

SUMMARISED AUDITED CONSOLIDATED FINANCIAL RESULTS AND FINAL CASH DIVIDEND DECLARATION FOR THE YEAR ENDED 31 DECEMBER 2017



PROFIT FROM OPERATIONS

+18% TO R1 579m



HIGHEST-EVER RECORDED HEPs

+17,2% TO 959c



TRADING MARGIN

+8,5%



STRATEGIC PROGRESS

ACQUISITIONS ANNOUNCED

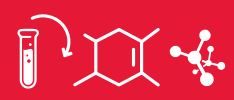
– GEOGRAPHIC AND EARNINGS
DIVERSIFICATION

REPORTING ALIGNED WITH
PILLAR STRATEGY



FINAL ORDINARY CASH

DIVIDEND +13% TO 340cps



INCOME STATEMENT

			2017	2016
R millions	Note	% change	Audited	Audited
REVENUE	2	(1)	18 482	18 596
Net operating costs			(16 903)	(17 261)
PROFIT FROM OPERATIONS		18	1 579	1 335
Share of profit of equity-accounted investees, net of tax			—	28
PROFIT FROM OPERATIONS AND EQUITY-ACCOUNTED INVESTEEES			1 579	1 363
Net finance costs			(167)	(215)
Interest expense			(202)	(270)
Interest received			35	55
PROFIT BEFORE TAX			1 412	1 148
Tax expense			(429)	(336)
PROFIT FOR THE YEAR			983	812
Profit for the year attributable to:				
— Ordinary shareholders			950	777
— Preference shareholders			3	3
— Non-controlling interest			30	32
			983	812
HEADLINE EARNINGS ARE DERIVED FROM:				
Profit attributable to ordinary shareholders			950	777
Impairment of goodwill			3	28
Impairment of property, plant and equipment			10	54
Loss on disposal of equity-accounted investee			2	—
Impairments recognised by equity-accounted investee			54	—
(Surplus)/loss on disposal of property, plant and equipment			(8)	9
Foreign currency translation differences reclassified on net investments in foreign operations			18	17
Tax effects of the above items			(17)	(21)
HEADLINE EARNINGS			1 012	864
PER ORDINARY SHARE (CENTS):				
Headline earnings		17	959	818
Diluted headline earnings			915	800
Basic earnings		22	900	735
Diluted basic earnings			859	720
Ordinary dividends declared after the reporting date		13	340	300
Ordinary dividends paid			438	395

STATEMENT OF COMPREHENSIVE INCOME

	2017	2016
R millions	Audited	Audited
PROFIT FOR THE YEAR	983	812
OTHER COMPREHENSIVE INCOME NET OF TAX		
Items that may be reclassified subsequently to profit or loss:		
— Foreign currency translation differences	(212)	(376)
— Effective portion of cash flow hedges	(4)	(3)
Items that may not be reclassified subsequently to profit or loss:		
— Remeasurement of defined-benefit and post-retirement medical aid obligations	11	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	778	433
Total comprehensive income attributable to:		
Ordinary shareholders	752	405
Preference shareholders	3	3
Non-controlling interest	23	25
	778	433

STATEMENT OF CHANGES IN EQUITY

	2017	2016
R millions	Audited	Audited
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	778	433
Dividends paid	(497)	(435)
Share-based payment reserve	29	45
Shares repurchased	—	(39)
Equity at the beginning of the year	9 046	9 042
EQUITY AT THE END OF THE YEAR	9 356	9 046
Made up as follows:		
Ordinary share capital	110	110
Reserves	1 102	1 280
— Foreign currency translation reserve	883	1 086
— Other reserves	(5)	(1)
— Share-based payment reserve	224	195
Retained earnings	8 022	7 523
Non-controlling interest	116	127
Preference share capital	6	6
	9 356	9 046

RECONCILIATION OF WEIGHTED AVERAGE NUMBER OF SHARES

	2017	2016
Millions	Audited	Audited
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AT THE BEGINNING OF THE YEAR	131,9	132,4
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 shares repurchased during the year	—	(0,3)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR BASIC EARNINGS PER SHARE	105,5	105,7
Dilutive adjustment for potential ordinary shares	5,0	2,3
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	110,5	108,0

