCE TO KING IV CONTINUED

PRINCIPLE	APPLIED	COMMENT
Principle 12: The GB should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	✓	Focus has been on establishing a proper governance framework for IT, taking into account the business imperative, current legislation and IT trends. The emphasis is now on improving the delivery of value to the business through strategic alignment, and mitigating the risks of IT by entrenching accountability in the Group's businesses.
Principle 13: The GB should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation's ethical and good corporate citizenship.	✓	The compliance universe is refined continually, considering all related developments in the regulatory context in all jurisdictions where the Group has business operations. The focus in the year was on installing a software tool geared at assisting compliance across a large and diverse footprint. Good progress was made in this regard and additional work is planned for 2019.
Principle 14: The GB should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of the organisation's strategic objectives and positive outcomes in the short, medium and long term.	✓	In 2017 the GB, via its Remuneration Committee, revised the Remuneration Policy — particularly the LTI scheme where additional performance measurements were proposed. The revised Policy was approved by shareholders in 2018. A detailed report on pay disparity was tabled in 2018 and has been included in the Committee's annual work plan. Also see the Remuneration report commencing on page 73.
Principle 15: The GB should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation's external reports.	In progress	Internal and external assurance parties provide the requisite assurance on the accuracy of financial and selected non-financial indicators of performance. Formalisation of a Combined Assurance model remains on the Group's agenda.
Principle 16: The GB adopts a stakeholder inclusive approach that balances needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	✓	See Stakeholder Engagement on page 36 and Socio-economic Development on page 50.

AUDIT COMMITTEE'S REPORT TO STAKEHOLDERS



Dear stakeholders

This report is provided by the Audit Committee ("the Committee") appointed in respect of the 2018 financial year of AECI Ltd. This report incorporates the requirements of the Companies Act, other regulatory requirements and King IV principles. The Committee's operation is guided by detailed terms of reference that are informed by the Companies Act and King IV and were approved by the Board.

MEMBERSHIP

The Committee was nominated by the Board in respect of the 2018 financial year and its members were confirmed by shareholders at the AGM held on 31 May 2018. Shareholders will be requested to confirm the appointment of the members of the Committee presenting themselves for re-election for the 2019 financial year at the AGM scheduled for 29 May 2019.

There were four meetings held in the year. Full details of the meeting dates and attendance are available via the link https://www.aeciworld.com/pdf/board-meetings/2018/board-meetings.pdf.

The Committee comprises solely Independent Non-executive Directors. Abridged biographies of these Directors are on pages 8 and 9.

Members in the period were:

› G Gomwe (Chairman)
› GW Dempster
› AJ Morgan
› PG Sibiya

The Chief Executive, the Chief Financial Officer, the Group Financial Manager, the external auditor and Internal Audit attend by invitation, as does the Group Tax Manager as required.

Mr Morgan has served on the Committee since 2010, Mr Gomwe since 2015 (and as Chairman since September 2017) and Mr Dempster since 2016. Ms Sibiya was appointed on 27 February 2018.

PURPOSE

The purpose of the Committee is to:

› assist the Board in overseeing the quality and integrity of the Company's integrated reporting process, including the financial statements and sustainability reporting, and announcements in respect of the financial results, thereby enhancing the credibility of financial reporting and providing a channel for communication between the Board, the internal and external auditors and management;
› ensure that an effective control environment in the AECI Group is maintained by supporting the Board in the discharge of its duties relating to the safeguarding of assets, the operation of adequate systems and controls, risk management and the integrity of financial statements and reporting;
› provide the Company's Financial Director, the external auditor and the Head of Internal Audit with unrestricted access to the Committee and its Chairman, as required, in relation to any matter falling within the remit of the Committee;
› meet with the external auditor, Senior Managers, Executives and Executive Directors as the Committee may elect;
› meet at least once a year with the Head of Internal Audit and members of his team without the external auditor, other Executive Board members or the Company's Financial Director being present;
› review and recommend to the Company's Board, for approval, the Company's unaudited interim financial results for the half-year to 30 June;
› review and recommend to the Company's Board, for approval, the Company's audited financial statements for the financial year to 31 December;
› oversee the activities of, and ensure coordination between, the activities of the internal and external auditors;
› perform duties that are assigned to it by the Companies Act and as governed by other legislative requirements, including the statutory Audit Committee functions required for subsidiary companies;
› receive and deal with any complaints concerning accounting practices, the Internal Audit function or the content and audit of financial statements or related matters;
› conduct annual reviews of the Committee's work and terms of reference and make recommendations to the Board to ensure that the Committee operates at maximum effectiveness; and
› assess the performance and effectiveness of the Committee and its members on a regular basis.

ROTATION OF EXTERNAL AUDITOR

In December 2017 the Board resolved in favour of the early adoption of the Independent Regulatory Board for Auditors' decision in respect of the mandatory rotation of external auditors at least every 10 years. Accordingly, KPMG Inc. was not considered for reappointment for the 2018 financial year. After a rigorously governed selection process, Deloitte & Touche was appointed with effect from 6 April 2018, with Mr Patrick Ndlovu serving as the designated partner.

EXECUTION OF FUNCTIONS

The Committee executed its duties and responsibilities during the 2018 financial year in accordance with its terms of reference as they relate to the Group's accounting, internal auditing, internal control, and integrated reporting practices, and pursuant to the provisions of the JSE Listings Requirements.

During the year under review:

In respect of the external auditor and the external audit, the Committee among other matters:

- nominated Deloitte & Touche as the external auditor to shareholders for appointment as auditor for the financial year ended 31 December 2018, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor. The Committee confirms that the auditor is accredited by the JSE;
- as required by section 3.84(g) of the JSE Listings Requirements, obtained the information listed in paragraph 22.15(h) of the JSE Listings Requirements in its assessment of the suitability of Deloitte & Touche, as well as Mr Patrick Ndlovu, for appointment as external auditor with effect from 6 April 2018;
- approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditor;
- reviewed the audit, evaluated the effectiveness of the auditor and its independence and evaluated the external auditor's internal quality control procedures;
- obtained an annual written statement from the auditor that its independence was not impaired;
- obtained assurance that no member of the external audit team was hired by the Company or its subsidiaries during the year;
- obtained assurances from the external auditor that adequate accounting records were being maintained by the Company and its subsidiaries;
- applied a policy setting out the categories of non-audit services that the external auditor may or may not provide, split between permitted, permissible and prohibited services;
- approved all non-audit services with Deloitte & Touche from its appointment onwards;
- considered whether any Reportable Irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No. 26 of 2005, and determined that there were none; and
- nominated the external auditor for each subsidiary company.

In respect of the financial statements, the Committee among other matters:

- confirmed the going-concern as the basis of preparation of the interim and annual financial statements;
- reviewed compliance with the financial conditions of loan covenants and determined that the capital of the Company was adequate;
- examined and reviewed the interim and annual financial statements, as well as all financial information disclosed to stakeholders, prior to submission to and approval by the Board;
- ensured that the financial statements fairly present the financial position of the Company and of the Group as at the end of the financial year and the results of operations and cash flows for the financial year, and considered the basis on which the Company and its subsidiaries, joint ventures and associates were determined to be going concerns;
- considered accounting treatments, significant unusual transactions and accounting judgements;
- considered the appropriateness of the Accounting Policies and adopted any changes thereto;
- ensured that the Company has established appropriate financial reporting procedures, and that those procedures are operating effectively;
- reviewed the external auditor's audit report;
- reviewed the representation letter relating to the Group financial statements, which was signed by management;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
- met separately with management, the external auditor and the Head of Internal Audit.

In respect of internal control and Internal Audit, including forensic audit, the Committee among other matters:

- reviewed and approved the Internal Audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the Internal Audit function and compliance with its charter;
- considered the reports of the internal auditor and the external auditor on the Group's systems of internal control including financial controls, business risk management and the maintenance of effective internal control systems;
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
- reviewed significant issues raised by the internal and forensic audit processes and the adequacy of corrective actions in response to significant internal and forensic audit findings; and
- based on the above, the Committee formed the opinion that there were no material breakdowns in internal control, including financial controls, business risk management and the maintenance of effective material control systems.

In respect of risk management and IT, the Committee, insofar as relevant to its functions:

- reviewed the Group's policies on risk assessment and risk management, including fraud risks and IT risks as they pertain to financial reporting and the going-concern assessment, and found them to be sound;
- considered and reviewed the findings and recommendations of the Risk Committee;
- considered the reports of Internal Audit and the external auditor insofar as these were relevant to risk management and IT and could have an impact on financial controls, and ensured that the related management action plans were adequate; and
- reviewed and considered feedback from the AEL Financial Review and Risk Committee meetings, insofar as these related to risk management and IT.

In respect of sustainability issues the Committee has:

- overseen the process of sustainability reporting and considered the findings and recommendations of the Risk Committee and the Social and Ethics Committee.

In respect of legal and regulatory requirements to the extent that these may have an impact on the financial statements, the Committee:

- reviewed with management legal matters that could have a material impact on the Group;
- reviewed with the Company's internal counsel the adequacy and effectiveness of the Group's procedures, including its Risk Management Framework, to ensure compliance with legal and regulatory responsibilities.
- monitored complaints received via the Group's whistle-blowing service, including complaints or concerns regarding accounting matters, Internal Audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters; and
- considered reports provided by management, Internal Audit and the external auditor regarding compliance with legal and regulatory requirements.

In respect of the coordination of assurance activities, the Committee reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business.

Considered the appropriateness of the experience and expertise of the Chief Financial Officer and Financial Director and his Finance team and concluded that these were appropriate.

KEY AUDIT MATTERS

The Committee noted the key audit matters set out in the independent auditor's report, which are:

- purchase price allocation on the acquisitions of Schirm GmbH and Much Asphalt (Pty) Ltd;
- impairment assessment of goodwill amounts that arose on the above acquisitions; and
- impairment assessment of property, plant and equipment in AEL South Africa, in the Mining Solutions segment.

The Committee has considered and evaluated these matters and is satisfied that they are represented correctly.

INDEPENDENCE OF THE EXTERNAL AUDITOR

The Committee is satisfied that Deloitte & Touche is independent of the Company and the Group after taking the following factors into account:

- representations made by Deloitte & Touche to the Committee;
- the amendments to the JSE Listings Requirements, effective 15 October 2017, regarding the new auditor accreditation process were also considered. Deloitte & Touche and Mr P Ndlovu were first appointed designated auditor to the Company for the 2018 financial year. The Committee reviewed the performance of the external auditor and nominated, for approval at the forthcoming AGM, Deloitte & Touche as the external auditor for the 2019 financial year;
- the auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the Company;
- the auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditor;
- the auditor's independence was not prejudiced as a result of any previous appointment as auditor; and
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

NON-AUDIT SERVICE FEES

Deloitte & Touche was nominated as external auditor by the Committee and appointed as external auditor by the shareholders at the AGM held on 31 May 2018.

Prior to appointment as external auditor, Deloitte & Touche provided certain non-audit services to the Company. Since its appointment, Deloitte & Touche has transitioned out of most of its non-audit service assignments. During the overlapping transition period, the Committee carefully reviewed the nature of services that Deloitte & Touche could perform and, to the extent that these services potentially impaired its independence, they were discontinued.

The Committee, in line with the Company's Non-Audit Services Policy, will approve in advance non-audit services to be performed by Deloitte & Touche in future.

ANNUAL FINANCIAL STATEMENTS

Following the review by the Committee of the annual financial statements of AECI Ltd for the year ended 31 December 2018, the Committee is of the view that in all material respects they comply with the relevant provisions of the Companies Act and IFRS and fairly present the Group and Company financial position at that date and the results of operations and cash flows for the year then ended.

Having met its obligations, the Committee recommended the annual financial statements for the year ended 31 December 2018 for approval to the AECI Board on 25 February 2019.

The Committee has also satisfied itself of the integrity of the remainder of the integrated report.

The Board has approved this report, which will be open for discussion at the forthcoming AGM.

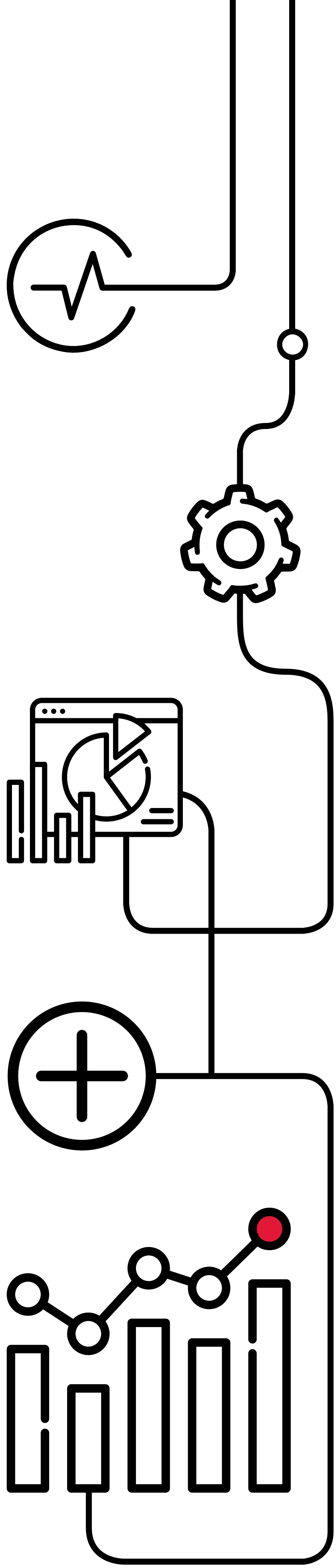
On behalf of the Audit Committee

Godfrey Gomwe
Chairman

Woodmead, Sandton
25 February 2019 and 5 April 2019

REMUNERATION REPORT

TABLE OF CONTENTS



REMUNERATION REPORT

PART ONE: CHAIRMAN'S STATEMENT

After a challenging year, the AECI Group produced pleasing results, with improvement year-on-year in revenue and HEPS as outlined in by the Chief Executive, the Chief Financial Officer and the Chairman in their reports.

The Remuneration Committee ("Committee") is well cognisant of its remit to review the reward levels and associated measurements of sound business performance which aligns management to shareholder return. In this regard, much of the Committee's focus in 2018 was to ensure the integration of the two acquisitions and unpacking underlying structures and performance measures for the Executives and Senior Managers.

In 2018, as was the case in 2017, shareholder engagement was a key focus area for the Committee, with a view to ensuring that AECI's remuneration philosophy allowed for a balance between securing shareholder value, benefit to employees and the achievement of the Company's long-term sustainable growth aspirations.

In line with the principles set out in King IV and associated guidelines, ethical and fair remuneration is an underlying and governing principle for the Committee when reviewing remuneration policy, philosophy and practices. The outcome was an increase in the level of reporting and a review of the impact of relevant policies on employees.

We were pleased to see a marked improvement in shareholder support for AECI's Remuneration Policy and the implementation thereof at the 2018 AGM. The "for" votes improved from 55% to 89% on the Remuneration Policy and from 77% to 89% on the implementation of that Policy (see table below). The Chairman of the Board, myself as Chairman of the Committee and my fellow Committee members were appreciative of the opportunity to meet and engage with a number of institutional shareholders. We thank them for their support and look forward to ongoing interaction with them as well as their and feedback on the appropriateness of the Group's remuneration practices.

Notwithstanding the improved voting result, the Group continued to engage with those shareholders who did not support the resolutions so as to understand their concerns. We acknowledge that further improvements in our Remuneration Policy and implementation thereof will be an iterative process.

AECI embraced the challenge of fully integrating Schirm and Much Asphalt into the Group. The Committee and the Board have engaged extensively with management in terms of this successful integration as it pertains to roll-out of remuneration philosophy and benefits.

This report includes the assessment of the Company's performance in relation to both its long-term incentive scheme objectives and the short-term incentive scheme, particularly in the context of the broader market and AECI's growth strategy. In particular, focus was placed on identifying risks both from the business and employee perspectives which could impact the achievement of those strategic objectives.

After enjoying the services of both PwC and Vasdex as Remuneration Advisors in 2017, the decision was taken to appoint Vasdex as the sole provider in 2018. I express my thanks to the PwC team for their assistance and support in prior years.

Finally, I wish to thank my fellow Committee members for their dedication in ensuring that our discussions are always robust. Their input is crucial to formulating meaningful and considered decisions in the context of our ambit of authority.

Graham Dempster
Chairman

5 April 2019

AGM RESOLUTIONS

	2018 AGM		2017 AGM	
%	**For**	**Against**	For	Against
Ordinary resolution No. 7.1: Remuneration Policy	**88,95**	**11,05**	55,33	44,67
Ordinary resolution No. 7.2: Implementation of Remuneration Policy	**89,96**	**10,04**	77,10	22,81
Special resolution No. 1: Directors' fees	**100,00**	**—**	100,00	—

PART 2: REMUNERATION POLICY

2.1 REMUNERATION COMMITTEE

The Committee is comprised of four Non-executive Directors all of whom, including the Chairman, are independent. Meetings of the Committee are usually held four times a year and additional meetings are held when deemed necessary. The Chief Executive, the Chief Financial Officer, the Executive: Human Capital and the Group Compensation and Benefits Manager are invited to attend to discuss the remuneration of Executives and Senior Managers and to contribute to other discussions as warranted. No attendee may participate in or be present at any discussion or decision regarding his/her own remuneration. Current members of the Committee are:

› GW Dempster (Chairman)
› G Gomwe
› KDK Mokhele
› R Ramashia

The responsibilities of the Committee are in accordance with its Board-approved terms of reference, which comply with King IV. These terms were revised in 2018 and a copy thereof is available via the link https://www.aeciworld.com/governance-policy-documents.php. Once the full impact of King IV has been finalised, the terms will be amended as required for compliance with such changes. The Board is satisfied that the Committee's composition is appropriate with regard to the necessary balance of knowledge, skill and experience of its members.

The Committee held four meetings in 2018. The key agenda items at each of these meetings are indicated below:

MEETING DATE	KEY AGENDA ITEMS
23 February	› review and authorisation of 2017 STI achievement; › authorisation of 2018 LTI awards under new scheme rules; › proposed 2018 STI KPIs for Executives; › Group LTI scheme performance update; › review of Non-executive Directors' fees.
22 May	› succession planning and people development; › remuneration equity review; › comparison of Executive Directors' remuneration to peer group; › Group LTI scheme performance update.
20 July	› shareholder engagement feedback; › Executive remuneration review; › 2015 LTI vesting report.
23 November	› review of STI provision; › salary review for 2019 review and authorisation; › authorisation of Executives' increases; › general staff salary increases review; › Group LTI scheme performance update; › Remuneration report — draft for 2018; › Remuneration Committee annual plan.

