REVIEWED CONDENSED
CONSOLIDATED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010

BEST EVER SAFETY performance, Total Recordable Incident Rate of 0,58

HEPS up 67%

PROFIT from continuing operations up 38%

GEARING improved to 40%

FINAL cash dividend of 135 cents declared

ALL strategic growth projects substantially complete and in ramp-up phase

AECI
good chemistry

AECI LIMITED
(Incorporated in the Republic of South Africa)
(Registration No. 1924/002590/06)
Share code: AFE ISIN No.: ZAE000000220
("AECI" or "the Company")

INCOME STATEMENT

	% change	2010 R millions	2009 R millions
Continuing operations			
Revenue[2]	+8	11 569	10 709
Net operating costs	+6	10 507	9 942
Profit from operations	+38	1 062	767
Net (loss)/income from Pension Fund employer surplus accounts		(6)	23
Net (loss)/income from plan assets for post-retirement medical aid liabilities		(5)	11
		1 051	801
Fair value adjustments – interest		2	4
Interest expense (net of costs capitalised)		(175)	(243)
Interest received		21	21
Income from associates and investments		2	7
		901	590
Impairment of goodwill		(28)	(18)
Impairments of plant and equipment		(4)	(16)
Reversal of impairment of plant and equipment		–	7
Gain on acquisition of subsidiary		4	–
Profit before tax		873	563
Tax		(233)	(176)
Net profit from continuing operations		640	387
Net profit from discontinued operations		–	53
Profit before tax		–	65
Tax		–	(12)
Profit for the year		640	440
Profit for the year attributable to:			
– ordinary shareholders		600	421
– preference shareholders		2	2
– non-controlling interest		38	17
		640	440
Headline earnings are derived from:			
Profit attributable to ordinary shareholders		600	421
Impairment of goodwill		28	18
Impairments of plant and equipment		4	16
Reversal of impairment of plant and equipment		–	(7)
Gain on acquisition of subsidiary		(4)	–
Profit on disposal of property, plant and equipment		(5)	(88)
Loss on disposal of subsidiaires		20	–
Profit on disposal of associates and investments		(22)	–
Tax effects of the above items		2	10
Non-controlling interest effect of the above items		(4)	–
Headline earnings		619	370
Per ordinary share (cents):			
Headline earnings	+67	577	346
Diluted headline earnings[3]		575	344
Basic earnings	+42	559	393
Diluted basic earnings[3]		558	392
Continuing basic earnings		559	344
Diluted continuing basic earnings[3]		558	343
Discontinued basic earnings[3]		–	49
Dividends declared	+128	205	90
Dividends paid		132	169
Ordinary shares (millions)[4]			
– in issue		107	107
– weighted average number of shares		107	107
– diluted weighted average number of shares[3]		108	107

STATEMENT OF COMPREHENSIVE INCOME

	2010 R millions	2009 R millions
Profit for the year	640	440
Other comprehensive income net of tax:		
Revaluation of derivative instruments	*	(6)
Foreign currency translation differences net of deferred tax	(84)	(169)
Total comprehensive income for the year	556	265
Total comprehensive income attributable to:		
– ordinary shareholders	519	250
– preference shareholders	2	2
– non-controlling interest	35	13
	556	265

*Nominal amount

STATEMENT OF FINANCIAL POSITION

	2010 R millions	2009 R millions
Assets		
Non-current assets	5 634	5 360
Property, plant and equipment	3 564	3 260
Investment property	440	430
Goodwill	1 035	1 063
Pension Fund employer surplus accounts	230	236
Investments	20	13
Non-current loans receivable	22	14
Deferred tax	323	344
Current assets	4 647	4 668
Inventories	1 892	1 827
Accounts receivable	2 023	2 159
Assets classified as held for sale	–	14
Cash and cash equivalents	732	668
Total assets	10 281	10 028
Equity and liabilities		
Ordinary capital and reserves	4 314	3 937
Preference capital and non-controlling interest	154	121
Total shareholders' interest	4 468	4 058
Non-current liabilities	2 175	2 564
Deferred tax	88	85
Non-current borrowings	1 133	1 731
Non-current provisions	954	748
Current liabilities	3 638	3 406
Accounts payable	2 168	2 208
Current borrowings	1 368	1 080
Tax payable	102	118
Total equity and liabilities	10 281	10 028