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

		2017	2016
R millions	Note	Audited	Audited
ASSETS			
Non-current assets		7 365	7 538
Property, plant and equipment	3	3 965	3 990
Investment property		216	140
Intangible assets		188	211
Goodwill		1 524	1 541
Pension fund employer surplus accounts		487	583
Investments in joint ventures		274	327
Investments in associates	4	199	194
Other investments	5	117	25
Deferred tax		395	527
CURRENT ASSETS		8 606	8 282
Inventories		3 355	3 174
Accounts receivable		3 793	3 342
Other investments		155	190
Assets classified as held for sale	7	—	60
Tax receivable		97	51
Cash		1 206	1 465
TOTAL ASSETS		15 971	15 820
EQUITY AND LIABILITIES			
Equity		9 356	9 046
Ordinary share capital and reserves		9 234	8 913
Non-controlling interest		116	127
Preference share capital		6	6
NON-CURRENT LIABILITIES		1 614	2 324
Deferred tax		93	254
Non-current borrowings		1 100	1 600
Contingent consideration		29	58
Non-current provisions and employee benefits		392	412
CURRENT LIABILITIES		5 001	4 450
Accounts payable		4 272	4 148
Current borrowings		530	162
Loans from joint ventures		130	75
Tax payable		69	65
TOTAL EQUITY AND LIABILITIES		15 971	15 820

STATEMENT OF CASH FLOWS

	2017	2016
R millions	Audited	Audited
CASH GENERATED BY OPERATIONS	2 350	2 328
Dividends received	55	46
Interest paid	(202)	(238)
Interest received	35	55
Tax paid	(481)	(636)
Changes in working capital	(358)	488
Cash outflows relating to defined-benefit and post-retirement medical aid obligations	(101)	(27)
Cash outflows relating to non-current provisions and employee benefits	(77)	(76)
CASH AVAILABLE FROM OPERATING ACTIVITIES	1 221	1 940
Dividends paid	(497)	(435)
CASH FLOWS FROM OPERATING ACTIVITIES	724	1 505
CASH FLOWS FROM INVESTING ACTIVITIES	(753)	(491)
Net investment activities	(97)	(3)
Net capital expenditure	(656)	(488)
NET CASH (UTILISED)/GENERATED BEFORE FINANCING ACTIVITIES	(29)	1 014
CASH FLOWS FROM FINANCING ACTIVITIES	(121)	(1 523)
Loans with joint ventures	55	39
Shares repurchased	—	(39)
Settlement of performance shares	(44)	(22)
Borrowings raised	250	1 110
Borrowings repaid	(382)	(2 620)
NET DECREASE IN CASH	(150)	(518)
Cash at the beginning of the year	1 465	2 114
Translation loss on cash	(109)	(131)
CASH AT THE END OF THE YEAR	1 206	1 465

INDUSTRY SEGMENT ANALYSIS

BASIS OF SEGMENTATION

In 2014, AECI revised its strategy and developed key growth pillars. The Group's businesses have been aligned in terms of these pillars and internal reporting was altered to reflect this realignment. 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.

The following summary describes the operations of each reportable segment.

REPORTABLE SEGMENT	OPERATIONS
Mining Solutions	The businesses in this pillar provide a mine-to-metal solution for the mining sector internationally. The offering includes commercial explosives, initiating systems and blasting services right through the value chain to chemicals for ore beneficiation and tailings treatment.
Water & Process	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.
Plant & Animal Health	Manufacturer and supplier of an extensive range of crop protection products, plant nutrients and services for the agricultural sector in Africa.
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.
Chemicals	Supply of chemical raw materials and related services for use across a broad spectrum of customers in the manufacturing and general industrial sectors.
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.

INDUSTRY SEGMENT ANALYSIS CONTINUED

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 management 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. The comparative figures have been restated to reflect the revised operating segments.