The Committee considered the following matters and took key decisions, as appropriate:

› approval of remuneration packages for Executives and Senior Managers for 2018;
› approval of STI payment pools for the Group and for its individual businesses;
› approval of allocation principles, under the LTIP, of awards of performance shares, in line with policy;
› review of LTIP rules and performance criteria;
› review and approval of the vesting of the LTI awarded in 2015;
› review of Non-executive Directors' fees, as recommended by the Executive Directors, and the formulation of a recommendation to shareholders for the approval of increases;
› review and approval of updated terms of reference for the Committee; and
› review and approval of the Company's 2018 Remuneration report.

Management engaged the services of PwC (for part of the year) and of Vasdex to assist with market benchmarks, advice, and recommendations.

2.2 REMUNERATION PHILOSOPHY

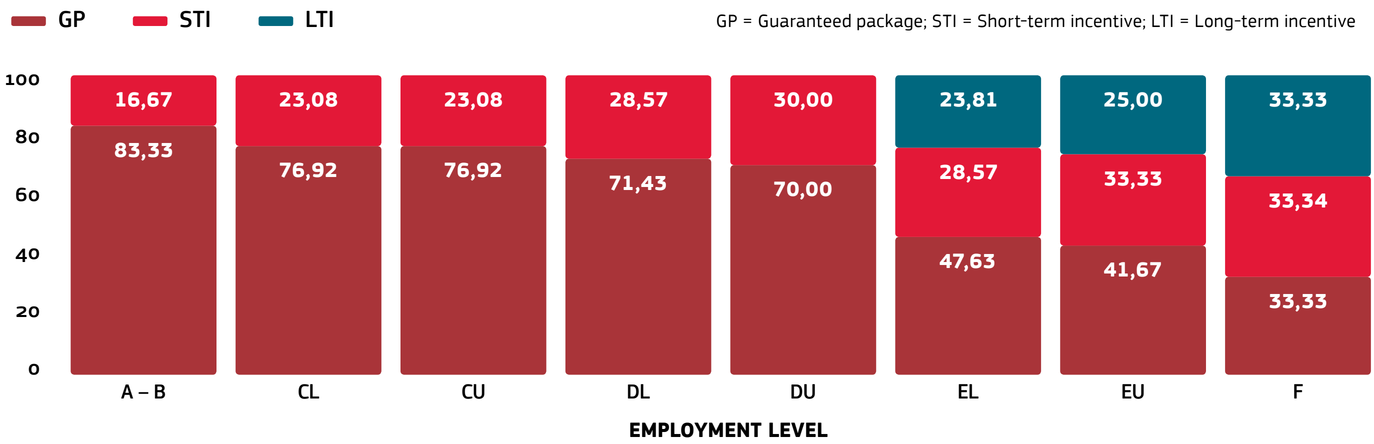
AECI's remuneration philosophy is underpinned by the following principles:

PRINCIPLE	
ALIGN REMUNERATION TO STRATEGIC OBJECTIVES	› remunerate employees such that superior performance in the achievement of strategic objectives is rewarded through various incentive schemes.
ATTRACT, MOTIVATE AND RETAIN TOP TALENT	› position AECI to attract, motivate and retain high performing employees through the provision of comprehensive benefits, market-related salaries, value-driven incentive schemes and a robust EVP.
RECOGNISE AND REWARD EXCEPTIONAL PERFORMANCE	› recognise exceptional performance and encourage the ongoing achievement of long-term objectives; › encourage and reinforce behaviours which offer long-term, sustainable financial performance balanced with embedding a culture of transformation, and safety, with other key non-financial annual and longer-term objectives.
OFFER FAIR, RESPONSIBLE AND EQUITABLE REMUNERATION	› enable the fair and equitable provision of remuneration and benefits across all employment levels, as appropriate; › benchmark AECI's pay levels against market peers, internal salary ranges and against an internally determined "living" wage standard.
EMBRACE GOOD GOVERNANCE AND ADOPT BEST PRACTICE	› balance and align the needs and expectations of shareholders, employees, customers and regulators to create long-term sustainable growth; › embed the principles of good corporate governance to provide the appropriate share of value to relevant stakeholders.

It is imperative that remuneration practices and philosophy align to the Company's overall strategy and key objectives and that they facilitate the alignment of employee behaviour to those objectives, with the appropriate risk and associated reward. Executives and Senior Managers who contribute to the achievement of targets for growth and shareholder return are rewarded appropriately and, as such, agreed financial performance measures and KPI scorecards determine the levels of reward for Executives and Senior Managers.

KPIs relating to transformation, safety and strategic projects across Board-agreed disciplines are cascaded via balanced scorecards across the organisation from Executives to all levels of employees to embed behaviours which promote a viable, productive business environment with a long-term outlook and consistent view towards shareholder return, employee reward and business growth.

REMUNERATION PHILOSOPHY: MAKE-UP OF REMUNERATION BY EMPLOYMENT LEVEL (%)



AECI remunerates employees at the 50th percentile of the market from a GP perspective.

New entrants are appointed at or above the AECI minimum salary per level and may progress towards the 50th percentile over a period of between three and five years, where performance is average to above average.

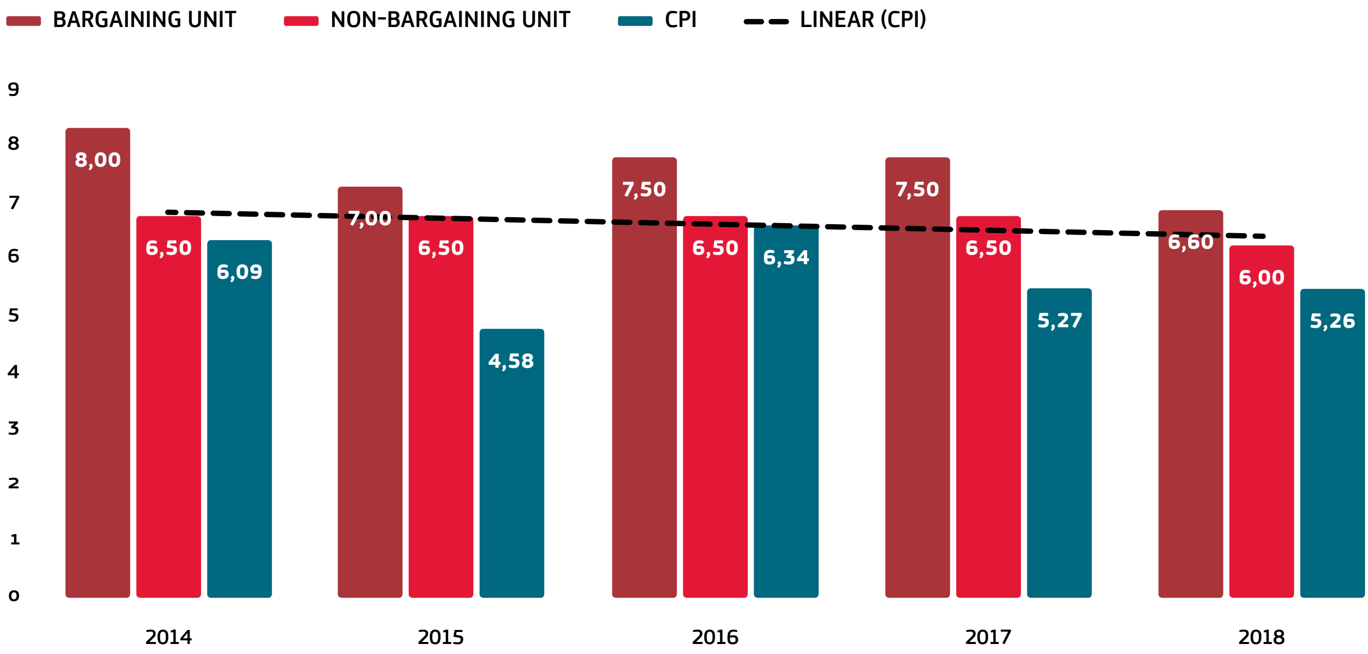
On-target variable pay targets the 50th percentile of total reward market benchmarks.

The total Remuneration Policy is aligned closely with the AECI EVP and the performance management system. It seeks to offer employees competitive GPs which are relevant to market benchmarks and allow AECI to secure key technical skills, high performers, and fill critical roles.

2.3 FAIR AND RESPONSIBLE REMUNERATION

AECI has implemented a robust pay differential analysis which is conducted on a bi-annual basis. This analysis focuses on the wage gap between junior and senior employees, and fair and equitable pay across all levels and roles. The results of the analysis are factored into discussions when reviewing pay increases at all levels, and at Executive level in particular. In the past five years lower increases have been awarded at Executive level and non-bargaining unit level and higher increases at bargaining unit level.

INCREASES IN BARGAINING UNIT AND NON-BARGAINING UNIT AGAINST CPI OVER 5 YEARS (%)



The remuneration differential analysis is tabled with the Executive Committee, the Remuneration Committee, the Social and Ethics Committee and the full AECI Board on an annual basis. Each Group business formulates action plans to address any areas of concern relating to, for example, prior acquisitions or mergers of businesses.

A guiding principle in AECI's global remuneration philosophy is that employees at the lowest employment level should earn at or above the agreed upon minimum salary for their sector or industry. At the lowest level of employment in South Africa, AECI offers subsidised medical aid and retirement fund benefits.

Further, ongoing analysis provides businesses with opportunities to reduce income differentials, as appropriate, and to ensure fair and equitable remuneration at all levels of employment. Initiatives to understand and align fairness and equitable pay across race and gender remain an ongoing focus in the Group.

2.4 GUARANTEED PACKAGE

AECI offers employees at all levels a GP, defined as a base salary plus benefits.

DESCRIPTION	The GP comprises base pay, allowances, and retirement and medical aid benefits. It is managed in relation to the market median. Benefits such as travel allowances and contributions to retirement and medical funds are maintained at market-competitive levels and are benchmarked against market data on a regular basis.
BENCHMARKS	AECI compares itself to the national market as represented in industry surveys published annually. It also compares itself to appropriate sector-specific surveys where such exist. Market surveys are used as a basis for establishing market remuneration information for most positions, including Executives and Senior Managers. Benefits such as travel allowances and contributions to retirement and medical aid funds are maintained at market-competitive levels. The GP for Executives and Senior Managers is benchmarked against the market median (50th percentile) of similar-sized companies and industry. To ensure that benchmarks are appropriate and accurate, AECI uses three sets of data from three survey providers, on the premise that data from three sources provide a fair assumption on pay levels.

EVALUATION METHOD	Each role has been evaluated further using the Deloitte Executive Evaluation System ("Execeval™"). Over and above the role size and complexity, Execeval™ takes the following into consideration: › skills and knowledge; › conceptual abilities; › interpersonal skills; › job impact; › problem-solving abilities; › decision making; and › resource control.
BENEFITS	To ensure that the component elements of GP are aligned across the Group, fringe benefits and allowances such as medical aid subsidies and car allowance structures are standardised for Executives and for Senior Managers.

2.5 SHORT-TERM INCENTIVE

DESCRIPTION

The scheme for Executives and Senior Managers Group-wide comprises a weighted scorecard of Group and business-specific objectives and personal components.

The Company has developed a bonus model for each business based on growth and financial management targets.

Businesses that achieve their TP targets and grow their earnings substantially above CPI and GDP rates qualify for a higher multiple bonus factor. The bonus curve is designed so that significant bonus payments are made only to businesses where there is a positive change in EVA performance.

ELIGIBILITY

Executives and Managers at all levels.

COMPONENTS

Individual performance (balanced scorecard);

Financial performance (Group or business entity financial performance).

The percentage split depends on the Manager's seniority. At the most senior level, individual performance is weighted at 25% and financial performance at 75%.

FORMULA

STI = annual basic salary multiplied by the on-target percentage per level.

The on-target portion is subject to a split between personal and company performance.

Personal performance can range from 0% to 120%.

Company performance is based on financial performance as described below.

FINANCIAL PERFORMANCE

The Group/business financial rating is determined by actual financial performance relative to predetermined targets for HEPS for the Group or TP for individual businesses.

The financial component is based on a three-year "crawling peg" methodology in which thresholds, targets and potential doubling of the factor points are set from the "base year" for three years ahead, with targeted growth in relation to CPI plus GDP plus 1% applied to the preceding base year performance. The doubling point is set at CPI plus GDP plus 9%. Thereafter, the multiple is determined by at least doubling the growth of the preceding hurdle.

After the third year, the base year performance is reset prior to the next three-year cycle. The base year uses the previous year's performance as a starting point and is adjusted for one-off windfall profits or unusual losses, and any other adjustments that the Committee may deem necessary to arrive at a fair starting point.

No bonus	On-target (1 x bonus)	2 x bonus
Achievement of or below 90% of on-target	Base HEPS plus GDP plus CPI plus 1%	Base HEPS plus GDP plus 9%

INDIVIDUAL PERFORMANCE

This element is measured on the achievement of personal targets and is not dependent on the financial performance of the Company/Group business.

Personal KPIs typically include aspects such as:

› safety and health performance — measured against fatal accidents and the Total Recordable Incident Rate on a linear scale;

› cash flow management — measured on improved working capital management and capital spend;

› B-BBEE/Employment Equity — measured against specific acquisition, retention, development and governance targets for businesses in South Africa;

› governance; and

› implementation of strategic projects — measured against specific projects agreed to with the Board.

ON-TARGET BONUS PERCENTAGES	Chief Executive and Executives: 50% of annual basic salary; Senior Managers: between 33% and 50% of annual basic salary.
MAXIMUM BONUS PERCENTAGES	All STI payments are capped at 150% of GP. In exceptional cases, the Committee has the authority to extend the bonus cap to 250% of GP. This will only occur if there has been exceptional growth in profits and if the EVA and TP-sharing targets have been met by the Group or business concerned.
DISCRETION OF THE COMMITTEE	The Committee has the full discretion to adjust bonuses and/or amend the rules of the scheme as it deems fit, taking into account the balance between fair reward for the individual and stakeholders' interests.

2.6 LONG-TERM INCENTIVE

ELIGIBILITY

Executives and selected Senior Managers of the Company and its business entities.

PURPOSE

The purpose of the LTIP is to attract, retain, motivate and reward Executives and Senior Managers who are able to influence the performance of AECI and/or its businesses on a basis which aligns their interests with those of the Company's stakeholders. The scheme allows AECI to remain competitive in terms of LTIs as it rewards long-term sustainable Company performance, acts as a retention tool and ensures that Executives and Senior Managers share a significant level of personal risk with the Company's stakeholders. The PS element aligns the interests of stakeholders and AECI's senior employees closely by rewarding superior shareholder returns and financial performance in the future. As annual awards are made, each award requires the resetting of the performance criteria. It is only with continued and sustained outperformance by the Company that significant reward accrues to participants.

In 2017, AECI amended the performance conditions for the LTI scheme in response to shareholder feedback. Awards for 2018's performance will be made in line with the Policy outlined below and the same Policy considerations will apply going forward. Awards from prior years are subject to a sole TSR performance condition.

OPERATION AND INSTRUMENTS	Annual award of PS.
QUANTUM OF AWARDS	Allocations and awards are governed by AECI's reward strategy (pay mix) in which, inter alia, the "target reward" of long-term incentivisation is set for defined categories of Executives and Senior Managers.
AWARD DATE	To synchronise performance periods with the Group's full-year financial results cycle, the award date has moved to April, from June.
PS	The PS will vest on the third anniversary of their award, to the extent that the Company has met specified performance criteria over the intervening period. The value per share that vests is the full value of the share (there is no strike price), but the number of shares that will vest depends on whether the Company's performance over the intervening three-year period has been on target, or an under- or over-performance against the target/s set at the award date.
PERFORMANCE CONDITIONS FOR PS	The Board will determine the performance criteria applicable for each award. The 2018 award methodology of vesting measures the Company's performance against three financial measures:

Measure	Weighting	Minimum	Threshold	Target	Maximum
		0%	50%	100%	200%
TSR	30%	Rank 16 to 9	Rank 8	Rank 6	Rank 1 and 2
RONA	30%	Below 15%	15%	17%	20% or more
HEPS	40%	Below CPI+GDP	CPI+GDP	CPI+GDP+2%	CPI+GDP+5% or more

Incremental performance on the RONA and HEPS conditions will be determined through linear interpolation of the result between the designated milestones.

PERFORMANCE CONDITIONS FOR PS
CONTINUED

TSR

AECI's relative ranking against a peer group of 16 companies (including AECI), where performance below the median results in a 0% vesting award. 8th rank or the median (50th percentile) results in threshold being achieved whereas target occurs at position 6.

Position 1 and 2 result in the maximum percentage. Vesting percentage results have been set for each rank from 8 to 1.

The peer group companies are as follows:

African Oxygen	Astral Foods	Aveng
Barloworld	Grindrod	KAP Industrial Holdings
Nampak	Northam Platinum	Omnia Holdings
Pioneer Food Group	PPC	RCL Foods
Reunert	Sappi	Tongaat Hulett

In the event of a peer in the peer group delisting, a reserve list applies. The first company on this list will be included in the peer group and the TSR position recalculated for the whole period.

RONA

The target and base RONA will be subject to adjustment as corporate transactions, such as acquisitions and mergers, occur. As approved by the Committee, the RONA target will factor in unusual corporate transactions to ensure that financially sound business decisions continue to be made; decisions otherwise might adversely affect the RONA performance. Thus, management will continue to maintain a long-term financial view on the Company's growth and performance, even while continuing to ensure that an adequate measure on return is in place in the LTI scheme.

HEPS GROWTH

CPI is calculated on a weighted average of the countries and regions in which AECI operates, dependent on their local currencies. The final CPI figure used in these calculations is linked to the same methodology used to translate foreign income into rand terms, and on the same proportional basis.

Furthermore, the HEPS target and base will be adjusted for major corporate transactions which may hyper-inflate current performance or moderate good performance.

Awards made under legacy LTI schemes will continue to vest until 2022. However, no new awards have been made since 2012 under these schemes.

The table below outlines the on-target percentage of GP which the LTI is designed to deliver for target performance. The third column outlines the proposed LTI award, which is the value at award should 100% of the awarded units ultimately vest. It is possible that only a proportion of the number of units awarded may ultimately vest due to the stretch performance vesting conditions applied. If all three measures reach target performance, the Chief Executive would receive 100% of his GP in the LTI vesting process and would receive 200% of his GP should all three measures achieve maximum stretch performance levels.

