Summarised audited consolidated financial results and final cash dividend declaration for the year ended 31 DECEMBER 2018

REVENUE
+26% to R23 314m

EBITDA
+21% to R2 631m

HIGHEST EVER PROFIT FROM OPERATIONS
+27% to R1 999m

SOLID HEPS GROWTH
+9% to 1 045c

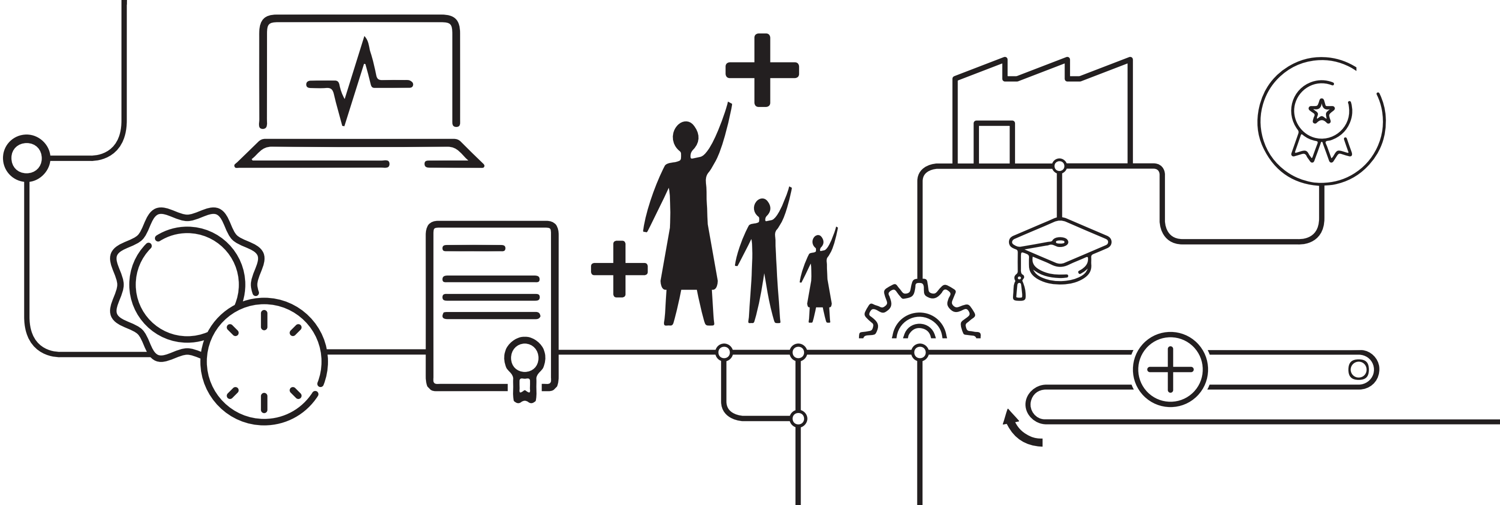
GOOD CASH GENERATION FROM OPERATIONS CONTINUED
R2 029m

ACQUISITIONS
fully integrated into the Group

FINAL ORDINARY CASH DIVIDEND
366cps declared

SAFETY PERFORMANCE (excl. ACQUISITIONS)
improved further

ACHIEVED (IN THE YEAR)
Level 3 B-BBEE Contributor status



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 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 Audited	2017 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

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

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
Accounts receivable		**4 650**	3 793
Other investments		**218**	155
Loans to joint ventures		**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 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

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.

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 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.

R millions	Audited 2018	Audited 2017	Audited 2018	Audited 2017	Audited 2018	Audited 2017
	EXTERNAL REVENUE		INTER-SEGMENT REVENUE		TOTAL SEGMENT REVENUE	
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	
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
	OPERATING ASSETS		OPERATING LIABILITIES		CAPITAL EXPENDITURE	
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 and accounts receivable. 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

* *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 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	
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.

COMMENTARY

FINANCIAL PERFORMANCE

AECI achieved year-on-year revenue growth of 26% to R23 314 million (2017: R18 482 million) owing to strong performances by the Mining Solutions and Chemicals segments, and an improvement in Food & Beverage. The acquisitions finalised in 2018, namely Schirm and Much Asphalt, contributed 17% of the increase. Of the total Group revenue, 40% was generated outside South Africa (34% in 2017) and mainly in US$ and Euro.

The table below summarises the effects of Schirm and Much Asphalt on the Group's results:

			2018	2017	Growth %		
R millions	Operations excluding acquisitions	Acquisitions	**Total reported**	Total reported	Operations excluding acquisitions	Acquisitions	**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 (cents/share)	10,96	(0,51)	**10,45**	9,59	14,3	(5,3)	**9,0**

Profit from operations of R1 999 million was the Group's highest ever and a 27% improvement on the R1 579 million recorded in the prior corresponding period. Profit from operations included impairments totalling R109 million in the Mining Solutions and Plant & Animal Health operating segments. Headline earnings per share ("HEPS") was 1 045 cents, 9% up year-on-year, after accounting for the 57 cents per share HEPS impact of the purchase price allocation for Schirm and Much Asphalt. Headline earnings were R1 103 million (2017: R1 012 million).