R millions	Audited 2017	Audited Restated 2016	Audited 2017	Audited Restated 2016	Audited 2017	Audited Restated 2016
	EXTERNAL REVENUE		INTER-SEGMENT REVENUE		TOTAL SEGMENT REVENUE	
Mining Solutions	9 643	9 856	75	82	9 718	9 938
Water & Process	1 409	1 368	45	40	1 454	1 408
Plant & Animal Health	2 479	2 496	64	44	2 543	2 540
Food & Beverage	1 190	1 121	5	1	1 195	1 122
Chemicals	3 445	3 427	119	121	3 564	3 548
Property & Corporate	316	328	90	82	406	410
Inter-segment	—	—	(398)	(370)	(398)	(370)
	18 482	18 596	—	—	18 482	18 596
	PROFIT/(LOSS) FROM OPERATIONS		DEPRECIATION AND AMORTISATION		IMPAIRMENTS	
Mining Solutions	1 097	911	424	437	10	54
Water & Process	182	159	50	53	—	—
Plant & Animal Health	133	172	12	10	—	—
Food & Beverage	64	13	15	17	—	28
Chemicals	365	394	71	82	3	—
Property & Corporate	(262)	(314)	25	27	—	—
	1 579	1 335	597	626	13	82
	OPERATING ASSETS		OPERATING LIABILITIES		CAPITAL EXPENDITURE	
Mining Solutions	6 308	6 216	1 730	1 557	435	298
Water & Process	1 228	1 150	277	218	21	8
Plant & Animal Health	1 664	1 558	1 089	1 087	64	29
Food & Beverage	819	862	259	252	11	14
Chemicals	2 244	2 117	798	693	42	78
Property & Corporate	778	555	150	341	131	75
	13 041	12 458	4 303	4 148	704	502

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

	Note	2017	2016
R millions		Audited	Audited
Capital expenditure		704	502
— expansion		288	183
— replacement		416	319
Capital commitments		405	233
— contracted for		119	62
— not contracted for		286	171
Acquisitions authorised and contracted for	6	4 173	—
Future rentals on leased property, plant and equipment		367	443
— payable within one year		116	123
— payable thereafter		251	320
Net borrowings		424	297
Depreciation and amortisation		597	626
Gearing (%)*		5	3
Current assets to current liabilities		1,7	1,9
Net asset value per ordinary share (cents)		8 399	8 107
ZAR/US\$ closing exchange rate (rand)		12,31	13,73
ZAR/US\$ average exchange rate (rand)		13,31	14,72

* Borrowings less cash, as a percentage of equity.

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. New standards adopted did not have a material effect on the financial results.

The preparation of these summarised consolidated financial results for the year ended 31 December 2017 was supervised by the Financial Director, Mr KM Kathan CA(SA) AMP (Harvard).

(b) Financial statements preparation and independent audit

The summary report is extracted from audited information but is itself not audited. The financial statements were audited by KPMG Inc. which expressed an unmodified opinion thereon.

The audited financial statements and the auditor's report thereon are available for inspection at the Company's registered office. 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 2017.

(2) Revenue includes foreign and export revenue of R6 236 million (2016: R6 479 million).

(3) Impairment of plant and equipment

During the year the Directors performed a detailed impairment assessment in respect of the property, plant and equipment of operations in Mozambique included in the Mining Solutions operating segment. The recoverable amounts in respect of the cash generating unit was estimated based on the greater of its value in use and fair value less costs of disposal.

As a result, a decision was taken to impair the assets in Mozambique following unsuccessful attempts to secure the necessary explosives licences. An impairment loss of R10 million was recognised on the assets, which represented the net book value of these assets.

NOTES CONTINUED

(4) Impairments recognised by equity-accounted investee

During the year Crest Chemicals ("Crest"), which is 50% owned by the Group and treated as an equity-accounted investee, lost a key customer and this compromised the future of Crest's caustic soda business. The Directors performed a detailed impairment assessment in respect of the cash generating unit to which the lost business related, resulting in an impairment loss being recognised by Crest.

The impact of this on the Group is a reduction of the share of profits received from the equity-accounted investee to the value of R54 million.

(5) Investment in unlisted shares

In July 2017 AECL invested US\$5 million (R65 million) in Origin Materials ("Origin"), a start-up company based in California, USA, that has pioneered the development of bio-based chemicals which can be processed into a large number of products for application in global markets. Origin is considered to be a level 3 available-for-sale financial asset. The Group has applied the IAS 39 exemption (paragraph 46c) and carries the investment at cost. Included in the unlisted shares is a R22 million investment in the Good Chemistry Fund, which is also considered to be a level 3 available-for-sale financial asset.