TITLE	MINIMUM (%)	TARGET PERCENTAGE OF GP (AT AWARD SHARE PRICE) (%)	MAXIMUM PERCENTAGE OF GP (AT AWARD SHARE PRICE) (%)
CE	—	100	200
CFO	—	85	170
EXCO	—	70	140

Using the Chief Executive as an example, should target performance be achieved the actual value at vesting may be greater than 100% of his GP on the original issue date in the event that the share price has risen more than GP increases, and vice versa for a drop in the share price.

The proposed LTI award is expressed in expected value terms and is broadly aligned with market benchmarks that AECI obtained independently. In addition, the performance period has been amended to reflect AECI's financial year that runs from 1 January to 31 December:

› awards will be issued in April and would vest in April three years hence;
› TSR performance will be calculated from 1 January to 1 January over the three-year period; and
› RONA and HEPS will also be measured over the three financial years, on a compounded basis for the three-year period.

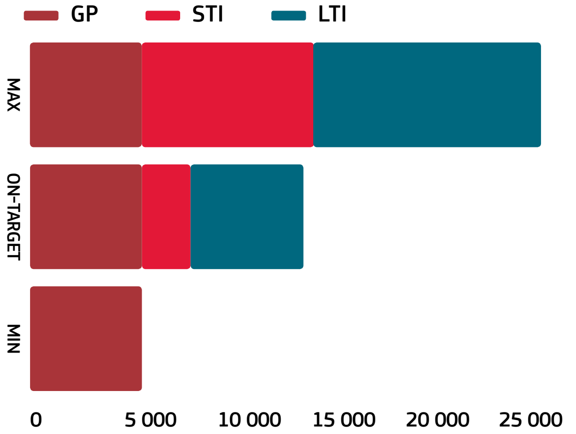
2.7 EXECUTIVE PACKAGE DESIGN AND PAY MIX

AECI has adopted a pay mix policy that supports the philosophy that the performance-based pay of Executives and Senior Managers should form a greater portion of their expected total compensation than GP and, furthermore, that within the performance-based pay of the most senior employees the orientation should be towards rewarding long-term sustainable performance (through long-term and/or share-based incentives), more so than operational performance (through annual cash short-term incentives). This is particularly relevant at Executive level and for the Managing Directors or equivalent of Group businesses, where the focus is on shareholder returns and the achievement of financial targets.

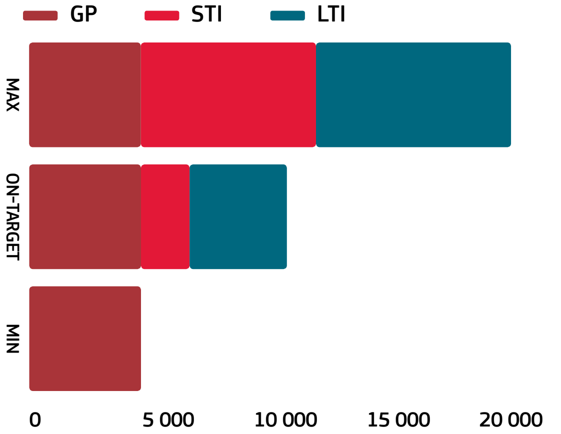
The mix of fixed and variable pay is designed to meet AECI's operational needs and strategic objectives based on targets that are stretching, verifiable and relevant. A Group-wide standard has been adopted while recognising that the different nature of AECI's businesses requires a varied approach between them individually.

The pay mix proportionality of the Chief Executive through to that of a Senior Manager is shown in the schematics below. Three remuneration scenarios are demonstrated: remuneration at minimum performance, remuneration at on-target performance of all KPIs and remuneration at maximum performance.

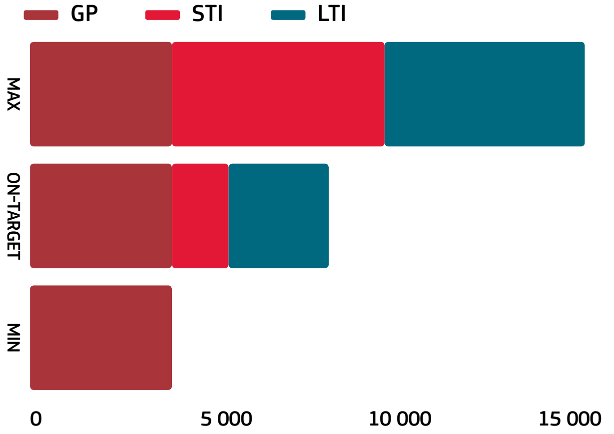
CE (R THOUSANDS)



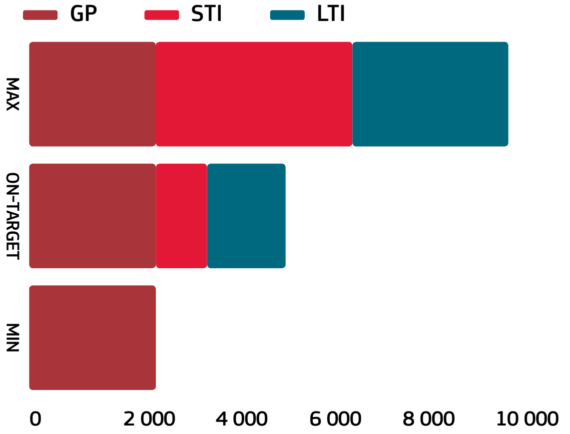
CFO (R THOUSANDS)



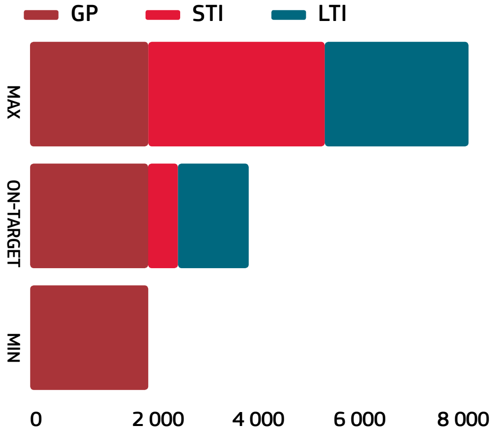
EXCO (R THOUSANDS)



MDs (R THOUSANDS)



HODs (R THOUSANDS)



Key: CE = Chief Executive; CFO = Chief Financial Officer; EXCO = Executive Committee members; MDs = Managing Directors or equivalent of operating entities; HODs = Heads of functional departments

In the event of exceptional outperformance, STI benefits could increase to 250%, at the Committee's discretion.

2.7.1 GOVERNANCE PRINCIPLES

STI and LTI outcomes are subject to extensive review through two mechanisms:

1. **Performance management review**
   Each employee who participates in the variable pay incentives participates in the AECI performance management process, which involves a bi-annual review of set KPIs linked to non-financial key objectives of the organisation.
2. **Full-year performance and audited financial statements**
   The impact of the Company's financial performance on incentive outcomes is subject to Executive Committee and Remuneration Committee review. The audited financial results are utilised in the calculation. The Company factor for the STI is determined through a robust model calculation linked to HEPS and TP targets over a three-year period and approved by the Committee. Furthermore, all incentives are audited by Internal Audit and any exceptions are reported to the Committee.

2.8 EXECUTIVE DIRECTORS' AND EXECUTIVES' SERVICE CONTRACTS

Neither of the Executive Directors has extended employment contracts or special termination benefits. Both Executive Directors have 12-month restraints of trade in place. Service contracts of Executive Directors and other Executives are in accordance with AECI's standard terms and conditions of employment and their notice period is six months.

In principle, AECI does not offer sign-on bonuses but, in instances were a sign-on bonus is included, the contract will stipulate that the employee must remain employed by the Group for a period of three years. The sign-on bonus is paid in instalments over the three-year period and all payments are subject to the claw-back condition.

Generally, it is not AECI's policy to offer balloon payments on termination of service. An employee, even at Executive level, who resigns from the Group forfeits all LTI awards and will not receive any further outstanding STI payments. Where an employee's service is terminated through the sale of a business or no fault retrenchment, the terms of that termination are negotiated and may include either the early vesting of LTI awards or the continued vesting of prior LTI awards. STI payments may be included if termination occurs in the last quarter of the financial year or in the first quarter of the following financial year.

2.9 MINIMUM SHAREHOLDING GUIDELINE

A minimum shareholding guideline was adopted in 2018. In terms of this, members of the Executive Committee will be required to hold a specified percentage of their GP in AECI unencumbered ordinary shares, by 2022.

The table below outlines the percentages to be held, by level:

TITLE	% OF GP
CE	200
CFO	150
OTHER EXCO MEMBERS	100

2.10 NON-EXECUTIVE DIRECTORS' EMOLUMENTS

TERMS OF APPOINTMENT

Non-executive Directors do not have service contracts. Non-executive Directors do not participate in any of the Company's STI or LTI schemes and no shares are granted to them. Non-executive Directors receive a fixed fee per annum for their contribution, which comprises a base retainer fee and, where applicable, Committee membership fees. Meeting attendance fees are paid at a fixed value per meeting.

In addition, the Company pays for all travel and accommodation expenses incurred by Directors to attend Board and Committee meetings and visits to Company businesses.

Non-executive Directors' fees are arrived at after an independent, annual benchmarking exercise commissioned by the Executive Directors. Based on the Remuneration Committee's and the Board's recommendation, the fees are tabled for approval by shareholders at the AGM. In arriving at the proposed fee, cognisance is taken of market norms and practices.

AECI does not define a peer group and reference such peer group for the purposes of benchmarking Non-executive Directors' emoluments. Instead, the Executive Directors utilise published benchmarks each year and proposals are made after analysing the results.

Details of the emoluments paid to the Non-executive Directors in 2018 are disclosed in Part 3 and the proposed fees are disclosed in the Notice of AGM for 2019.

2.11 NON-BINDING ADVISORY VOTE

In terms of the JSE Listings Requirements and the recommendations of King IV, the following will be put to a non-binding vote at the AGM of shareholders of the Company scheduled to take place on 29 May 2019:

› the Remuneration Policy as outlined in Part 2 of this report; and

› the application of the Remuneration Policy as outlined in Part 3.

In the event that either the Policy or the implementation vote receive 25% or more votes against, the Committee commits to the following:

› those shareholders who voted against will be invited to engage with the Committee regarding their concerns and the reasons that motivated their negative votes;

› individual or combined interactions will be scheduled to understand the concerns of those shareholders;

› the Committee will aggregate their responses and analyse them to determine where changes are necessary in the Policy or in its implementation;

› a shareholder communication pack will be prepared, highlighting the Policy or implementation changes being undertaken as well as reasons and motivation for elements where the Committee determines that no change is warranted;

› shareholders will then be engaged regarding the changes that the Committee will implement in response to the issues and concerns raised.

PART THREE: IMPLEMENTATION OF POLICY IN 2018

3.1 CHANGES IN EXECUTIVES

Messrs Dean Mulqueeny and Dean Murray joined the AECI Executive Committee with effect from 1 January 2018. During January 2019, Ms Khosi Matshitse elected to take early retirement effective 31 January 2019.

3.2 GUARANTEED PACKAGE ADJUSTMENTS

The Committee reviewed the GP for Executives and Senior Managers, as recommended by the Chief Executive, taking into consideration market data as provided by the Deloitte Top Executive Remuneration Survey 2018, market data from PwC Remchannel™, the results of Execeval™, individuals' experience and current levels of performance.

An average increase of 5,5% was approved by the Committee for Executives, except where there had been increases in responsibilities. In those instances, an increase higher than the average was awarded.

The balance of Group employees in South Africa generally received average increases of 6% and slightly higher increases were awarded at the lower employment levels. At bargaining unit level, a 6,6% increase was approved at the Industrial Chemicals Sector Wage Negotiations and a 7,5% increase was approved by the Bargaining Council for the Civil Engineering Industry. This increase was passed to all bargaining unit employees. For employees outside of South Africa, general inflation was used as a guideline for increases and, in general, increases slightly above inflation were approved.

As part of an ongoing review of employees at lower levels, the Company budgets for and awards ad hoc increases where employees are below the designated minimum salary for their level.

During 2018, the Committee requested a detailed market benchmark comparison exercise for the Chief Executive's remuneration. As a result of this exercise, the Committee authorised an interim salary adjustment of 9% on basic salary with effect from 1 September. This adjustment aligned the Chief Executive's remuneration to the 50th percentile of the designated peer group.

3.3 SHORT-TERM INCENTIVE OUTCOMES

The cash-based STIs awarded for 2018 were calculated on the basis of 2018's financial performance, which saw a 27% year-on-year improvement in TP and 9% growth in reported HEPS to 1 045 cents. This was a pleasing performance in the context of the overall economic environment and trading conditions that prevailed. As such, Group businesses that exceeded their CPI plus GDP plus 1 targets were recognised in the awarding of STIs. Businesses that failed to achieve the entry level did not receive incentives, in line with the rules of the scheme.

1. Performance management review

As stipulated by policy, all employees who participate in the STI scheme reviewed their performance relative to KPIs linked to the key non-financial objectives of the organisation. This process applied equally to all members of the Executive Committee and a summary of their KPIs and their achievement thereof is outlined on the facing page.

2. Full-year performance and audited annual financial statements performance

The financial components of the STI bonus attributable to the Group's overall performance resulted in a two times plus bonus curve for Executives and Senior Managers.

In terms of the three-year crawling peg methodology, the previous year's HEPS plus CPI plus GDP plus 1% is the first hurdle for a one times bonus curve. Performance above the second hurdle of GDP plus CPI plus 9% results in a two times plus bonus. AECI's underlying HEPS of 1 102 cents (excluding the PPA effects of the Schirm and Much Asphalt acquisitions) thus resulted in a 2,64 times bonus for the 2018 year.

YEAR	TARGET HEPS	REPORTED HEPS	PERCENTAGE ABOVE TARGET (%)
2016	812	818	0,74
2017	875	959	9,60
2018	930	1 045	12,37

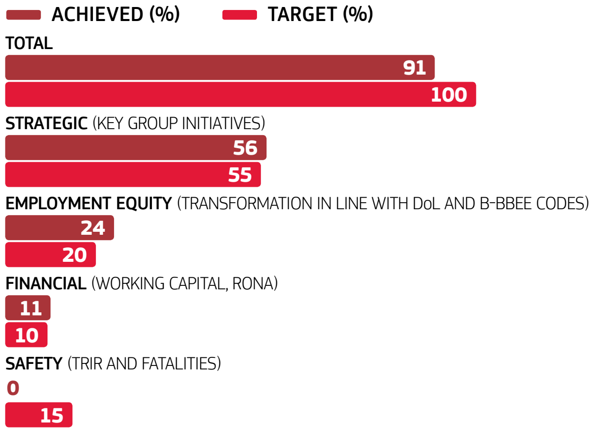
The table below indicates the actual performance relative to Company targets and personal KPIs, and the resultant annual cash incentives paid to the Chief Executive, the Chief Financial Officer and the Prescribed Officers in the 2018 financial year.

STI VALUES FOR THE CE, CFO AND PRESCRIBED OFFICERS

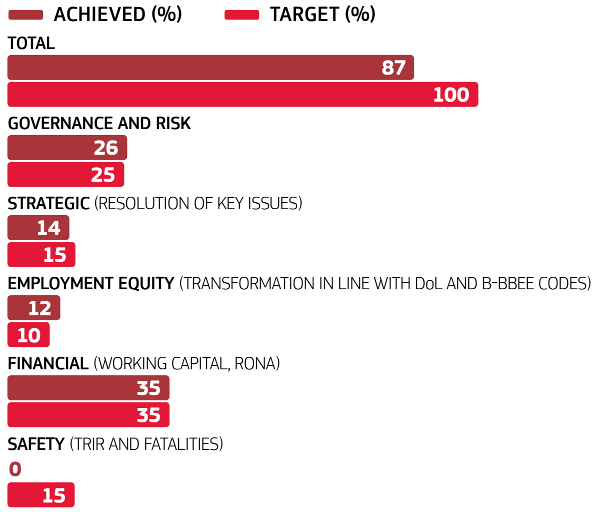
	% OF GP	VALUE (BEFORE TAX) (R THOUSANDS)
MA DYTOR	83	4 995
KM KATHAN	81	4 150
EE LUDICK	82	3 357
DJ MULQUEENY	78	2 902
DK MURRAY	77	2 809

As noted in 3.1, Ms Matshitse took early retirement in January 2019 and received a pro-rated, accelerated STI value which was included in the early retirement package. The value is reflected in the single figure stated in 3.6. The details of her KPI achievement are not reflected above as the performance management process had not been concluded prior to her departure.