STATEMENT OF CASH FLOWS

	2010 R millions	2009 R millions
Cash generated by operations	1 619	1 137
Dividends received	2	12
Interest paid	(268)	(349)
Interest received	21	22
Income tax paid	(209)	(333)
Changes in working capital	26	1 161
Expenditure relating to non-current provisions	(37)	(93)
Expenditure relating to retrenchments and restructuring	(33)	(105)
Cash available from operating activities	1 121	1 452
Dividends paid	(144)	(167)
Dividends paid to non-controlling interest	(2)	–
Cash retained from operating activities	975	1 285
Cash utilised in investment activities	(577)	(981)
Proceeds from disposal of investments and businesses	39	94
Investments	(7)	(92)
Net capital expenditure	(609)	(983)
Net cash generated	398	304
Cash effects of financing activities	(294)	(6)
Non-current loans receivable	14	(14)
Borrowings	(308)	8
Increase in cash and cash equivalents	104	298
Cash and cash equivalents at the beginning of the year	668	444
Translation loss on cash and cash equivalents	(40)	(74)
Cash and cash equivalents at the end of the year	732	668

STATEMENT OF CHANGES IN EQUITY

	2010 R millions	2009 R millions
Total comprehensive income for the year	556	265
Dividends paid	(144)	(167)
Dividends paid to non-controlling interest	(2)	–
Acquisition of subsidiary	–	(9)
Equity at the beginning of the year	4 058	3 969
Equity at the end of the year	4 468	4 058
Made up as follows:		
Issued ordinary capital	215	215
Non-distributable reserves	164	251
Property revaluation reserve	237	237
Foreign currency translation reserve net of deferred tax	(81)	3
Other	8	11
Retained income	3 935	3 471
Ordinary capital and reserves	4 314	3 937
Preference capital and non-controlling interest	154	121
Preference capital	6	6
Non-controlling interest	148	115
	4 468	4 058

OTHER SALIENT FEATURES

	2010 R millions	2009 R millions
Capital expenditure – property, plant and equipment	634	1 150
– expansion	385	963
– replacement	249	187
Capital commitments	88	737
– contracted for	49	71
– not contracted for	39	666
Future rentals on property, plant and equipment leased	196	185
– payable within one year	96	84
– payable thereafter	100	101
Contingent liabilities	97	83
Net borrowings	1 769	2 143
Gearing (%)	40	53
Current assets to current liabilities	1,3	1,4
Net asset value per ordinary share (cents)	4 022	3 681
Depreciation – continuing operations	332	267
Rand/US$ closing exchange rate (rand)	6,65	7,38
Rand/US$ average exchange rate (rand)	7,32	8,27

INDUSTRY SEGMENT ANALYSIS

	Revenue		Profit from operations		Net assets	
	2010 R millions	2009	2010 R millions	2009	2010 R millions	2009
Continuing operations						
Mining services	4 832	4 070	378	298	2 294	2 187
Specialty chemicals	6 453	6 524	811	483	3 716	3 643
Property	370	211	66	33	726	669
Specialty fibres	294	222	33	9	143	116
Group services and intersegment	(380)	(318)	(226)	(56)	(93)	(51)
	11 569	10 709	1 062	767	6 786	6 564
Discontinued operations						
SANS Fibres – Bellville	–	469	–	66	–	(33)
	11 569	11 178	1 062	833	6 786	6 531

Net assets consist of property, plant, equipment, investment property, goodwill, inventory and accounts receivable less accounts payable.

NOTES

(1) **Basis of preparation and accounting policies**
The condensed consolidated financial results are prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards, the presentation and disclosure requirements of IAS 34 – Interim Financial Reporting, the AC500 series issued by the Accounting Practices Board, the Listings Requirements of the JSE Limited, and in the manner required by the South African Companies Act, No. 61 of1973, as amended.

Accounting policies have been applied consistently by all entities in the Group and are consistent with those applied in the previous financial year.

(2) Includes foreign and export revenue of R3 111 million (2009: R2 520 million).