(6) Events after the reporting date

AECL Mauritius Limited, a wholly-owned subsidiary of AECL, 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. 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 will be consolidated from the effective date as part of the Group's Plant & Animal Health segment. However, Schirm will operate as a stand-alone entity.

The purchase consideration of the transaction was €128,4 million (R1,901 billion), subject to certain adjustments based on the closing accounts, and was settled in cash on the effective date.

AECL already has well-established businesses in Africa, South East Asia, the USA and Australia. Domestic and international growth in the areas of Mining Solutions, Water & Process, Plant & Animal Health, Food & Beverage, and Chemicals is a strategic 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 has invested substantially in capital expenditure over the past two 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 AECL as well as expansion and supply chain opportunities for the Group's existing Plant & Animal Health pillar. This includes opportunities for AECL to replace some of the raw materials it currently imports from third parties; enhanced geographic and product diversity for AECL's wider Chemicals portfolio; synergistic benefits associated with differing seasonal demand cycles in the northern and southern hemispheres; and currency diversification for AECL.

The initial accounting for the business combination has not been completed. As a result it was impracticable for certain IFRS 3 Business Combinations disclosures to be made.

The Group has entered into an agreement with Capitalworks Private Equity, MIC Investment Holdings Proprietary Limited and the Much Asphalt management team to acquire 100% of the issued share capital in Much Asphalt, for a total consideration of R2,272 billion which is payable in cash, subject to the conditions precedent being fulfilled.

Apart from the above, no other events after the reporting date occurred that may give rise to further disclosures or reported figures.

(7) Assets classified as held for sale

The disposal of Olive Pride, a business that was part of the Food & Beverage operating segment and which was classified as held for sale at 31 December 2016, was completed on 1 April 2017. The assets disposed of were transferred initially to a separate legal entity, Clover Pride Proprietary Limited ("Clover Pride"), that was wholly-owned by the Group through its subsidiary Southern Canned Products Proprietary Limited. Subsequent to the transfer of the assets, the interest in Clover Pride was distributed to the Company as a dividend in specie. The shareholding in Clover Pride was then reduced through the sale of a 51% stake to Clover S.A. Proprietary Limited for a total consideration of R30 million.

The Group's remaining 49% stake in Clover Pride is treated as an equity-accounted investee in terms of IAS 28 Investments in Associates and Joint Ventures, and it is part of the Food & Beverage segment.

The carrying amount of total assets sold was:

	2016	2017	2017
R millions	At 31 Dec	Movements	At 1 April
Goodwill	27	1	28
Property, plant and equipment	1		1
Intangible assets	21		21
Inventory	11	(3)	8
ASSETS CLASSIFIED AS HELD FOR SALE	60	(2)	58
Exchanged for:			
— trade loan with associate			4
— investment in associate			24
Proceeds on disposal			30
Surplus/(shortfall) on disposal			—

NOTES CONTINUED

(8) Contingent liabilities

The investigation process undertaken by the Competition Commission of South Africa ("the Commission") in 2014, into collusion by Akulu Marchon ("Akulu") and a competitor, was concluded. Both parties concluded separate settlement agreements with the Commission. Akulu made a payment of the penalty of R13 905 600 on 30 October 2017. Akulu also agreed to and implemented behavioural remedies which will be applied across the Group.

The Group is involved in various legal proceedings and is in consultation with its legal counsel, assessing the outcome of these proceedings on an ongoing basis. As proceedings progress, the Group's management makes provision in respect of legal proceedings where appropriate. Litigations, current or pending, are not likely to have a material adverse effect on the Group.

- (9) 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 is consistent with those previously reported. Those transactions were concluded on terms that are 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.
- (10) The Group measures forward exchange contracts at fair value (amounting to a net liability of R66 million) 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. Forward exchange assets and liabilities amounted to R43 million and R109 million, respectively. Other financial assets and financial liabilities, carried at fair value through profit or loss, amounted to R155 million and R29 million respectively, using inputs described in level 1 and level 3 respectively of the fair value hierarchy. There were no transfers between levels 1, 2 or 3 of the fair value hierarchy during the year ended 31 December 2017.