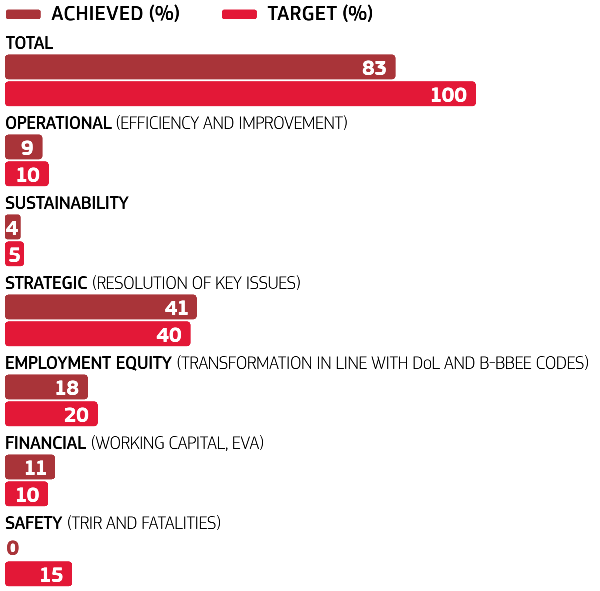
CHIEF EXECUTIVE MA DYTOR



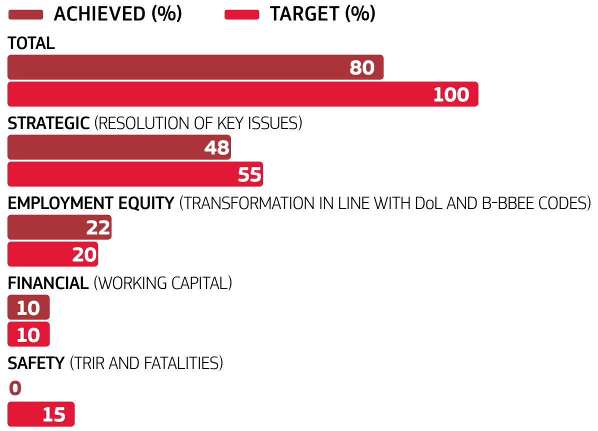
CHIEF FINANCIAL OFFICER KM KATHAN



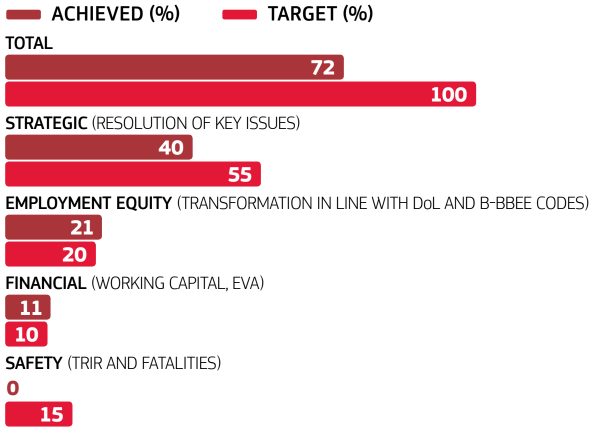
AEL MANAGING DIRECTOR EE LUDICK



EXECUTIVE DJ MULQUEENY



EXECUTIVE DK MURRAY



3.4 LTIs AWARDED DURING 2018

The LTI awards made during 2018, in terms of the LTIP, were:

	NO. OF PS	MARKET VALUE BASED ON AWARD PRICE (20-DAY VWAP) OF R112,76	% OF TOTAL GP
MA DYTOR	62 474	7 045	120
KM KATHAN	46 200	5 210	102
EE LUDICK	31 004	3 496	84
MVK MATSHITSE	17 881	2 016	56
DJ MULQUEENY	22 984	2 592	70
DK MURRAY	22 685	2 558	70

3.4.1 VESTING PERIOD AND PERFORMANCE CONDITIONS

As noted in Part 2, the performance conditions for the awards in the table above have a base in the reported RONA and HEPS for the Group for 2018. The 2018 LTI award was based on a five-day VWAP in April 2018 and will vest in three years, in April 2021.

3.5 LTI VESTING AND VESTING OUTCOMES IN 2018

3.5.1 VESTING OF THE 2015 LTI AWARD

The PS allocation from 2015 vested on 30 June 2018. In the performance period, AECI achieved seventh position in relation to its comparator peer group of 16 companies (including AECI and two delisted entities), using TSR as a measure. In terms of the performance condition curve for the 2015 award, seventh position resulted in a multiple of 140%, which was applied to the PS award. Participants in the scheme received their allocations of AECI ordinary shares at the end of July, after the Group's results for the half-year ended 30 June 2018 had been released. The TSR measurement was calculated and verified by an independent third-party provider.

The vesting of the 2016 PS award will follow the same methodology in relation to assessing performance against a peer group of 16 companies (including AECI). However, this peer group now excludes the delisted companies indicated above. In the event of a company in the peer group delisting, that company will be replaced with a pre-selected company from a reserve list.

The table below indicates the final value of the PS awarded in 2015, which vested in 2018.

3.5.1.1 PERFORMANCE SHARES

	NO. OF PS AWARDED	NO. OF ORDINARY SHARES RECEIVED ON VESTING DATE	VALUE AT VESTING (BEFORE TAX) (R THOUSANDS)
MA DYTOR	27 783	38 896	4 113
KM KATHAN	20 453	28 634	3 028
EE LUDICK	10 785	15 099	1 597
MVK MATSHITSE	9 680	13 552	1 433
DK MURRAY	7 380	10 332	1 093

* DJ Mulqueeny did not receive an award in 2015 because his employment start date occurred after the award period.

3.5.1.2 EGUs

The 2015 EGU allocation vested on 30 June 2018 and the first third of the award is now exercisable. The value of the award is determined by the growth in HEPS between the issue date and the vesting date. The HEPS value is linked to the audited results of the AECI Group and is aligned with the Group's overall performance for the year.

3.6 ACTUAL REMUNERATION OUTCOMES (SINGLE FIGURE)

Details of the basic salary and GP (basic salary plus benefits) paid to the Executive Directors and the Prescribed Officers are set out on page 85, with the face value of the vested incentive schemes included.

ACTUAL REMUNERATION (SINGLE FIGURE)

R thousands	**2018**	2017	Change %
CE — MA DYTOR			
Basic salary	**4 943**	4 388	12,64
Benefits	**1 119**	1 008	
STI	**4 995**	5 198	(3,92)
LTI			
PS	**4 113**	3 505	
EGU	**1 497**	860	
DS	**871**		
Other	**184**	224	
TOTAL	**17 722**	15 183	16,72
CFO — KM KATHAN			
Basic salary	**4 152**	3 917	5,99
Benefits	**972**	897	
STI	**4 150**	4 577	(9,33)
LTI			
PS	**3 028**	2 679	
EGU	**1 496**	858	
DS	**777**		
Other		7	
TOTAL	**14 575**	12 935	12,67
AEL MANAGING DIRECTOR — EE LUDICK			
Basic salary	**3 375**	3 183	6,02
Benefits	**804**	753	
STI	**3 357**	3 749	(10,47)
LTI			
PS	**1 597**	1 187	
EGU	**726**	351	
DS	**525**		
Other			
TOTAL	**10 384**	9 223	12,59
GROUP EXECUTIVE: HUMAN CAPITAL — MVK MATSHITSE			
Basic salary	**2 883**	2 733	5,49
Benefits	**719**	674	
STI	**850**	3 167	(73,16)
LTI			
PS	**1 433**	1 199	
EGU	**693**	357	
DS	**542**		
Other		6	
TOTAL	**7 120**	8 136	(12,48)

ACTUAL REMUNERATION (SINGLE FIGURE) CONTINUED

R thousands	**2018**	2017	Change %
EXECUTIVE — DJ MULQUEENY			
Basic salary	**2 913**	2 601	12,00
Benefits	**823**	653	
STI	**2 902**	3 046	(4,73)
LTI			
PS			
EGU			
DS	**516**		
Other			
TOTAL	**7 154**	6 300	13,56
EXECUTIVE — DK MURRAY			
Basic salary	**2 853**	2 594	10,00
Benefits	**829**	677	
STI	**2 809**	2 990	(6,03)
LTI			
PS	**1 093**	822	
EGU	**684**	363	
DS	**512**		
Other			
TOTAL	**8 780**	7 446	17,93

1 PS awarded in July 2015 and the applicable performance period ended on 30 June 2018. The value stated is the pre-tax value as at 30 June 2018.
2 EGUs awarded in 2013, 2014, 2015 vested in the performance period, which ended on 30 June 2018. Value was determined by the difference between the HEPS at the grant date and the HEPS determined for LTI purposes in 2018.
3 Other is inclusive of encashed leave, club fees and expenses claimed.
4 DS — 2015 award which vested in 2018.

3.7 TABLE OF UNVESTED AWARDS

Disclosure of the number of awards, and their estimated values, which were outstanding as at 31 December 2018 are indicated on pages 88 to 99. Awards made during 2018 and their estimated values have been included. The column "Vested in year" indicates the portion of the award which vested and the actual value at the vesting date. Vested awards may still be exercised by recipients at a future date and will be disclosed in the notes to the annual financial statements for the year in which they are exercised.

3.8 INCREASE IN NON-EXECUTIVE DIRECTORS' FEES

At the AGM of shareholders scheduled for 29 May 2019 shareholders will be asked to pass special resolutions, to take effect from 29 May 2019, approving the proposed changes in Non-executive Directors' fees by an average of 6,0% (in line with CPI and the increases awarded to the Executive Directors) as set out in the Notice of AGM which is available as indicated on page 3.

Directors' and Prescribed Officers' holdings in the Company's securities are disclosed in note 30 to the financial statements.

Details of fees paid to the Non-executive Directors in 2018 are also disclosed in note 30.

3.9 UPDATE ON MINIMUM SHAREHOLDING REQUIREMENTS

In 2017, the Minimum Shareholding Requirement Policy was adopted and the Executives were given five years from the vesting of the 2018 awards to reach the required minimum shareholding levels. The Committee reviewed the progress made during 2018 and the projected achievement over the next four years. Progress will be reviewed on an annual basis, factoring in performance of the current and future LTI awards.

3.10 NON-BINDING ADVISORY VOTE

In terms of the JSE Listings Requirements and the recommendations of King IV, the following will be put to a non-binding vote at the AGM of shareholders of the Company scheduled to take place on 29 May 2019:

› the Remuneration Policy as outlined in Part 2 of this report; and
› the application of the Remuneration Policy as outlined in Part 3.

In the event that either the Policy or the implementation vote receive 25% or more votes against, the Committee commits to engagements as set out in 2.11 on page 81.

GLOSSARY OF TERMS

TERM	DESCRIPTION
CPI	Consumer price index.
DS	Deferred shares scheme which was replaced with the revised Performance Share scheme in 2017.
EBIS	Earnings-based incentive. Former LTI scheme instrument; no issues granted since 2012.
EGU	Earnings-growth units. Cash-settled scheme which tracks growth in HEPS.
EVP	Employee value proposition.
EVA	Economic value added.
GDP	Gross domestic product.
GP	Guaranteed package. Basic salary, fixed cash allowances and Company contributions to benefit schemes.
HEPS	Headline earnings per share.
LTI	Long-term incentive. Company scheme referred to as the AECI LTIP or the LTIP.
MEDIAN/50TH PERCENTILE	The value at the midpoint of a frequency distribution where there is an equal probability of falling above or below.
ON-TARGET	Targeted earnings at the median or the 50th percentile.
PS	Performance Share awards. AECI ordinary share award which tracks Company performance; equity-settled.
RONA	Return on net assets.
STI	Short-term incentive.
TGP	Total guaranteed package.
TOTAL REMUNERATION PACKAGE	Basic salary, fixed cash allowances, Company contributions to benefit schemes, variable pay (STI, LTI).
TP	Trading profit.
TSR	Total shareholder return.
VWAP	Volume weighted average price.

TABLE OF UNVESTED AWARDS

MA DYTOR

EGUs

R thousands

Grant date	Total award (no.)	Award per year (no.)[1]	Vesting date	Lapsing date	NUMBER OF OUTSTANDING AWARDS Opening balance	Vested in the year	Closing balance
2012	157 857	52 619	2015	2019	—		
		52 619	2016	2019	—		
		52 619	2017	2019	—	—	—
2013	393 974	131 325	2016	2020			
		131 325	2017	2020			—
		131 324	2018	2020	131 324	(131 324)	—
2014	210 594	70 198	2017	2021			
		70 198	2018	2021	70 198	(70 198)	—
		70 198	2019	2021	70 198		70 198
2015	392 862	130 954	2018	2022	130 954	(130 954)	—
		130 954	2019	2022	130 954		130 954
		130 954	2020	2022	130 954		130 954
2016	258 598	86 199	2019	2023	86 199		86 199
		86 199	2020	2023	86 199		86 199
		86 198	2021	2023	86 198		86 198
					923 178	**(332 476)**	**590 702**

1 EGUs vest over a three-year period.

2 The estimated value of the EGUs is based on HEPS for the second half of 2018.

PS

R thousands

Grant date	Award (no.)	Exercise date	Lapsing date	NUMBER OF OUTSTANDING AWARDS Opening balance	Forfeited/ gained in the year[1]	Vested in the year	Closing balance
2015	27 783	2018	2018	27 783	11 113	38 896	—
2016	28 049	2019	2019	28 049		—	28 049
2017	43 766	2020	2020	43 766		—	43 766
2018	62 474	2021	2021	62 474		—	62 474
				162 072	**11 113**	**38 896**	**134 289**

1 Number of awards as determined by final TSR position in the vesting year.

2 Value determined by 20-day VWAP share price at the award date.

3 PS awards estimated values as determined by the five-day VWAP at 31 December 2018.

4 The effect of performance has been determined through an estimated TSR position for each award as at 31 December 2018.

5 Value of vested award as a pre-tax VWAP share price on date of vesting.

DS

R thousands

Grant date	Award (no.)	Exercise date	Lapsing date	NUMBER OF OUTSTANDING AWARDS Opening balance	Effect of performance	Vested in the year	Closing balance
2015	8 292	2018	2018	8 292		8 292	—
2016	11 870	2019	2019	11 870			11 870
				20 162	**—**	**8 292**	**11 870**

1 Value determined by 20-day VWAP share price at the award date.

2 The estimated value of the DS awards was determined by the 20-day VWAP share price at 31 December.

	VALUE OF OUTSTANDING AWARDS				CASH SETTLEMENT			
	Value of award	Effect of performance	Vested in the year	Value of outstanding award at year-end	Value of award at vesting date[2]	Effect of performance	Settlement value	Value of unexercised award at year-end
								—
	—			—	140	286	426	
					655	—	655	
					235	—	235	
	—	235		235				
					606	—	606	
	—	606		606				
	—	606		606				
	—	322		322				
	—	322		322				
	—	322		322				
	—	**2 413**	**—**	**2 413**	**1 636**	**286**	**1 922**	**—**

	VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
	Value at award date[2]	Effect of share price[3]	Effect of performance[4]	Vested in the year[5]	Value at year-end	Settlement value
	3 256	(318)	1 175	4 113	—	4 113
	2 434	(91)	—	—	2 343	
	4 619	(962)	(731)		2 925	
	7 045	(1 825)	1 566	—	6 785	
	17 353	**(3 196)**	**2 010**	**4 113**	**12 053**	**4 113**

	VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
	Value at award date[1]	Effect of share price[2]	Effect of performance	Vested in the year	Value at year-end	Settlement value
	972	(101)		871	—	871
	1 030	(38)			992	
	2 002	**(139)**	**—**	**871**	**992**	**871**

TABLE OF UNVESTED AWARDS CONTINUED

KM KATHAN

EGUs

R thousands					NUMBER OF OUTSTANDING AWARDS		
Grant date	Total award (no.)	Award per year (no.)[1]	Vesting date	Lapsing date	Opening balance	Vested in the year	Closing balance
2012	182 233	60 744	2015	2021			
		60 744	2016	2021			
		60 745	2017	2021			
2013	443 119	147 706	2016	2022			
		147 706	2017	2022			
		147 707	2018	2022	147 707	(147 707)	—
2014	195 120	65 040	2017	2023			
		65 040	2018	2023	65 040	(65 040)	—
		65 040	2019	2023	65 040	—	65 040
2015	350 549	116 850	2018	2024	116 850	(116 850)	—
		116 850	2019	2024	116 850		116 850
		116 849	2020	2024	116 849		116 849
2016	230 761	76 920	2019	2025	76 920	—	76 920
		76 920	2020	2025	76 920		76 920
		76 921	2021	2025	76 921		76 921
					859 097	**(329 597)**	**529 500**

1 EGUs vest over a three-year period.
2 The estimated value of the EGUs is based on HEPS for the second half of 2018.

PS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Forfeited/ gained in the year[1]	Vested in the year	Closing balance
2015	20 453	2018	2018	20 453	8 181	28 634	—
2016	20 650	2019	2019	20 650			20 650
2017	35 215	2020	2020	35 215			35 215
2018	46 200	2021	2021	46 200			46 200
				122 518	**8 181**	**28 634**	**102 065**

1 Number of awards as determined by final TSR position in the vesting year.
2 Value determined by 20-day VWAP share price at the award date.
3 PS awards estimated values as determined by the five-day VWAP at 31 December 2018.
4 The effect of performance has been determined through an estimated TSR position for each award as at 31 December 2018.
5 Value of vested award as a pre-tax VWAP share price on date of vesting.

DS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Effect of performance	Vested in the year	Closing balance
2015	7 401	2018	2018	7 401		7 401	—
2016	10 594	2019	2019	10 594			10 594
				17 995	**—**	**7 401**	**10 594**

1 Value determined by 20-day VWAP share price at the award date.
2 The estimated value of the DS awards was determined by the 20-day VWAP share price at 31 December.

	VALUE OF OUTSTANDING AWARDS				CASH SETTLEMENT			
	Value of award	Effect of performance	Vested in the year	Value of outstanding award at year-end	Value of award at vesting date [2]	Effect of performance	Settlement value	Value of unexercised award at year-end
					192	52	246	
					737	—	737	
					218		218	
	—	218		218				
					541		541	
	—	541		541				
	—	541		541				
	—	287	—	287				
	—	287	—	287				
	—	287	—	287				
	—	**2 161**	**—**	**2 161**	**1 688**	**52**	**1 742**	**—**

	VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
	Value at award date [2]	Effect of share price [3]	Effect of performance [4]	Vested in the year [5]	Value at year-end	Settlement value
	2 397	(234)	865	3 028	—	3 028
	1 792	(67)	—		1 725	
	3 716	(774)	(588)		2 353	
	5 210	(1 350)	1 158		5 017	
	13 115	**(2 425)**	**(1 435)**	**3 028**	**9 095**	**3 028**

	VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
	Value at award date [1]	Effect of share price [2]	Effect of performance	Vested in the year	Value at year-end	Settlement value
	867	(90)	—	777	—	777
	919	(34)			885	
	1 786	**(124)**	**—**	**777**	**885**	**777**

TABLE OF UNVESTED AWARDS CONTINUED

EE LUDICK

EGUs

R thousands					NUMBER OF OUTSTANDING AWARDS		
Grant date	Total award (no.)	Award per year (no.)[1]	Vesting date	Lapsing date	Opening balance	Vested in the year	Closing balance
2012	107 340	35 780	2015	2021			
		35 780	2016	2021			
		35 780	2017	2021			
2013	133 266	44 422	2016	2022			
		44 422	2017	2022			
		44 422	2018	2022	44 422	(44 422)	—
2014	114 166	38 055	2017	2023			
		38 055	2018	2023	38 055	(38 055)	—
		38 056	2019	2023	38 056		38 056
2015	243 999	81 333	2018	2024	81 333	(81 333)	—
		81 333	2019	2024	81 333		81 333
		81 333	2020	2024	81 333		81 333
2016	156 588	52 196	2019	2025	52 196		52 196
		52 196	2020	2025	52 196		52 196
		52 196	2021	2025	52 196		52 196
					521 120	**(163 810)**	**357 310**

1 EGUs vest over a three-year period.
2 The estimated value of the EGUs is based on HEPS for the second half of 2018.

PS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Forfeited/ gained in the year[1]	Vested in the year	Closing balance
2015	10 785	2018	2018	10 785	4 314	15 099	—
2016	10 615	2019	2019	10 615			10 615
2017	25 096	2020	2020	25 096			25 096
2018	31 004	2021	2021	31 004			31 004
				77 500	**4 314**	**15 099**	**66 715**

1 Number of awards as determined by final TSR position in the vesting year.
2 Value determined by 20-day VWAP share price at the award date.
3 PS awards estimated values as determined by the five-day VWAP at 31 December 2018.
4 The effect of performance has been determined through an estimated TSR position for each award as at 31 December 2018.
5 Value of vested award as at 20-day pre-tax VWAP share price on date of vesting.