(3) Calculated in accordance with IAS33. The Company has purchased call options over AECI shares which will obviate the need for the Company to issue new shares in terms of the AECI share option scheme. In practice, therefore, there will be no future dilution.

(4) Net of 11 884 669 (2009: 11 884 669) treasury shares held by a subsidiary company.

(5) The discontinued operations refer to the businesses of SANS Fibres where manufacturing activities ceased at the end of March 2009.

(6) The auditors, KPMG Inc., have reviewed these condensed consolidated financial results. The auditors' unqualified review report is available for inspection at the Company's registered office.

(7) The condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2009.

(8) The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

COMMENTARY

Performance

The Group delivered pleasing results for 2010, underpinned by a strong recovery in mining and manufacturing production volumes in the year. Consumer spending improved as interest rates declined and this also assisted the Group's businesses that service related sectors. Revenue from continuing operations increased by 8% to R11 569 million (2009: R10 709 million), driven by commodity price increases but tempered by the 11% strengthening of the rand against the US dollar year-on-year. Overall volumes grew by 11% and profit from continuing operations increased by 38% to R1 062 million (2009: R767 million).

Lower interest rates and improved cash generation impacted positively on headline earnings as net finance costs, after capitalising borrowing costs, decreased to R154 million (2009: R222 million).

Headline earnings were 67% higher at R619 million (2009: R370 million).

The Board has declared a final cash dividend of 135 cents per ordinary share (2009: 62 cents). The dividend declaration is published in full elsewhere.

Safety and health performance is expressed as the Total Recordable Incident Rate. It is gratifying to report that in 2010 the Group achieved its lowest ever level of employee injuries and illnesses. The rate of 0,58 represents a 23% reduction from the level recorded in the prior reporting period.

Mining services

AEL Mining Services ("AEL") delivered a commendable performance, particularly noteworthy if viewed in the context of the slow start to the year when surface mining operations in southern Africa were negatively affected by heavy rainfall and those in the narrow reef sector experienced shaft closures. Revenue increased by 19% to R4 832 million (2009: R4 070 million). This is attributable to ammonia price increases and volume growth of 13%. Profit from operations rose by 27% to R378 million (2009: R298 million) and the operating profit margin was at 7,8% (2009: 7,3%). This improvement was facilitated by higher efficiencies on the Initiating Systems Automation Project (ISAP) in its ramp-up phase, as well as being indicative of the benefits of enhanced service package offerings to customers. Retrenchment costs of R49 million affected AEL's operating profit. R39 million of this amount is a provision for restructuring of the old manual shocktube plants, to be completed during 2011.

In AEL's southern African business, sales into the surface and massive sectors recorded good growth, particularly in platinum mining. Volumes for the narrow reef market declined by 3,5%.

The African business grew in line with a strong recovery in Botswana's diamond mining as well as improvements in the copper industry in central Africa. This growth was achieved notwithstanding delays in customers' projects. Gold mining activity in west and east Africa was depressed by production cutbacks and the suspension of operations.

The International business recorded pleasing progress as AEL gained new business in Indonesia as well as additional sales channel volumes in Europe and South America.

Of the R344 million invested in capital expenditure, R102 million was spent on ISAP. Ramp-up of ISAP progressed well, with the production run-rate more than doubling in the second half of the year. The ISAP project will be fully complete in the first quarter of 2012. The balance of the capital expenditure was utilised for expansion in Indonesia and for smaller capital replacement projects in Africa and South Africa.

Specialty chemicals

Profit from continuing operations improved sharply by 68% to R811 million (2009: R483 million) although revenue declined marginally to R6 453 million (2009: R6 524 million) owing to the effects of the strong rand as well as changes in product mix. The operating profit margin improved to 12,6% (2009: 7,4%) as a result of excellent cost control in the period as well as the non-recurrence of the effects of the bad debt write-off of 2009. Volumes increased by 10% year-on-year.

There were improved performances from most of the businesses in the portfolio, with those from Akulu Marchon, Industrial Oleochemical Products, ImproChem and Lake International Technologies being particularly noteworthy. Senmin's results were adversely impacted by the rand exchange rate and by start-up costs as the Polyacrylamide (PAM) facility was being ramped up.