COMMENTARY

FINANCIAL PERFORMANCE

AECI delivered a most pleasing result for 2017, due largely to a strong performance in the last quarter of the year. Positive contributors were a recovery in the global resources sector, the benefits of the Group's diversification strategy and disciplined cost control. Negative factors included the effects of severe drought conditions in the Western Cape and other Southern Africa regions on agriculture and the water treatment industry, the stronger ZAR/US dollar exchange rate (particularly around year-end) and sluggish economic growth in South Africa which led to the local manufacturing sector contracting further.

Earnings per share ("EPS") increased by 22% from 735 cents to 900 cents. In the prior year EPS was negatively affected by the R54 million (40 cents per share) impairment of assets deployed in the local coal mining sector.

Headline earnings improved from R864 million last year to R1 012 million, in line with the 17% growth in headline earnings per share ("HEPS") to 959 cents (2016: 818 cents). HEPS in 2016 was impacted by the settlement cost (non-cash) of AECI's post-retirement medical aid liability. In 2017, costs associated with the completion of two acquisitions had an effect on HEPS.

The Board has declared a final gross cash dividend of 340 cents per ordinary share, an increase of 13% from 2016's 300 cents per share, bringing the total dividend for the 2017 financial year to 478 cents, 10% higher than the prior year's 435 cents. A South African dividend withholding tax of 20% will be applicable to the final dividend, resulting in a net dividend of 272 cents per share payable to those shareholders who are not eligible for exemption or reduction.

SAFETY

Tragically, a fatality occurred on 26 July 2017. Mr Yandisa Nondlwana, a contractor tanker driver who was delivering molten sulphur to the Chloorkop site on behalf of a supplier, succumbed to injuries he sustained when he fell from the top of the tanker while in the process of transferring the product.

AECI's aspiration remains zero harm to employees and contractors.

The Total Recordable Injury Rate ("TRIR") was 0,39 (2016: 0,45), a good overall improvement. The TRIR measures the number of incidents per 200 000 hours worked.

SEGMENTAL PERFORMANCE

MINING SOLUTIONS

This segment comprises explosives (AEL Mining Services) and mining chemicals (Expense and Senmin).

Revenue declined by 2,2% to R9 718 million (2016: R9 938 million), due mainly to lower ammonia prices for most of the year and a stronger rand against the US dollar. More than 50% of revenue in this segment is US dollar based. Profit from operations improved significantly to R1 097 million — 20,4% ahead of last year's R911 million as a result of volume growth and a more favourable product mix in the segment as a whole. The operating margin also improved from 9,2% to 11,3%.

Explosives

Overall bulk explosives volumes increased by 6,5% and by 1,7% for initiating systems.

In South Africa, explosives volumes were 4,8% higher with robust demand in the second half-year from customers in the surface coal, iron ore and platinum mining sectors. Underground gold and platinum mining customers remained under significant cost pressure and there were several mine closures. The conclusion of a number of corporate actions will see consolidation of mine ownership in the underground market in 2018. Volumes of initiating systems grew by 1%.

In the rest of Africa, explosives volumes grew by 5,2%. Higher copper prices benefited the business in Central Africa while the West African gold mining sector came under pressure as customers mined their stock piles. Deployment to service new business gained in the first half of the year commenced in the last quarter.

Volumes in the Asia Pacific region were 12,5% higher year-on-year on the back of higher demand from coal mining customers and additional contracts secured. The businesses in Indonesia and Australia were profitable and cash generative.

Mining chemicals

The mining chemicals businesses delivered a solid performance. There was good growth in surfactants, with improved conditions in the mining sector. Senmin's export sales did not recover in full, primarily as a result of the key distributor losing market share. In South Africa, Senmin grew in line with the improvement in mining output. Overall mining chemicals volumes declined by 1,3%.

Senmin's R90 million xanthates expansion project is progressing well and commissioning is expected in the second half of 2018.

WATER & PROCESS (IMPROCHEM)

Revenue of R1 454 million was 3,2% higher (2016: R1 408 million) and profit from operations grew by 14,2% to R182 million (2016: R159 million). Growth in the South African core market was curtailed by poor conditions in the manufacturing sector and drought effects in the Western Cape.

In the rest of Africa, pleasing progress continued to be made in the public water and industrial sectors. 30% of ImproChem's total revenue is now generated in other African countries.

Four contracts for the installation of desalination plants for industrial customers in the Western Cape were secured for 2018. ImproChem also continued to supply containerised water plants to communities living in areas where access to potable water is a challenge.