DS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Effect of performance	Vested in the year	Closing balance
2015	4 995	2018	2018	4 995		4 995	—
2016	8 611	2019	2019	8 611			8 611
				13 606	**—**	**4 995**	**8 611**

1 Value determined by 20-day VWAP share price at the award date.
2 The estimated value of the DS awards was determined by the 20-day VWAP share price at 31 December.

	VALUE OF OUTSTANDING AWARDS				CASH SETTLEMENT			
	Value of award	Effect of performance	Vested in the year	Value of outstanding award at year-end	Value of award at vesting date[2]	Effect of performance	Settlement value	Value of unexercised award at year-end
					114	30	145	—
					184	38	222	—
					222		222	
					95	32	127	—
					127		127	
	—	127		127				
					377		377	
	—	377		377				
	—	377		377				
	—	195		—				
	—	195		195				
	—	195		195				
	—	**1 466**	**—**	**1 271**	**1 119**	**100**	**1 220**	**—**

	VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
	Value at award date[2]	Effect of share price[3]	Effect of performance[4]	Vested in the year[5]	Value at year-end	Settlement value
	1 264	(123)	456	1 597	—	1 597
	921	(34)	—		887	
	2 648	(552)	(419)		1 677	
	3 496	(906)	777		3 367	
	8 329	**(1 615)**	**814**	**1 597**	**5 931**	**1 597**

	VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
	Value at award date[1]	Effect of share price[2]	Effect of performance	Vested in the year	Value at year-end	Settlement value
	585	(61)	—	524	—	524
	747	(28)			719	
	1 332	**(89)**	**—**	**524**	**719**	**524**

TABLE OF UNVESTED AWARDS CONTINUED

MVK MATSHITSE

EGUs

R thousands					NUMBER OF OUTSTANDING AWARDS		
Grant date	Total award (no.)	Award per year (no.)[1]	Vesting date	Lapsing date	Opening balance	Vested in the year	Closing balance
2012	109 668	36 556	2015	2021			
		36 556	2016	2021			
		36 556	2017	2021			
2013	136 069	45 356	2016	2022			
		45 356	2017	2022			
		45 357	2018	2022	45 357	(45 357)	—
2014	115 308	38 436	2017	2023			
		38 436	2018	2023	38 436	(38 436)	—
		38 436	2019	2023	38 436		38 436
2015	219 003	73 001	2018	2024	73 001	(73 001)	—
		73 001	2019	2024	73 001		73 001
		73 001	2020	2024	73 001		73 001
2016	136 124	45 375	2019	2025	45 375	—	45 375
		45 375	2020	2025	45 375		45 375
		45 374	2021	2025	45 374		45 374
					477 356	**(156 794)**	**320 562**

1 EGUs vest over a three-year period.
2 The estimated value of the EGUs is based on HEPS for the second half of 2018.
3 These values have subsequently been exercised as part of the early retirement package.

PS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Forfeited/ gained in the year[1]	Vested in the year	Closing balance
2015	9 680	2018	2018	9 680	3 872	13 552	—
2016	9 228	2019	2019	9 228			9 228
2017	14 476	2020	2020	14 476			14 476
2018	17 881	2021	2021	17 881			17 881
				51 265	**3 872**	**13 552**	**41 585**

1 Number of awards as determined by final TSR position in the vesting year.
2 Value determined by 20-day VWAP share price at the award date.
3 PS awards estimated values as determined by the five-day VWAP at 31 December 2018.
4 The effect of performance has been determined through an estimated TSR position for each award as at 31 December 2018.
5 Value of vested award as a pre-tax VWAP share price on date of vesting.

DS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Effect of performance	Vested in the year	Closing balance
2015	5 164	2018	2018	5 164		5 164	
2016	7 392	2019	2019	7 392			7 392
				12 556	**—**	**5 164**	**7 392**

1 Value determined by 20-day VWAP share price at the award date.
2 The estimated value of the DS awards was determined by the 20-day VWAP share price at 31 December.

	VALUE OF OUTSTANDING AWARDS				CASH SETTLEMENT			
	Value of award	Effect of performance	Vested in the year	Value of outstanding award at year-end	Value of award at vesting date[2]	Effect of performance	Settlement value	Value of unexercised award at year-end
					83	41	124	
					117	7	124	
					146	51	197	
					188	9	197	—
					226			226
					96	8	104	—
					129			129
	—	129		129				
	—				338			338
	—	338		338				
	—	338		338				
	—	169	—	—				
	—	169		169				
	—	169		169				
	—	**1 312**	**—**	**1 143**	**1 323**	**116**	**746**	**693**

	VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
	Value at award date[2]	Effect of share price[3]	Effect of performance[4]	Vested in the year[5]	Value at year-end	Settlement value
	1 134	(111)	409	1 433	—	1 433
	801	(30)	0		771	
	1 528	(318)	(242)		967	
	2 016	(522)	448		1 942	
	5 479	**(981)**	**615**	**1 433**	**3 680**	**1 433**

	VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
	Value at award date[1]	Effect of share price[2]	Effect of performance	Vested in the year	Value at year-end	Settlement value
	605	(63)		542		542
	641	(24)			618	
	1 247	**(87)**	**—**	**542**	**618**	**542**

TABLE OF UNVESTED AWARDS CONTINUED

DEAN MULQUEENY

EGUs

R thousands					NUMBER OF OUTSTANDING AWARDS		
Grant date	Total award (no.)	Award per year (no.)[1]	Vesting date	Lapsing date	Opening balance	Vested in the year	Closing balance
2016	125 539	41 846	2019	2025	41 846	—	41 846
		41 846	2020	2025	41 846		41 846
		41 847	2021	2025	41 847		41 847
					125 539	**—**	**125 539**

1 EGUs vest over a three-year period.
2 The estimated value of the EGUs is based on HEPS for the second half of 2018.

PS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Forfeited/ gained in the year[1]	Vested in the year	Closing balance
2016	6 127	2019	2019	6 127			6 127
2017	14 966	2020	2020	14 966			14 966
2018	22 984	2021	2021	22 984			22 984
				44 077	**—**	**—**	**44 077**

1 Number of awards as determined by final TSR position in the vesting year.
2 Value determined by 20-day VWAP share price at the award date.
3 PS awards estimated values as determined by the five-day VWAP at 31 December 2018.
4 The effect of performance has been determined through an estimated TSR position for each award as at 31 December 2018.
5 Value of vested award as a pre-tax VWAP share price on date of vesting.

DS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Effect of performance	Vested in the year	Closing balance
2015	4 915	2018	2018	4 915		4 915	—
2016	7 036	2019	2019	7 036			7 036
				11 951	**—**	**4 915**	**7 036**

1 Value determined by 20-day VWAP share price at the award date.
2 The estimated value of the DS awards was determined by the 20-day VWAP share price at 31 December.

VALUE OF OUTSTANDING AWARDS				CASH SETTLEMENT			
Value of award	Effect of performance	Vested in the year	Value of outstanding award at year-end	Value of award at vesting date[2]	Effect of performance	Settlement value	Value of unexercised award at year-end
—	156	—	156				
—	156		156				
—	156		156				
—	**468**	**—**	**468**	**—**	**—**	**—**	**—**

VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
Value at award date[2]	Effect of share price[3]	Effect of performance[4]	Vested in the year[5]	Value at year-end	Settlement value
532	(20)	—		512	—
1 579	(329)	(250)		1 000	
2 592	(672)	576		2 496	
4 703	**(1 021)**	**326**	**—**	**4 008**	**—**

VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
Value at award date[1]	Effect of share price[2]	Effect of performance	Vested in the year	Value at year-end	Settlement value
576	(60)		516	—	516
611	(23)			588	
1 187	**(83)**	**—**	**516**	**588**	**516**

TABLE OF UNVESTED AWARDS CONTINUED

DEAN MURRAY

EGUs

R thousands					NUMBER OF OUTSTANDING AWARDS		
Grant date	Total award (no.)	Award per year (no.)[1]	Vesting date	Lapsing date	Opening balance	Vested in the year	Closing balance
2012	115 118	38 373	2015	2021			
		38 373	2016	2021			
		38 372	2017	2021			
2013	122 335	40 778	2016	2022			
		40 778	2017	2022			
		40 779	2018	2022	40 779	(40 779)	—
2014	109 824	36 608	2017	2023			
		36 608	2018	2023	36 608	(36 609)	—
		36 608	2019	2023	36 608		36 608
2015	231 882	77 294	2018	2024	77 294	(77 294)	—
		77 294	2019	2024	77 294		77 294
		77 294	2020	2024	77 294		77 294
2016	127 794	42 598	2019	2025	42 598		42 598
		42 598	2020	2025	42 598		42 598
		42 598	2021	2025	42 598		42 598
					473 671	**(154 681)**	**318 990**

1 EGUs vest over a three-year period.

2 The estimated value of the EGUs is based on HEPS for the second half of 2018.

PS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Forfeited/ gained in the year[1]	Vested in the year	Closing balance
2015	7 380	2018	2018	7 380	2 952	10 332	—
2016	6 237	2019	2019	6 237			6 237
2017	14 990	2020	2020	14 990			14 990
2018	22 685	2021	2021	22 685			22 685
				51 292	**2 952**	**10 332**	**43 912**

1 Number of awards as determined by final TSR position in the vesting year.

2 Value determined by 20-day VWAP share price at the award date.

3 PS awards estimated values as determined by the five-day VWAP at 31 December 2018.

4 The effect of performance has been determined through an estimated TSR position for each award as at 31 December 2018.

5 Value of vested award as a pre-tax VWAP share price on date of vesting.

DS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Effect of performance	Vested in the year	Closing balance
2015	4 879	2018	2018	4 879		4 879	
2016	7 017	2019	2019	7 017			7 017
				11 896	**—**	**4 879**	**7 017**

1 Value determined by 20-day VWAP share price at the award date.

2 The estimated value of the DS awards was determined by the 20-day VWAP share price at 31 December.

	VALUE OF OUTSTANDING AWARDS				CASH SETTLEMENT			
	Value of award	Effect of performance	Vested in the year	Value of outstanding award at year-end	Value of award at vesting date [2]	Effect of performance	Settlement value	Value of unexercised award at year-end
	—	—	—	—				
	—	—	—	—				
					203	—	203	
					123	—	123	
	—	123		123				
	—				358	—	358	
	—	358		358				
	—	358		358				
	—	159		159				
	—	159		159				
	—	159		159				
	—	**1 316**		**1 316**	**684**		**684**	

	VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
	Value at award date [2]	Effect of share price [3]	Effect of performance [4]	Vested in the year [5]	Value at year-end	Settlement value
	865	(85)	312	1 093		1 093
	541	(20)	—	—	521	
	1 582	(330)	(250)		1 002	
	2 558	(663)	569		2 496	
	5 546	**(1 098)**	**631**	**1 093**	**3 987**	**1 093**

	VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
	Value at award date [1]	Effect of share price [2]	Effect of performance	Vested in the year	Value at year-end	Settlement value
	572	(59)		512		512
	609	(23)			586	
	1 181	**(82)**		**512**	**586**	**512**

SHAREHOLDER ANALYSIS

1. ANALYSIS OF REGISTERED ORDINARY SHAREHOLDERS AND COMPANY SCHEMES

Source: J.P. Morgan Cazenove

REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms that on 28 December 2018 the spread of registered ordinary shareholders, as detailed in the integrated report and accounts, was:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	3 467	68,54	1 084 256	0,89
1 001 – 10 000 shares	1 097	21,69	3 402 098	2,79
10 001 – 100 000 shares	341	6,74	12 160 458	9,98
100 001 – 1 000 000 shares	133	2,63	48 202 064	39,57
1 000 001 shares and above	20	0,40	56 980 207	46,77
TOTAL	**5 057**	**100**	**121 829 083**	**100**

PUBLIC AND NON-PUBLIC SHAREHOLDINGS

Within the shareholder base, we are able to confirm the split between public shareholdings and Directors/Company-related schemes as being:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Public shareholders	5 053	99,92	109 778 345	90,11
Non-public shareholders	4	0,08	12 050 738	9,89
— Treasury shares	1	0,02	11 884 699	9,76
— Directors/related holdings	3	0,06	166 309	0,14
TOTAL	**5 057**	**100**	**121 829 083**	**100**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS

SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS ABOVE 3%

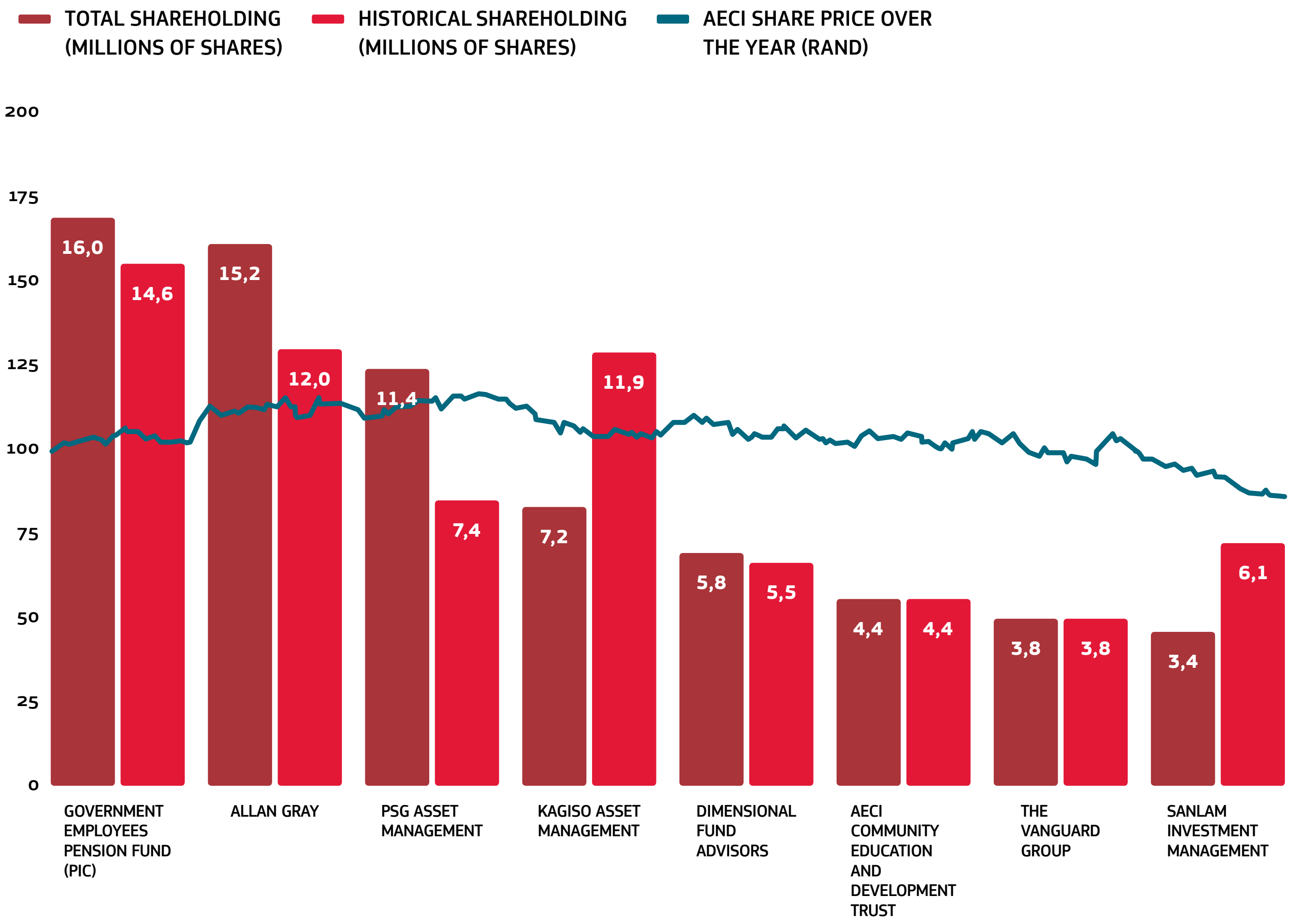
Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 28 December 2018:

INVESTMENT MANAGEMENT SHAREHOLDINGS

Investment manager	Total shareholding (number of shares)	% of issued capital
PIC	16 028 078	14,58
Allan Gray	15 196 743	13,82
PSG Asset Management	11 417 376	10,38
Kagiso Asset Management	7 159 425	6,51
Dimensional Fund Advisors	5 832 506	5,30
AECI Community Education and Development Trust	4 426 604	4,03
The Vanguard Group	3 776 118	3,43
Sanlam Investment Management	3 439 660	3,13
TOTAL	**67 276 510**	**61,18**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS CONTINUED