The restructuring of Plastamid was completed in the second half-year and this business was divisionalised into Industrial Urethanes, at a total net cost of R10 million.

Strong cash generation owing to improved profitability, lower capital expenditure and working capital containment were features of 2010.

Of the R241 million capital expenditure in the year, R92 million was for Senmin's strategic projects. At Senmin, the Carbon Disulphide project is complete and the Acrylamide and PAM facilities have been commissioned, with the qualification process due for completion in the first quarter of 2011.

The specialty chemicals portfolio will be enhanced in the coming year, with three acquisitions finalised or close to finalisation for a total consideration of about R180 million. An agricultural chemicals distribution business will be integrated into Plaaskem, a toll manufacturing business will enhance SA Paper Chemicals' customer offering and a bulk caustic soda distribution business will be integrated into Crest Chemicals.

Property

The property market continued to lag behind the South African economy's recovery in 2010 and no significant property sale transactions were recorded. Heartland's results were delivered primarily by the leasing and services portfolios. Operating profit improved to R66 million from R33 million in 2009. This improvement is largely due to the non-recurrence of the cancellation of property transactions accounted for in 2009.

In property development, Heartland maintained its focus on preparing land for release to the market once market conditions improve. The most significant achievement in this regard was progress on Longlake at Modderfontein, a 220 hectare parcel of saleable land suitable for all land uses. Township and environmental approvals were received, zoning rights were granted and infrastructural designs were approved.

The property market remained curtailed by the lack of end-user finance.

Specialty fibres

SANS Technical Fibers, based in the USA, benefitted from global recovery in the automotive and consumer sectors. Revenue improved by 48% to US$40 million (2009: US$27 million), largely driven by volume growth of 48%. Operating profit quadrupled to US$4,5 million (2009: US$1,1 million).

Plant capacity was expanded by 33% with the installation of equipment transferred from the former SANS Fibres site in Bellville. The project, at a cost of US$3 million, was completed within budget and ahead of schedule. The new capacity was fully utilised from the start-up date and, given the global automotive sector's positive outlook, this uptake scenario is not expected to change.

Finance and corporate centre

Gearing continued to improve to 40% of shareholders' fund at year-end (2009: 53%) as capital expenditure declined to R634 million (2009: R1 150 million) and profitability improved in the period. Net working capital was well managed at 15,1% of gross revenue (2009: 15,9%).

Cash interest cover improved to 5,6 times (2009: 3,5 times). Net interest paid, before capitalising borrowing costs of R93 million (2009: R105 million), decreased to R247 million (2009: R327 million). The decrease is attributable to sustained working capital control, improved cash generation and the decline in interest rates.

The Group services cost was R226 million (2009: R56 million). This material movement is analysed as follows:

- an additional R80 million provision in respect of legacy costs. The largest portion of this was an adjustment in the Post-retirement Medical Aid Liability due to medical aid inflation, a 0,25% decrease in the net discount rate, and the inclusion of additional members;
- an increase of R51 million in long-term incentive provisions as the Group's earnings and the Company's share price improved in 2010;
- in 2009, R18 million was recognised as profit on the disposal of the listed share portfolio of the captive insurance entity.

Outlook

The recovery in the mining sector and steady increases in global chemical prices are good indicators of improving demand, albeit in a more competitive environment. This bodes well for the Group in terms of volumes.

The focus for 2011 will be to:

- complete ramp-up of the PAM and ISAP projects so as to optimise their beneficial use, thereby enhancing the Group's financial performance;
- maintain a sharp focus on costs and working capital management, and on enhanced product and service delivery to customers; and
- successfully integrate the acquisitions into the specialty chemicals portfolio.

Fani Titi
Chairman

Graham Edwards
Chief Executive

Woodmead, Sandton
21 February 2011

Directors: F Titi (Chairman), GN Edwards (Chief executive)†,RMW Dunne*, S Engelbrecht, Z Fuphe, KM Kathan†,MJ Leeming, AJ Morgan, LM Nyhonyha, Adv R Ramashia.
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Acting Company Secretary: EA Rea

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