PLANT & ANIMAL HEALTH (NULANDIS)

Revenue was flat at R2 543 million (2016: R2 540 million). Profit from operations declined by 22,9% to R133 million (2016: R172 million), primarily as a consequence of the drought in the Western Cape and the stronger rand exchange rate. Drought effects also had an impact on Farmers Organisation in Malawi.

The investment in the calcium nitrates and ammonium nitrates plant at Modderfontein was completed and Nulandis recorded robust growth in its bulk nutrition division.

Biocult's trials in both the US and Canada were successful and the next phase of the expansion programme will be pursued following regulatory approval.

FOOD & BEVERAGE (LAKE FOODS AND SOUTHERN CANNED PRODUCTS ("SCP"))

Revenue of R1 195 million was 6,5% higher than 2016's R1 122 million. Profit from operations was R64 million (2016: R13 million). In the prior year, goodwill relating to the poultry business was impaired at a cost of R28 million.

Lake Foods' food additives and perlite filtration divisions performed well. Solid progress was made in implementing the strategy to grow the formulated juice business and to focus less on trading activities. A site adjacent to SCP's current Cape Town operations was acquired for the expansion of warehousing and distribution facilities. It is intended that all Food & Beverage activities in the Western Cape will ultimately be consolidated on that site.

CHEMICALS (CHEMFIT, CHEMICAL INITIATIVES, CHEMSYSTEMS, INDUSTRIAL OLEOCHEMICAL PRODUCTS, SANS TECHNICAL FIBERS)

Revenue was flat at R3 564 million (2016: R3 548 million) and profit from operations of R365 million declined by 7,2% (2016: R394 million). The main contributors to this decline were the closure of Huntsman Tioxide at the end of 2016, with a negative R25 million impact on contribution, and the sharp strengthening of the local currency against the US dollar at year-end.

In a poor trading environment, overall volumes in this diverse portfolio of businesses increased by 1% while operating margins remained robust at 10,2% (2016: 11,1%). The segment remained highly cash generative.

In 2016, the Group earned R28 million from its joint ventures and associates. No earnings were received in 2017 as a result of a R54 million impairment of Crest Chemicals' caustic soda business. Crest Chemicals is a 50% joint venture with Brenntag AG.

PROPERTY & CORPORATE

The revenue base of Group's remaining property activities comprises mainly the leasing of buildings at Modderfontein (Gauteng) and Umbogintwini (KwaZulu-Natal), as well as the provision of utilities and services at the multi-user Umbogintwini Industrial Complex.

Revenue from these activities was R406 million. The R410 million earned in the prior year included the once-off sale of land that remained available for redevelopment at the Group's Somerset West site.

Net corporate costs declined to R262 million (2016: R314 million). In 2016, these costs included R149 million in part settlement of the Group's post-retirement medical aid liabilities. Included in the current year was R105 million for transaction costs associated with the acquisition of Much Asphalt and Schirm.

CASH UTILISATION

R1 221 million was generated by the Group's operating activities (2016: R1 940 million). The year-on-year decline was attributable mainly to cash outflow in respect of working capital. Higher levels of working capital resulted from the extension of credit terms to certain global customers and higher than usual sales in the last quarter of the year. Accounts receivable increased to R3 793 million (2016: R3 342 million) as a consequence.

Fixed capital expenditure was R704 million (2016: R502 million), of which R288 million was for expansion. Key capital projects included the statutory shutdown of AEL Mining Services' No. 11 Nitric Acid plant at Modderfontein, investments in support of business expansion in the rest of Africa, and the Nulandis and Food & Beverage investments.

Cash interest cover was robust at 13 times (2016: 10,9 times), while cash interest paid declined to R167 million (2016: R183 million).

The Group continued repatriating dividend proceeds, net of withholding taxes, from its subsidiaries.

ACQUISITIONS AND INVESTMENTS

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

The acquisition of Schirm, for a consideration of €128,4 million from Imperial Holdings, became effective on 30 January 2018. 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. The business is being integrated and the initial accounting for the business combination is in progress. It will operate as a standalone entity in the Plant & Animal Health segment.