INVESTMENT MANAGEMENT SHAREHOLDING POSITIONS ABOVE 3% WITH 12-MONTH CHANGE

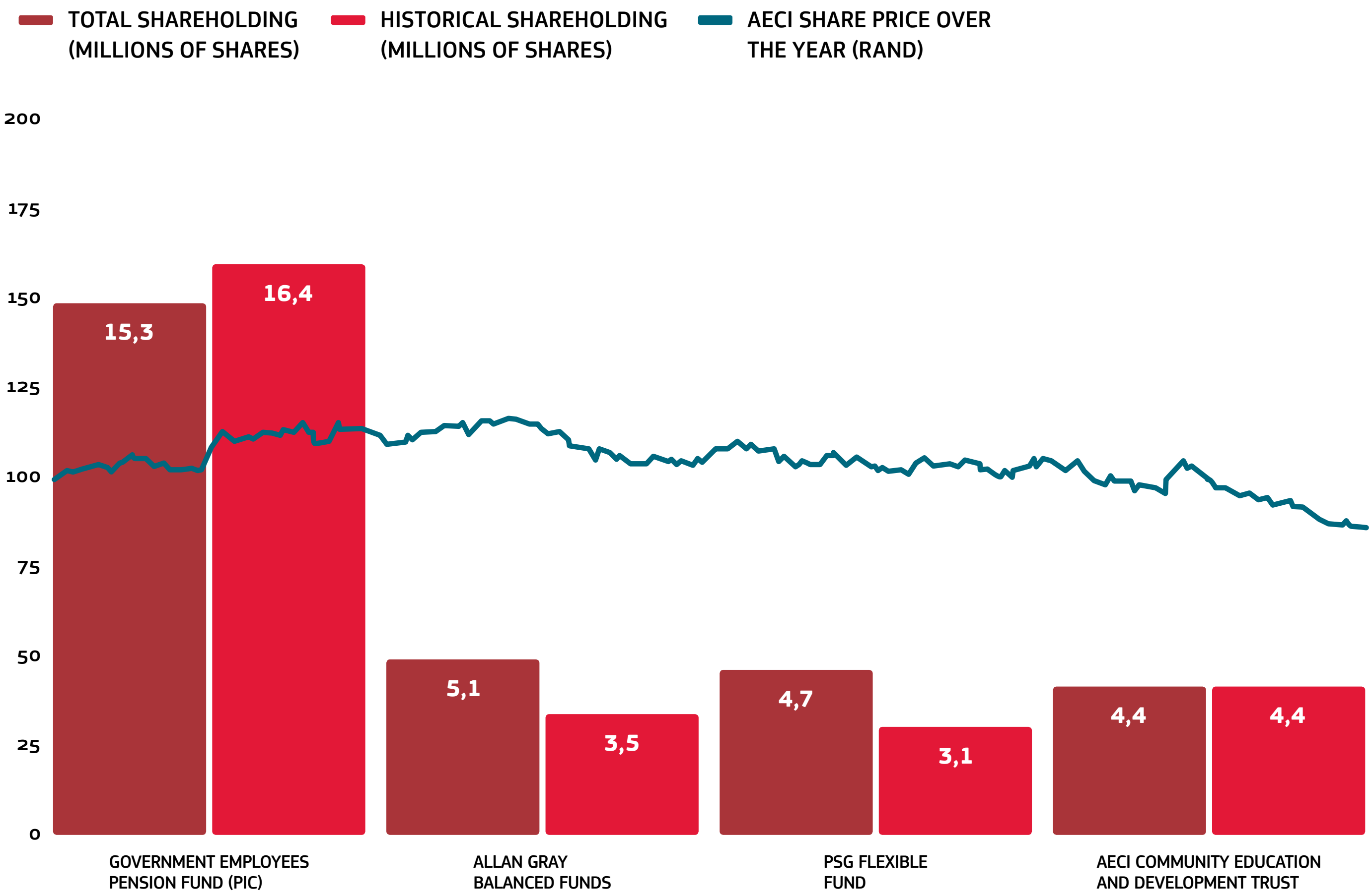


BENEFICIAL SHAREHOLDINGS

Beneficial shareholdings	Total shareholding (number of shares)	% of issued capital
Government Employees Pension Fund (PIC)	15 264 349	13,44
PSG Flexible Fund	4 680 812	4,26
AECI Community Education and Development Trust	4 426 604	3,63
Allan Gray Balanced Funds	5 086 018	2,85
TOTAL	**29 457 783**	**24,18**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS CONTINUED

BENEFICIAL SHAREHOLDING POSITIONS ABOVE 3% WITH 12-MONTH CHANGE



PREVIOUSLY DISCLOSED HOLDINGS

INVESTMENT MANAGERS NOW HOLDING BELOW 3%

Investment manager	Total shareholding (number of shares)	% of issued capital	Previous %
Coronation Asset Management	1 161 116	1,06	4,89
Old Mutual	1 884 219	1,71	4,06
TOTAL	**3 045 335**	**2,77**	**8,95**

3. GEOGRAPHIC SPLIT OF SHAREHOLDERS

GEOGRAPHIC SPLIT OF INVESTMENT MANAGERS AND COMPANY-RELATED HOLDINGS

Region	Total shareholding (number of shares)	% of issued capital
South Africa	80 882 215	66,39
United States of America and Canada	18 562 080	15,24
United Kingdom	4 724 469	3,88
Rest of Europe	1 753 833	1,44
Rest of the world[1]	15 906 486	13,06
TOTAL	**121 829 083**	**100,00**

GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total shareholding (number of shares)	% of issued capital
South Africa	81 640 493	67,01
United States of America and Canada	18 265 880	14,99
United Kingdom	2 652 867	2,18
Rest of Europe	3 773 434	3,10
Rest of the world[1]	15 496 409	12,72
TOTAL	**121 829 083**	**100,00**

1 Represents all shareholdings except those in the above regions.

4. SHAREHOLDER CATEGORIES

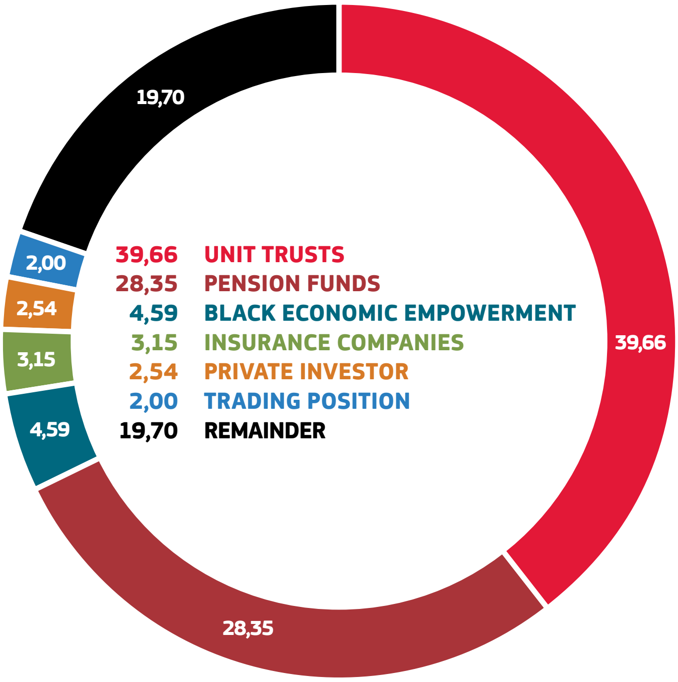
An analysis of beneficial shareholdings, supported by the section 56 enquiry process, confirmed the following beneficial shareholder types:

BENEFICIAL SHAREHOLDER CATEGORIES

Category	Total shareholding (number of shares)	% of issued capital
Unit trusts	48 319 359	39,66
Pension funds	34 539 741	28,35
Black Economic Empowerment	5 596 271	4,59
Insurance companies	3 835 786	3,15
Private investor	3 091 623	2,54
Trading position	2 442 125	2,00
Exchange-traded fund	1 184 226	0,97
Hedge fund	992 715	0,81
Custodians	898 117	0,74
Sovereign wealth	519 345	0,43
University	318 097	0,26
Medical aid scheme	300 856	0,25
Charity	247 000	0,20
Local authority	214 952	0,18
Remainder	19 328 870	15,87
TOTAL	**121 829 083**	**100,00**

4. SHAREHOLDER CATEGORIES CONTINUED

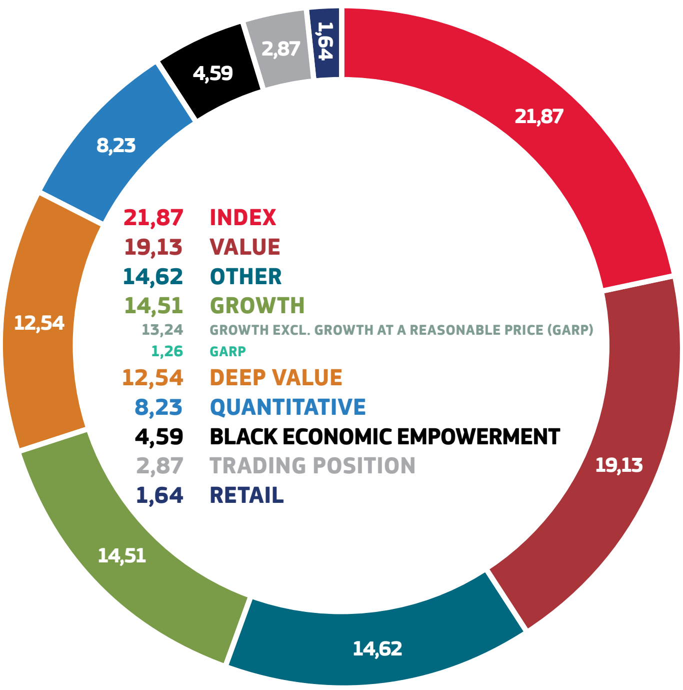
BENEFICIAL SHAREHOLDERS SPLIT BY CATEGORY (%)[1]



1 Includes categories above 2% only.

5. ANALYSIS OF INVESTMENT STYLES (%)[1]

Analysis into institutional attributes broadly indicates the following split of investment approach within the shareholder base:



1 Includes categories above 1% only.

HISTORICAL FINANCIAL INFORMATION

ABRIDGED FINANCIAL STATEMENTS

R millions	2018	2017	2016	2015	2014
INCOME STATEMENTS[1]					
Revenue	**23 314**	18 482	18 596	18 446	16 903
Local	**14 107**	12 246	12 117	12 085	11 486
Foreign	**9 207**	6 236	6 479	6 361	5 417
Profit from operations	**1 999**	1 579	1 335	1 703	1 596
Net financing costs	**365**	167	215	187	150
Tax	**529**	429	336	464	368
Profit attributable to ordinary shareholders	**990**	950	777[4]	1 007	1 096
Headline earnings	**1 103**	1 012	864[4]	988	943
STATEMENTS OF FINANCIAL POSITION					
Total shareholders' interest	**10 205**	9 356	9 046	9 042	7 803
Deferred tax (net)	**165**	(302)	(273)	(95)	(366)
Net interest-bearing debt	**4 177**	424	297	1 179	666
Capital employed	**14 547**	9 478	9 070	10 126	8 103
Represented by:					
Non-current assets excluding deferred tax assets	**11 299**	6 970	7 011	7 852	6 606
Net current assets, excluding cash, less non-current provisions	**3 279**	2 508	2 059	2 274	1 497
Employment of capital	**14 578**	9 478	9 070	10 126	8 103
STATEMENTS OF CASH FLOWS					
Cash generated by operations[2]	**2 339**	1 757	1 555	1 918	1 723
Changes in working capital	**(155)**	(358)	488	(215)	547
Expenditure relating to non-current provisions, employee benefits and restructuring	**(155)**	(178)	(103)	(348)	(153)
Settlement of performance shares	**(46)**	(44)	(22)	(94)	
Net replacement to maintain operations[3]	**(406)**	(368)	(305)	(235)	131
	1 577	809	1 613	1 026	2 248
Dividends paid	**(571)**	(497)	(435)	(838)	(378)
	1 006	312	1 178	188	1 870
Investment to expand operations[3]	**(4 353)**	(385)	(147)	(609)	(835)
Proceeds from disposal of businesses, investments and joint venture	**—**	—	—	—	—
Net cash generated/(utilised)	**(3 347)**	(73)	1 031	(421)	1 035
Depreciation and amortisation charges	**710**	597	626	590	547
COMMITMENTS					
Capital expenditure authorised	**516**	405	233	436	342
Future rentals on property, plant and equipment leased	**932**	367	443	331	358
	1 448	772	676	767	700

1 Includes the results of discontinued operations.

2 Profit from operations plus depreciation and amortisation of property, plant and equipment, investment property and intangible assets and other non-cash flow items and after investment income, net financing costs and taxes paid.

3 Excludes property, plant and equipment of companies acquired.

4 After loss on settlement of defined-benefit pension fund obligations and post-retirement medical aid obligations of R2 million.

RATIOS AND EMPLOYEE DETAILS

	2018	2017	2016	2015	2014
PROFITABILITY AND ASSET MANAGEMENT					
Profit from operations to revenue (%)	**8,6**	8,5	7,2	9,2	9,4
Trading cash flow to revenue (%)	**11,6**	11,8	10,5	12,4	12,7
Return on average net assets (%)[1]	**16,6**	17,3	14,4	18,1	17,8
Return on invested capital (%)[2]	**12,0**	12,5	10,6	13,6	13,6
Return on average ordinary shareholders' interest (%)[3]	**11,4**	11,2	9,7	11,9	13,0
Net working capital to revenue (%)[4]	**16,0**	15,6	12,7	17,2	15,4
Inventory cover (days)	**79**	81	76	80	70
Average credit extended to customers (days)	**64**	64	57	64	61
LIQUIDITY					
Cash interest cover[5]	**8,2**	13,4	11,0	12,4	14,6
Interest-bearing debt less cash to cash generated by operations	**1,4**	0,2	0,1	0,5	0,3
Gearing (%)[6]	**40,9**	4,5	3,3	13,0	8,5
Current assets to current liabilities	**2,0**	1,7	1,9	1,4	1,8
EMPLOYEES					
Number of employees at year-end[7]	**8 038**	6 522	6 630	6 246	6 443
Employee remuneration (R millions)	**4 200**	3 229	3 404	3 352	2 805
Value added per rand of employee remuneration (rand)	**1,64**	1,68	1,60	1,69	1,79

1 Profit from operations plus investment income related to average property, plant, equipment, investment property, intangible assets, goodwill, investments, loans receivable, inventories, accounts receivable and assets classified as held for sale less accounts payable and liabilities classified as held for sale.
2 Profit from operations less tax at the standard rate plus investment income related to average property (excluding land revaluation), plant, equipment, investment property, intangible assets, goodwill, investments, inventories, accounts receivable and assets classified as held for sale less accounts payable, liabilities classified as held for sale and tax payable.
3 Headline earnings related to average ordinary shareholders' interest.
4 Excluding businesses sold and equity-accounted investees and including working capital.
5 Ratio of profit from operations plus return on pension fund employer surplus accounts and return on plan assets from post-retirement medical aid liabilities less closure costs less CEDT share-based payments plus depreciation and dividends received to net finance costs paid.
6 Interest-bearing debt less cash as a percentage of total shareholders' interest.
7 Includes proportional share of joint operations employees.

ORDINARY SHARE STATISTICS

	2018	2017	2016	2015	2014
MARKET PRICE (CENTS PER SHARE)					
High	**12 100**	10 241	11 000	14 110	13 845
Low	**8 239**	10 000	7 401	8 109	10 600
31 December	**8 351**	10 000	10 110	8 866	13 382
Earnings yield (%)	**12,5**	9,6	8,1	10,1	6,3
Dividend yield (%) *	**6,2**	4,8	4,3	4,3	2,5
Dividend cover *	**2,0**	2,0	1,9	2,3	2,5
In issue (millions)	**121,8**	121,8	121,8	122,3	128,2
Value traded (R millions)	**5 849**	6 174	7 031	4 501	4 154
Volume traded (millions)	**55,5**	101,5	75,2	42,0	33,6
Volume traded (%)	**45,6**	83,3	61,7	34,3	26,2
Market capitalisation (R millions)	**10 174**	12 183	12 317	10 841	17 161
ORDINARY SHARE PERFORMANCE (CENTS PER SHARE)					
Headline earnings	**1 045**	959	818	894	842
Dividends declared*	**515**	478	435	385	340
Special dividend declared	**-**	-	-	-	375
Net asset value	**9 135**	8 399	8 107	8 092	6 640

* The interim dividend in the current year and the final dividend declared after the reporting date have been used in the calculation.

INCOME STATEMENT

R millions	Note	% change	**2018 Audited**	2017 Audited
REVENUE	2	+26	**23 314**	18 482
Net operating costs			**(21 315)**	(16 903)
PROFIT FROM OPERATIONS		+27	**1 999**	1 579
Impairment of equity-accounted investee	3		**(78)**	—
Share of profit of equity-accounted investees, net of tax			**—**	—
PROFIT FROM OPERATIONS AND EQUITY-ACCOUNTED INVESTEES			**1 921**	1 579
Net finance costs			**(365)**	(167)
Interest expense			**(403)**	(202)
Interest received			**38**	35
PROFIT BEFORE TAX			**1 556**	1 412
Tax expense			**(529)**	(429)
Profit for the year			**1 027**	983
Profit for the year attributable to:				
— Ordinary shareholders			**990**	950
— Preference shareholders			**3**	3
— Non-controlling interest			**34**	30
			1 027	983
HEADLINE EARNINGS ARE DERIVED FROM:				
Profit attributable to ordinary shareholders			**990**	950
Impairment of goodwill			**31**	3
Impairment of property, plant and equipment			**—**	10
Loss on disposal of equity-accounted investee			**—**	2
Impairment related to equity-accounted investees			**78**	54
Loss/(surplus) on disposal of property, plant and equipment			**6**	(8)
Foreign currency translation differences reclassified on net investments in foreign operations			**—**	18
Tax effects of the above items			**(2)**	(17)
HEADLINE EARNINGS			**1 103**	1 012
PER ORDINARY SHARE (CENTS):				
Headline earnings		+9	**1 045**	959
Diluted headline earnings			**1 012**	915
Basic earnings		+4	**938**	900
Diluted basic earnings			**909**	859
Ordinary dividends declared			**366**	340
Ordinary dividends paid			**489**	438

STATEMENT OF FINANCIAL POSITION

R millions	Note	**2018 At 31 Dec Audited**	2017 At 31 Dec Audited
ASSETS			
NON-CURRENT ASSETS		**11 681**	7 365
Property, plant and equipment		**5 768**	3 965
Investment property		**222**	216
Intangible assets	6, 7	**1 039**	188
Goodwill	6, 7, 8	**3 410**	1 524
Pension fund employer surplus accounts		**341**	487
Investments in joint ventures		**258**	274
Investments in associates	3	**135**	199
Other investments		**126**	117
Deferred tax		**382**	395
CURRENT ASSETS		**10 594**	8 606
Inventories		**4 081**	3 355
Other investments		**4 650**	3 793
Loans to joint ventures		**218**	155
Loans to subsidiaries		**7**	—
Tax receivable		**57**	97
Cash		**1 581**	1 206
TOTAL ASSETS		**22 275**	15 971
EQUITY AND LIABILITIES			
EQUITY		**10 205**	9 356
Ordinary share capital and reserves		**10 043**	9 234
Non-controlling interest		**156**	116
Preference share capital		**6**	6
NON-CURRENT LIABILITIES		**6 646**	1 614
Deferred tax		**547**	93
Non-current borrowings	4	**5 475**	1 100
Contingent consideration		**10**	29
Put option liability	5	**31**	—
Non-current provisions and employee benefits		**583**	392
CURRENT LIABILITIES		**5 424**	5 001
Accounts payable		**5 010**	4 272
Current borrowings		**283**	530
Loans from joint ventures		**—**	130
Tax payable		**131**	69
TOTAL EQUITY AND LIABILITIES		**22 275**	15 971

STATEMENT OF COMPREHENSIVE INCOME

R millions	2018 Audited	2017 Audited
PROFIT FOR THE YEAR	**1 027**	983
OTHER COMPREHENSIVE INCOME NET OF TAX		
Items that may be reclassified subsequently to profit or loss:		
— Foreign currency translation differences	**461**	(212)
— Effective portion of cash flow hedges	**5**	(4)
Items that may not be reclassified subsequently to profit or loss:		
— Remeasurement of defined-benefit and post-retirement medical aid obligations	**(50)**	11
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1 443**	778
Total comprehensive income attributable to:		
Ordinary shareholders	**1 389**	752
Preference shareholders	**3**	3
Non-controlling interest	**51**	23
	1 443	778

STATEMENT OF CHANGES IN EQUITY

R millions	Note	2018 At 31 Dec Audited	2017 At 31 Dec Audited
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1 443**	778
Dividends paid		**(571)**	(497)
Change in ownership percentage		**(19)**	—
Share-based payment reserve		**35**	29
Put option liability for future buy-out of non-controlling interests	5	**(29)**	—
Non-controlling interest acquired	7	**32**	—
Adjusted equity at the beginning of the year		**9 314**	9 046
Equity at the beginning of the year		**9 356**	9 046
Adjustment on adoption of IFRS 9, net of deferred tax	9	**(42)**	—
EQUITY AT THE END OF THE YEAR		**10 205**	9 356
Made up as follows:			
Ordinary share capital		**110**	110
Reserves		**1 557**	1 102
— Foreign currency translation reserve		**1 327**	883
— Other reserves	5	**(29)**	(5)
— Share-based payment reserve		**259**	224
Retained earnings		**8 376**	8 022
Non-controlling interest		**156**	116
Preference share capital		**6**	6
		10 205	9 356

STATEMENT OF CASH FLOWS

R millions	Note	2018 Audited	2017 Audited
CASH GENERATED BY OPERATIONS		**2 955**	2 350
Dividends received		**18**	55
Interest paid		**(370)**	(202)
Interest received		**38**	35
Tax paid		**(302)**	(481)
Changes in working capital		**(155)**	(358)
Cash outflows relating to defined-benefit and post-retirement medical aid obligations		**(19)**	(101)
Cash outflows relating to non-current provisions and employee benefits		**(136)**	(77)
CASH AVAILABLE FROM OPERATING ACTIVITIES		**2 029**	1 221
Dividends paid		**(571)**	(497)
CASH FLOWS FROM OPERATING ACTIVITIES		**1 458**	724
CASH FLOWS FROM INVESTING ACTIVITIES		**(4 759)**	(698)
Acquisition of subsidiaries, net of cash acquired	6, 7	**(3 884)**	—
Loans with joint ventures		**(137)**	55
Other net investment activities		**(4)**	(97)
Net capital expenditure		**(734)**	(656)
NET CASH (UTILISED)/GENERATED BEFORE FINANCING ACTIVITIES		**(3 301)**	26
CASH FLOWS FROM FINANCING ACTIVITIES		**3 519**	(176)
Cash paid on buy-out of non-controlling interest		**(11)**	—
Settlement of performance shares		**(46)**	(44)
Borrowings raised		**8 857**	250
Borrowings repaid		**(5 281)**	(382)
NET INCREASE/(DECREASE) IN CASH		**218**	(150)
Cash at the beginning of the year		**1 206**	1 465
Translation gain/(loss) on cash		**157**	(109)
CASH AT THE END OF THE YEAR		**1 581**	1 206

RECONCILIATION OF WEIGHTED AVERAGE NUMBER OF SHARES

Millions	2018 Audited	2017 Audited
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AT THE BEGINNING OF THE YEAR	**131,9**	131,9
Weighted average number of unlisted ordinary shares held by consolidated EST	**(10,1)**	(10,1)
Weighted average number of contingently returnable ordinary shares held by CEDT	**(4,4)**	(4,4)
Weighted average number of shares held by consolidated subsidiary	**(11,9)**	(11,9)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR BASIC EARNINGS PER SHARE	**105,5**	105,5
Dilutive adjustment for potential ordinary shares	**3,4**	5,0
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	**108,9**	110,5

INDUSTRY SEGMENT ANALYSIS

BASIS OF SEGMENTATION

The Group's key growth pillars, which are its reportable segments, are described below. Businesses in the pillars offer differing products and services and are managed separately because they require different technology and marketing strategies.

REPORTABLE SEGMENTS	OPERATIONS
Mining Solutions	The businesses in this pillar provide a mine-to-mineral solution for the mining sector internationally. The offering includes surfactants for explosives manufacture, commercial explosives, initiating systems and blasting services right through the value chain to chemicals for ore beneficiation and tailings treatment.
Water & Process	ImproChem provides integrated water treatment solutions, process chemicals and equipment solutions for a diverse range of applications in Africa. These include, inter alia, public and industrial water, desalination and utilities.
Plant & Animal Health	Nulandis manufactures and supplies an extensive range of crop protection products, plant nutrients and services for the agricultural sector in Africa. Schirm, based in Germany, is a contract manufacturer of agrochemicals and fine chemicals with a European and US footprint. It is the largest provider of external agrochemical formulation services in Europe.
Food & Beverage	These businesses supply ingredients and commodities to the dairy, beverage, wine, meat, bakery, health and nutrition industries. The other main activity is the manufacture and distribution of a broad range of juice-based products and drinks, including formulated compounds, fruit concentrate blends and emulsions.
Chemicals	Supply of chemical raw materials and related services for use across a broad spectrum of customers in the manufacturing, infrastructure and general industrial sectors mainly in South Africa and in other Southern African countries.
Property & Corporate	Mainly property leasing and management in the office, industrial and retail sectors, and corporate centre functions including the treasury.

There are varying levels of integration between the segments. This includes transfers of raw materials and finished goods, and property management services. Inter-segment pricing is determined on terms that are no more and no less favourable than transactions with unrelated external parties.

INFORMATION RELATING TO REPORTABLE SEGMENTS

Information relating to each reportable segment is set out below. Segmental profit from operations is used to measure performance because AECI's Executive Committee believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

	EXTERNAL REVENUE		INTER-SEGMENT REVENUE		TOTAL SEGMENT REVENUE	
R millions	**2018 Audited**	2017 Audited	**2018 Audited**	2017 Audited	**2018 Audited**	2017 Audited
Mining Solutions	**10 918**	9 643	**95**	75	**11 013**	9 718
Water & Process	**1 327**	1 409	**49**	45	**1 376**	1 454
Plant & Animal Health	**4 386**	2 479	**37**	64	**4 423**	2 543
Food & Beverage	**1 201**	1 190	**47**	5	**1 248**	1 195
Chemicals	**5 153**	3 445	**113**	119	**5 266**	3 564
Property & Corporate	**329**	316	**110**	90	**439**	406
Inter-segment	**—**	—	**(451)**	(398)	**(451)**	(398)
	23 314	18 482	**—**	—	**23 314**	18 482

	PROFIT/(LOSS) FROM OPERATIONS		DEPRECIATION AND AMORTISATION		IMPAIRMENTS	
R millions	**2018 Audited**	2017 Audited	**2018 Audited**	2017 Audited	**2018 Audited**	2017 Audited
Mining Solutions	**1 274**	1 097	**337**	424	**—**	10
Water & Process	**120**	182	**45**	50	**—**	—
Plant & Animal Health	**119**	133	**130**	12	**31**	—
Food & Beverage	**74**	64	**16**	15	**—**	—
Chemicals	**559**	365	**129**	71	**—**	3
Property & Corporate	**(147)**	(262)	**53**	25	**—**	—
	1 999	1 579	**710**	597	**31**	13

INDUSTRY SEGMENT ANALYSIS CONTINUED

R millions	OPERATING ASSETS 2018 Audited	OPERATING ASSETS 2017 Audited	OPERATING LIABILITIES 2018 Audited	OPERATING LIABILITIES 2017 Audited	CAPITAL EXPENDITURE 2018 Audited	CAPITAL EXPENDITURE 2017 Audited
Mining Solutions	**7 023**	6 308	**1 946**	1 717	**410**	435
Water & Process	**1 183**	1 228	**255**	265	**24**	21
Plant & Animal Health	**4 298**	1 664	**1 383**	1 087	**119**	64
Food & Beverage	**875**	819	**292**	256	**29**	11
Chemicals	**5 072**	2 244	**1 039**	798	**193**	42
Property & Corporate	**719**	778	**95**	149	**72**	131
	19 170	13 041	**5 010**	4 272	**847**	704

Operating assets comprise property, plant and equipment, investment property, intangible assets, goodwill, inventories, accounts receivable and assets classified as held for sale. Operating liabilities comprise accounts payable.

OTHER SALIENT FEATURES

R millions	Note	2018 Audited	2017 Audited
Capital expenditure		**847**	704
— expansion		**328**	288
— replacement		**519**	416
Capital commitments		**516**	405
— contracted for		**103**	119
— not contracted for		**413**	286
Acquisitions authorised and contracted for	12	**91**	4 173
Future rentals on leased property, plant and equipment		**932**	367
— payable within one year		**257**	116
— payable thereafter		**675**	251
Net borrowings		**4 177**	424
Depreciation		**646**	574
Amortisation		**64**	23
Gearing (%)*		**41**	5
Current assets to current liabilities		**2,0**	1,7
Net asset value per ordinary share (cents)		**9 135**	8 399
ZAR/€ closing exchange rate (rand)		**16,45**	14,75
ZAR/€ average exchange rate (rand)		**15,61**	15,04
ZAR/US$ closing exchange rate (rand)		**14,37**	12,31
ZAR/US$ average exchange rate (rand)		**13,24**	13,31

NOTES

(1) (a) Basis of preparation and accounting policies

The summarised consolidated financial results are prepared in accordance with the requirements of the JSE Limited's Listings Requirements ("Listings Requirements") for provisional reports and the requirements of the Companies Act of South Africa applicable to summarised financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"); 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 to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the audited consolidated financial statements, from which the summarised consolidated financial results were derived, are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements except to the extent that these have been affected by the adoption of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. The impacts of new standards adopted are described in note 9 below.

The preparation of these summarised consolidated financial results for the year ended 31 December 2018 was supervised by the Financial Director, Mr KM Kathan CA(SA) AMP (Harvard).

(b) Financial statements preparation and independent audit

These summary consolidated financial statements for the year ended 31 December 2018 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual consolidated financial statements from which these summary consolidated financial statements were derived. The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the Company's registered office, together with the financial statements identified in the respective auditor's reports.

The Company's Directors take full responsibility for the preparation of the provisional report and for the financial information having been extracted correctly from the underlying financial statements.

The summarised consolidated 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 2018.

(2) Revenue includes foreign and export revenue of R9 207 million (2017: R6 236 million).

(3) Impairment of equity-accounted investee

The investment in PT Black Bear Resources Indonesia ("BBRI") was impaired by R78 million as the forecast cash flows could not justify the current cost of the investment due to the high debt levels in the entity.

The value-in-use was reassessed at 31 December 2018 by discounting the expected future cash flows to be generated from the investment over the useful life of the underlying plant, using a discount rate of 12,36%. The recoverable amount was US$6,6 million (R96 million translated at that date), compared to the carrying value of US$12,1 million (R174 million translated at that date), resulting in the recognition of an impairment of US$5,5 million (R78 million) at year-end.

The impairment assessment was performed using a discounted cash flow model, in accordance with the Group's policy on impairment of non-financial assets. The following key assumptions were applied:

- material margin percentages were determined by management, using historical trends, judgement and best estimates derived from information available at the time;
- sales volumes were determined after considering sustainable production capacity and demand observed in the markets in which BBRI operates;
- the discount rate of 12,36% applied in the model was calculated using the Group's weighted average cost of capital, the US risk-free rate and the Indonesian country risk premium;
- the discount period was based on the useful economic life of the underlying plant, determined in terms of the Group's policy on property, plant and equipment;
- the cash flows were projected based on actual operating results and the business plan for a period of five years; and
- a terminal value growth rate of 0,5% was applied.

(4) Non-current borrowings

Bridging finance loans were utilised initially to finance the business combinations of Schirm and Much Asphalt and were provided by the Standard Bank Group as follows:

- a €128,4 million (R1 901 million) loan to AECI Mauritius Limited to acquire the shares and shareholder loan claims of Schirm. The loan bore interest at a variable rate linked to 3-month EURIBOR and was repayable by 30 November 2018; and
- a R2 347 million loan to AECI to acquire the shares and loan claims of Much Asphalt and to repay Much Asphalt's existing external borrowings. The loan bore interest at a variable rate linked to 3-month JIBAR and was repayable by 2 April 2019.

These loans were settled on 21 November 2018, when the Group issued Domestic Medium Term Notes on the JSE and secured term debt to replace the bridging loans.

(5) Non-controlling interest put option liability

The business combination of Much Asphalt included a clause whereby the non-controlling interest equity holders are able to put 100% of their shareholding to the Group on 3 April 2023, the expiry date of the option.

The put option liability is the present value of the fair value of the option at exercise date. In arriving at the option value, a weighted average EBITDA for the three years preceding the exercise date, less net debt estimated at the exercise date, is multiplied by an EBITDA multiple of 7,7. This liability is considered to be a level 3 financial liability at fair value through profit or loss. The discount rate was estimated based on the Group's weighted average cost of capital adjusted to reflect the most affordable funding available to the Group at the reporting date.

R millions	**2018**
At acquisition date	**29**
Unwinding of discount	**2**
Non-controlling interest put option liability	**31**

(6) Acquisition of Schirm

AECI Mauritius Limited, a wholly-owned subsidiary of AECI, acquired 100% of the share capital in Schirm GmbH and shareholder loan claims from Imperial Chemical Logistics GmbH ("ICL"), a wholly-owned subsidiary of Imperial Holdings Limited at the time. The effective date of this transaction was 30 January 2018. As part of the acquisition, Schirm GmbH acquired the contract manufacturing service business of ICL and a property in Wolfenbüttel, Germany (collectively, "Schirm"). On 17 January 2018, all conditions precedent to the transaction had been fulfilled and the transaction became unconditional. The financial results of Schirm were consolidated from the effective date in the Group's Plant & Animal Health segment, with Schirm operating as a stand-alone business.

The purchase consideration for the transaction was €128,4 million (R1 901 million), which was paid in cash on the effective date. A further payment of €6 million (R96 million) was made on 29 June 2018 following a purchase price adjustment, bringing the total consideration paid to €134,4 million (R1 997 million).

AECI already has well-established businesses in Africa, South East Asia, the USA and Australia. Domestic and international growth in the Group's five strategic pillars is a key focus. The acquisition of Schirm is in line with the Company's international expansion strategy as Schirm is a market leader in the provision of formulation services for agrochemicals in Europe; it has long-standing customer relationships with its blue-chip customer base; it invested substantially in capital expenditure in recent years and it is expected that this investment will enable significant revenue growth as well as cost efficiencies. Furthermore, there are potential synergies associated with the extension of Schirm's manufacturing expertise to AECI as well as expansion and supply chain opportunities for the Group's Plant & Animal Health segment as a whole.

The initial accounting for the acquisition had not been provisionally determined at the previous reporting date. At the date of finalisation of these results, the market valuations and other calculations resulted in adjustments to the initial accounting as reflected as follows.

CARRYING VALUE OF ACQUIREE'S NET ASSETS AT THE ACQUISITION DATE

R millions	Original	Adjustments	**Revised**
Property, plant and equipment	847	155	**1 002**
Intangible assets	—	384	**384**
Inventory	244	20	**264**
Accounts receivable	466	10	**476**
Accounts payable	(231)	12	**(219)**
Cash and cash equivalents	127	—	**127**
Net deferred tax liability	(13)	(166)	**(179)**
Net current tax receivable	3	(9)	**(6)**
Non-current provisions	(154)	(3)	**(157)**
Net identifiable assets and liabilities acquired	1 289	403	**1 692**
Goodwill on acquisition	708	(403)	**305**
Gross consideration paid	1 997	—	**1 997**
Less: cash and cash equivalents	(127)	—	**(127)**
Net consideration paid	1 870	—	**1 870**

(7) Acquisition of Much Asphalt

The Group entered into an agreement with Capitalworks Private Equity, MIC Investment Holdings Proprietary Limited and the Much Asphalt management team whereby management retained approximately 2% of the shares of Much Asphalt and AECI acquired approximately 98% of the entire issued share capital of Much Asphalt. All conditions precedent to the transaction were fulfilled on 3 April 2018 and the transaction took effect on that date. The results of Much Asphalt were consolidated in the Chemicals segment's results from this date, with Much Asphalt operating as a stand-alone entity.

The purchase consideration of R1 988 million was paid on the effective date, and was subject to further adjustments pending the finalisation of the effective date accounts. Consequently, an additional amount of R59 million was paid on 20 June 2018 as a purchase price adjustment, bringing the total consideration paid to R2 047 million.

Much Asphalt is South Africa's leading asphalt producer, servicing a range of customers engaged mainly in road construction and maintenance activities. In addition to the focus on domestic growth and ongoing expansion outside South Africa in its current strategic pillars, AECI's growth strategy also includes expansion into new areas of business. The transaction, therefore, was in line with the Group's strategy to diversify the markets in which it operates.

The initial accounting for the acquisition had not been provisionally determined at the previous reporting date. At the date of finalisation of these results, the market valuations and other calculations resulted in adjustments to the initial accounting as reflected below:

CARRYING VALUE OF ACQUIREE'S NET ASSETS AT THE ACQUISITION DATE

R millions	Original	Adjustments	**Revised**
Property, plant and equipment	552	(91)	**461**
Intangible assets	—	488	**488**
Investment in associates	10	—	**10**
Inventory	132	—	**132**
Accounts receivable	221	2	**223**
Accounts payable	(280)	—	**(280)**
Net deferred tax liability	(61)	(112)	**(173)**
Net current tax receivable	14	—	**14**
Cash and cash equivalents	33	—	**33**
Borrowings	(360)	—	**(360)**
Non-controlling interest	(27)	(5)	**(32)**
Net identifiable assets and liabilities acquired	234	282	**516**
Goodwill on acquisition	1 813	(282)	**1 531**
Gross consideration paid	2 047	—	**2 047**
Less: cash and cash equivalents	(33)	—	**(33)**
Net consideration paid	2 014	—	**2 014**

(8) Goodwill impairment

An impairment was recognised during the year for the Farmers Organisation Limited ("FOL") business, in Malawi, that is part of the Plant & Animal Health segment. The cash flow synergies relating to this business unit are no longer expected to be realised in full as a result of the penetration of generic products into its market, the persistent effects of below average rainfall, lower output from the key crops of tobacco and cotton, and a devaluation of the Malawian kwacha against both the US$ and the rand. The combination of these factors necessitated an impairment of the goodwill.