The acquisition of Much Asphalt from Capitalworks Private Equity and its partners is awaiting approval from South Africa's competition authorities. 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. This business will be integrated into the Chemicals segment.

Also in line with its pursuit of accelerated growth through diversification, the Group made a strategic investment of US\$5 million (R65 million) in Origin Materials ("Origin"). Origin is a privately-owned company in the US with new technology in renewable chemicals.

R22 million has been invested in the newly established Good Chemistry Fund. The objective of the Fund is to facilitate enterprise and supplier development for Black entrepreneurs in South Africa generally and for the chemical industry supply chain in particular.

CHANGES TO THE BOARD

Moses Kgosana and Liziwe Mda resigned as Non-executive Directors of the Company on 29 September 2017 and 27 November 2017, respectively. The Board thanks them for their contribution to the affairs of the Company and the Board during their tenure.

OUTLOOK AND STRATEGIC FOCUS

The recent changes in South Africa's political environment have created a more positive sentiment in terms of the country's outlook. Business and investor confidence is improving in line with this, as is the prospect of higher GDP growth going forward.

Global commodity prices have increased due to stronger demand and chemical prices have increased on the back of higher oil prices.

This more favourable environment should present opportunities for AECI's diverse portfolio of businesses. At the same time the focus will be on the integration of the new businesses, Schirm and Much Asphalt, into the Group and ensuring that they deliver to expectations. Together, these acquisitions represent an investment of more than R4 billion. The management of cash and the control of costs will continue to be managed very closely to ensure that the Company's balance sheet remains strong.

The rate of exchange of the rand against the US dollar and uncertain weather patterns are two key factors that could have an important effect on the current year's performance.

Khotso Mokhele
Chairman

Mark Dytor
Chief Executive

Woodmead, Sandton
27 February 2018

Directors: KDK Mokhele (Chairman), GW Dempster, MA Dytor (Chief Executive), Z Fuphe, G Gomwe*, KM Kathan (Executive), AJ Morgan, R Ramashia.

* Zimbabwean

Group Company Secretary: EN Rapoo

NOTICE TO SHAREHOLDERS

DECLARATION OF FINAL ORDINARY CASH DIVIDEND NO. 168

NOTICE IS HEREBY GIVEN that on Monday, 26 February 2018, the Directors of AECI declared a gross final cash dividend of 340 cents per share in respect of the financial year ended 31 December 2017. The dividend is payable on Monday, 9 April 2018 to holders of ordinary shares recorded in the register of the Company at the close of business on the record date, being Friday, 6 April 2018.

The last day to trade "cum" dividend will be Tuesday, 3 April 2018 and shares will commence trading "ex" dividend as from the commencement of business on Wednesday, 4 April 2018.

A South African dividend withholding tax of 20% will be applicable to all shareholders who are not either exempt or entitled to a reduction of the withholding tax rate in terms of a relevant Double Taxation Agreement, resulting in a net dividend of 272 cents per share payable to those shareholders who are not eligible for exemption or reduction. Application forms for exemption or reduction may be obtained from the Transfer Secretaries and must be returned to them on or before Tuesday, 3 April 2018.

The issued share capital at the declaration date is 121 829 083 listed ordinary shares, 10 117 951 unlisted redeemable convertible B ordinary shares and 3 000 000 listed cumulative preference shares. The dividend has been declared from the income reserves of the Company.

Any change of address or dividend instruction must be received on or before Tuesday, 3 April 2018.

Share certificates may not be dematerialised or rematerialised from Wednesday, 4 April 2018 to Friday, 6 April 2018, both days inclusive.

By order of the Board

E N Rapoo
Group Company secretary

Woodmead, Sandton
27 February 2018

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
and

Computershare Investor Services PLC

PO Box 82, The Pavilions, Bridgwater Road, Bristol BS 99 7NH, England

REGISTERED OFFICE

First floor, AECI Place, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton, 2196

SPONSOR

Rand Merchant Bank (A division of FirstRand Bank Limited)

1 Merchant Place, Cnr Fredman Drive and Rivonia Road, Sandton, 2196

AECI LIMITED

(Incorporated in the Republic of South Africa)

Registration number 1924/002590/06

Tax reference number 9000008608

Share code: AFE

ISIN: ZAE000000220

JSE Bond company code: AECI

("AECI" or "the Company")