In December, the Group's goodwill raised on the FOL business was impaired by US$2,6 million (R37,2 million, of which R5,8 million comprised a reversal of foreign currency translation reserve and the remaining R31,4 million was included in net operating costs in the income statement). The value-in-use was reassessed at 31 December by discounting the expected future cash flows to be generated from this cash generating unit. The recoverable amount was US$13,1 million (R188,5 million translated at that date), compared to the carrying value of US$15,7 million (R225,7 million translated at that date), resulting in the recognition of the impairment.

The impairment assessment was performed using a discounted cash flow model, in accordance with the Group's policy on impairment of non-financial assets. The following key assumptions were applied:

- material margin percentages were determined by management, using judgement and best estimates derived from information available at the time;
- sales volumes were determined after considering sustainable production capacity and demand observed in the market in which FOL operates;
- the discount rate of 22,2% applied in the model was calculated using the Group's weighted average cost of capital, the Malawian risk-free rate and the Malawian country risk premium;
- the cash flows were projected based on actual operating results and the business plan for a period of five years; and
- a terminal value growth rate of 4,5% was applied and was based on sustainable earnings and a conservative growth model into perpetuity.

(9) **Changes in significant accounting policies**

The changes in accounting policies reflected below are also reflected in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

The Group adopted IFRS 15 Revenue from Contracts with Customers (see note 9(a)) and IFRS 9 Financial Instruments (see note 9(c)) from 1 January 2018. The effect of the initial application of these standards was mainly as follows:

› earlier recognition of revenue from consignment stock contracts, where control of the goods passes to the customer earlier than the risks and rewards of ownership (see note 9(a));

› changes in the amount of revenue recognised from product sales as a result of variable considerations that affect the transaction price (see note 9(a)); and

› an increase in impairment losses recognised on financial assets (see note 9(c)).

A number of other new standards and amendments to existing standards became effective from 1 January 2018 but these did not have a material effect on the Group's financial statements.

Changes in significant accounting policies: Revenue Recognition

(a) Adoption of IFRS 15 Revenue from Contracts with Customers

The Group applied IFRS 15 in the current year. IFRS 15 replaced the previous revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalties Programs. IFRS 15 introduces a five-step approach to revenue recognition. Far more prescriptive guidance has been added to deal with specific scenarios.

The Group adopted IFRS 15 using the cumulative effect method (without practical expedients) at 1 January 2018, the date of initial application. Accordingly, the information presented for 2017 has not been restated and is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

Apart from more extensive disclosure on the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group as described below, and accordingly no adjustment was made to opening reserves.

The impact of the transition to IFRS 15 on 1 January 2018 would have resulted in an increase in revenue of R10 million, an increase in operating expenses of R12 million and a resulting decrease in profit before tax of R2 million. The impact on opening retained earnings would have been a decrease of R1 million, with no impact on non-controlling interest.

The Group's accounting policies for its revenue streams are disclosed in note 9(b).

(b) Revenue recognition

The Group recognises revenue from the following major sources:

› sale of goods in all its operating segments;

› sale of goods and related product application services in its Mining Solutions, Water & Process and Chemicals operating segments; and

› rental income and related facilities management services in its Property & Corporate operating segment.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. For certain revenue categories the Group identifies "sale of goods and services" as "not distinct" and thus combines goods and services with other promised goods or services until it identifies a "combined bundle of goods and services" as a single performance obligation.

Sale of goods in all operating segments

For sales of goods to customers, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of use or further distribution and price to sell the goods, has the primary responsibility for the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, since only the passage of time is required before payment is due.

Sale of goods and related product application services

The Group provides product application services to customers. These are performed as and when goods are delivered and relate mainly to:

› blasting services where explosives are delivered directly to the point and location of usage, and detonated within hours of delivery; and

› dosing of chemicals directly into a customer's manufacturing or water treatment process, where the promise to the customer is a specific outcome to the process regardless of product volumes or service levels required to achieve that outcome.

The goods and services are delivered simultaneously or near-simultaneously and results in the product being used by the customer at that point in time. As a consequence, revenue is recognised when the product and related application service are delivered and the right to consideration becomes unconditional.

Rental income and related facilities management services

IFRS 15 does not apply to revenue from lease contracts within the scope of IAS 17 Leases. Consequently, the Group continues to recognise revenue in respect of rentals received from leasing activities on a straight line basis over the period of the lease, where fixed escalation clauses apply, and when there is a reasonable expectation that recovery of the lease rental is probable. Where no fixed escalation clauses are applicable to a lease, rental income is recognised in the period in which it is due by the lessee.

Facilities management services to lessees comprise rail, environmental and laboratory services, steam generation, effluent treatment, electricity provision, and storage and handling services. Revenue from these services is recognised as and when the services are provided, since these services are usage-based and are delivered at a point in time.

DISAGGREGATION OF REVENUE BY NATURE

R millions	**2018**	2017
MINING SOLUTIONS	**11 013**	9 718
Sale of goods	**9 449**	8 316
Sale of goods and related product application services	**1 564**	1 402
WATER & PROCESS	**1 376**	1 454
Sale of goods	**79**	36
Sale of goods and related product application services	**1 297**	1 418
PLANT & ANIMAL HEALTH	**4 423**	2 543
Sale of goods	**4 423**	2 543
FOOD & BEVERAGE	**1 248**	1 195
Sale of goods	**1 248**	1 195
CHEMICALS	**5 266**	3 564
Sale of goods	**5 215**	3 515
Sale of goods and related product application services	**51**	49
PROPERTY & CORPORATE	**311**	297
Sale of goods	**15**	22
Sale of services	**296**	275
REVENUE RECOGNISED AT A POINT IN TIME	**23 637**	18 771
PROPERTY & CORPORATE	**128**	109
Rental income	**128**	109
Inter-segment	**(451)**	(398)
TOTAL SEGMENT REVENUE	**23 314**	18 482

Changes in significant accounting policies: Financial Instruments

(c) Adoption of IFRS 9 Financial Instruments

The standard sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The adoption of IFRS 9 resulted in the change of classification of certain financial assets with the only significant impact being that unlisted equity instruments previously measured at cost are now measured at fair value, with changes in fair value recognised in other comprehensive income.

The other significant change to the Group's policies with the adoption of IFRS 9 is the measurement of impairment of financial assets, specifically trade receivables, which is now measured using an expected credit loss model instead of an incurred loss model. The Group uses a provision matrix to calculate expected credit losses, with amounts more than 90 days past due viewed as a default event. This change resulted in an increase in the loss allowance compared to the previous impairment model.

The table that follows summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves and retained earnings at 1 January 2018.

IMPACT OF ADOPTING IFRS 9 AT 1 JANUARY 2018

R millions	
At acquisition date	
Recognition of expected credit losses under IFRS 9	**56**
Related tax impact	**(14)**
Decrease in retained earnings	**42**

The adoption of IFRS 9 had no impact on non-controlling interest.

The table that follows, and the accompanying notes below, explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets, at 1 January 2018.

R millions	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
FINANCIAL ASSETS					
Unlisted shares (level 3)	(i)	Available-for-sale	FVOCI — equity instrument	87	87
Forward exchange contracts (level 2)	(ii)	Fair value-hedging instrument	Fair value-hedging instrument	43	43
Money market investment in collective investment scheme (level 1)		Designated as at FVTPL	Mandatorily at FVTPL	77	77
Employer surplus accounts (level 1)		Designated as at FVTPL	Mandatorily at FVTPL	78	78
Accounts receivable	(iii)	Loans and receivables	Amortised cost	3 393	3 337
Cash		Loans and receivables	Amortised cost	1 206	1 206
Loans receivable to other investments		Loans and receivables	Amortised cost	26	26
TOTAL FINANCIAL ASSETS				4 910	4 854

(i) Included in the unlisted shares is a R65 million investment in Origin Materials ("Origin") which is considered to be a level 3 financial asset. The Group had applied the IAS 39 exemption (paragraph 46c) and carried the investment at cost in the prior year. These equity securities represent investments that the Group intends to hold for long-term strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at fair value through other comprehensive income ("FVOCI"). Previously, these assets were designated as available-for-sale financial assets.

(ii) The 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 and 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 year ended 31 December 2018.

(iii) Accounts receivable that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of R56 million in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9. No additional trade receivables were recognised at 1 January 2018 on the adoption of IFRS 15, and consequently no additional impairment was necessary.

Changes in significant accounting policies resulting from the adoption of IFRS 9 are disclosed in note 9(d) and have been applied retrospectively, except as described below:

› the Group has taken an exemption to not restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have been restated only for retrospective application of the cost of hedging approach for forward points. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves, as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

› the determination of the business model in which a financial asset is held;

› the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss ("FVTPL");

› the designation of certain investments in equity instruments not held for trading at FVOCI;

› if an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on the asset had not increased significantly since its initial recognition;

› changes to hedge accounting policies have been applied prospectively, except for the cost of hedging approach for forward points which has been applied retrospectively to hedging relationships that existed on, or were designated after, 1 January 2017; and

› all hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and, therefore, are regarded as continuing hedging relationships.

The Group's accounting policies for financial assets are disclosed in note 9(d).

(d) Financial assets

Investments

Investments in unlisted equity securities are classified as financial assets at fair value through other comprehensive income. They are measured at fair value with any gains or losses, including foreign exchange, recognised in other comprehensive income, together with the associated deferred tax.

When these assets are derecognised, the gain or loss accumulated in other comprehensive income is reclassified to retained income. Dividends on these investments are recognised in the income statement as investment income when they are declared and the Group has a right to receive them.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets except for the assets at fair value through other comprehensive income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The Group recognises lifetime expected credit losses for accounts receivable and these are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions, including the time value of money where appropriate.

For all other financial assets, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If there has been no significant increase in credit risk, the loss allowance is measured at an amount equal to the 12-month expected credit losses.

The Group determines increases in credit risk by considering any change in the risk of default occurring since the date of initial recognition. The Group considers that default has occurred when a financial asset is more than 90 days past due.

(10) Standards, interpretations and amendments to existing standards not yet effective

IFRS 16 Leases

This standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exceptions for short-term leases and leases for which the underlying asset is of low value. Lessor accounting remains similar to current practice (i.e. lessors continue to classify leases as finance or operating leases). IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases — Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It includes more disclosures for both lessees and lessors.

Management is collating and analysing all lessee arrangements across the Group and evaluating the terms and conditions of these arrangements in order to prepare the relevant calculations and system changes required to implement the new standard.

(11) The Group entered into various sale and purchase transactions with related parties in the Group in the ordinary course of business, the nature of which was consistent with those previously reported. Those transactions were concluded on terms that were no more and no less favourable than transactions with unrelated external parties. All transactions and balances with these related parties have been eliminated appropriately in the consolidated results.

(12) The Group, through its subsidiary, AECI Latam Produtos Quimicos Ltd ("AECI Latam"), acquired an explosives business in Lorena, Brazil from Dinacon, for a cash consideration of US$6,3 million. This acquisition was made through a judicial recovery auction process in mid-September 2018. It entitles the Group to 100% ownership of an explosives manufacturing plant, distribution and storage facilities and the requisite explosives operating licences. The transaction has not yet taken effect but is expected to be finalised by the end of the first quarter of 2019. The acquisition provides an opportunity for entry into the explosives market in Brazil and the rest of Latin America, in line with the Group's intent to continue expanding the geographic footprint of its Mining Solutions strategic growth pillar. In the past, Dinacon has supplied explosives mainly to the Brazilian civil and construction industry. Its business in the local mining sector, which accounts for the world's third largest output by value, has been limited. Brazil has more than 8 000 mines so there is a sizeable opportunity for growth, particularly in terms of leveraging AEL's significant experience in open pit and underground mining; its African, Australian and Indonesian footprint; and its long-standing relationships with international mining companies.

At the reporting date, the conditions precedent to make the transaction unconditional had not been fulfilled. The initial accounting for the business combination has thus not been completed and, accordingly, it was not possible for IFRS 3 Business Combinations disclosures to be made.

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Deloitte & Touche

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Investec Bank Ltd
First National Bank of Southern Africa Ltd
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Standard Chartered Bank
The Standard Bank of South Africa Ltd

SOUTH AFRICAN SPONSOR

Rand Merchant Bank
(A division of FirstRand Bank Ltd)
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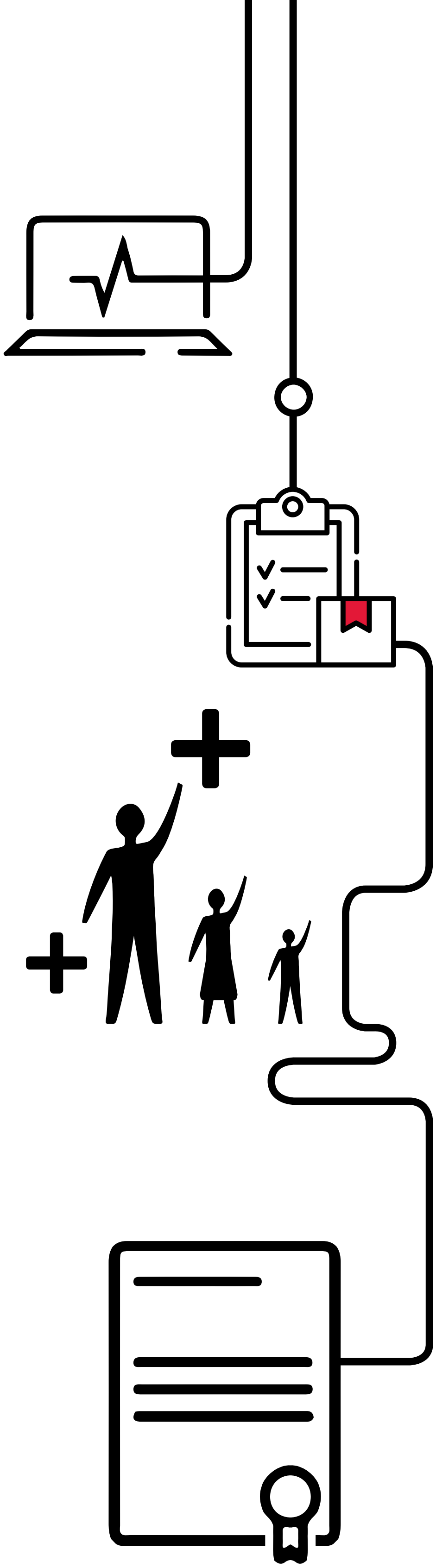

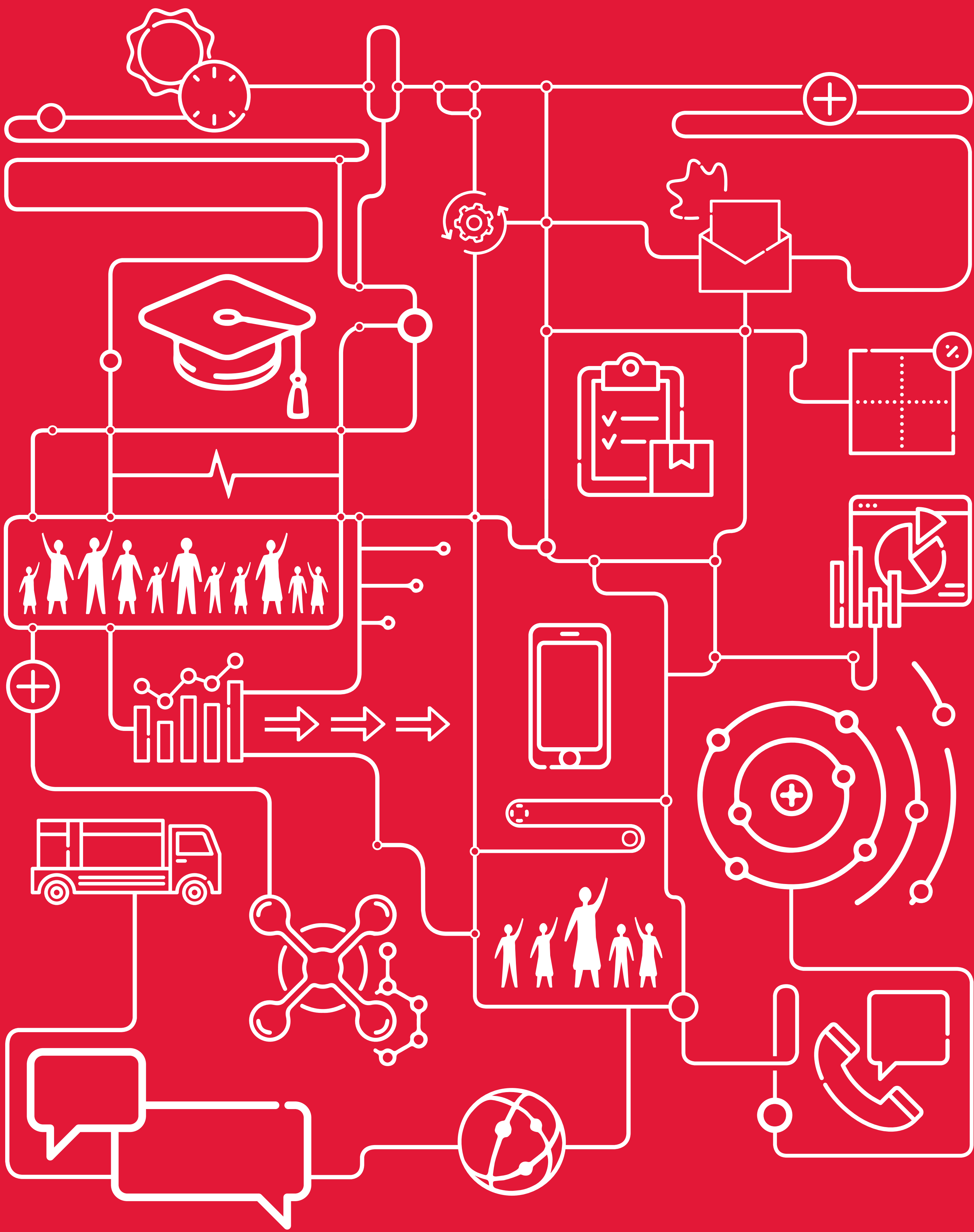

SIGIL DESIGN BUREAU

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