Higher prices and demand for most commodities drove output in the global mining sector. This benefited AECI's businesses servicing this industry across an extensive geographic footprint. The weaker ZAR/US$ exchange rate in the second six months and a recovery in chemical input prices also had an impact. These price increases were supported by the oil price which, on average, was higher year-on-year.

Extreme weather conditions had an adverse effect on performance. Other challenges were South Africa's subdued economic environment, delays in road infrastructure expenditure and the continued contraction of South Africa's deep level mining industry.

The Board has declared a final gross cash dividend of 366 cents per ordinary share, an increase of 7,6% from 2017's 340 cents per share, bringing the total dividend for the 2018 financial year to 515 cents, 7,74% higher than the prior year's 478 cents. A South African dividend withholding tax of 20% will be applicable to the final dividend, resulting in a net dividend of 292,8 cents per share payable to those shareholders who are not eligible for tax exemption or reduction.

SAFETY

The greatest disappointment in the year was the tragic death, in November, of Morne Langeveldt. Mr Langeveldt, a Driver Assistant, and the Driver were delivering product to Much Asphalt's site in Contermanskloof, in the Western Cape, on behalf of a supplier. 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 extends its deepest sympathies to his family, friends and colleagues.

The 12-month rolling Total Recordable Incident Rate ("TRIR") was 0,58. This deterioration from 0,39 in December 2017 was due mainly to the high number of Recordable Incidents at Schirm. Significant emphasis has been placed on addressing this, including the roll-out of the Group's Zero Harm safety strategy. Both Schirm and Much Asphalt are committed to upholding AECI's safety, health and environmental policies and standards.

Excluding the acquisitions, the Group's TRIR improved to 0,32.

The TRIR measures the number of incidents per 200 000 hours worked.

SEGMENTAL PERFORMANCE

MINING SOLUTIONS

This segment comprises explosives (AEL Intelligent Blasting ("AEL")) and mining chemicals (Experse and Senmin).

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 and the higher ammonia price. Revenue from foreign operations accounted for 56% of the segment's total revenue. The weaker ZAR/US$ exchange rate in the second half of the year boosted the results in rand terms and profit from operations improved by 16% to R1 274 million (2017: R1 097 million). The operating margin also improved to 11,6%, from 11,3% in the prior year.

Explosives

Excellent results were achieved, driven by a strong performance from the mining industries in the Democratic Republic of Congo, Australia and Francophone West Africa. 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 again being placed in business rescue 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 a consequence of the ongoing contraction of 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.

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. Strong growth was achieved in Francophone West Africa, on the back of new contracts secured in 2017 at gold mining customers. The diamond industry in Botswana also improved.

Volumes in the Asia Pacific region increased by 48%, with opportunistic sales as well as the deployment of an enhanced product and service offering in Australia. In Indonesia, the transition to a new Explosives Licensee partner was completed successfully. The investment in the joint venture, 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. BBRI's in-country manufacturing capacity nonetheless remains a strategic advantage, because the volume of imports of ammonium nitrate into Indonesia continue to be regulated. A capital replacement programme at the customer's site is underway in Indonesia to service contracts that have been rolled over. In Australia, a capital expansion programme is in progress to service market demand.

In the last quarter of the year AECI Latam acquired an explosives business in Brazil, through a judicial recovery auction process, for a cash consideration of US$6,3 million. The transaction has not yet taken effect but is expected to be finalised by the end of the first quarter 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.

Mining Chemicals

Volumes were 2,5% higher overall. Demand for both collectors and flocculants increased in South Africa as a result of increased activity in the platinum mining sector year-on-year. While there were good sales to the Central African region's copper mining sector, overall exports were lower than in the prior year.

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.

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

WATER & PROCESS (IMPROCHEM)

The year was extremely challenging for this segment. 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 performed strongly, with four desalination plants installed in the Western Cape and service contracts for these secured.

Export sales were affected in line with AECI's credit risk management processes and a doubtful debt provision of R30 million was raised.

PLANT & ANIMAL HEALTH (NULANDIS AND SCHIRM)

The segment's revenue grew by 74% to R4 423 million following the inclusion of Schirm, the acquisition based in Germany that was finalised on 30 January 2018. 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 by the effects of severe drought conditions and erratic rainfall patterns in recent years. The same drought effects also persisted in Malawi, where Farmers Organisation is based. Shifts in the market to generic products added to the challenge in that country. A R31 million impairment of the Farmers Organisation goodwill was taken at year-end.

Schirm's performance was below expectations owing to the delayed start-up of the new synthesis plant at Schönebeck and the time to secure additional qualified operating personnel. As a result, 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 conditions were also experienced in Northern and Central Europe in the 2018 summer season and resulted in lower demand for agrochemicals.

Historically, Schirm's returns have been marginal in the second half of the year owing to seasonality. The businesses in both Germany and the US 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.

Schirm's results benefited from a once-off net R41 million foreign exchange gain. This was offset by non-cash amortisation of identifiable assets of R73 million, recognised through the purchase price allocation ("PPA"). The ongoing annual amortisation will be R35 million from 2019 onwards. Excluding the PPA effects, the business' results were HEPS accretive.

FOOD & BEVERAGE (LAKE FOODS AND SOUTHERN CANNED PRODUCTS)

Overall volumes increased by 2,8%, revenue by 4,4% to R1 248 million and profit from operations by 16% to R74 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 remain a focus as will business expansion through exports to other African countries.

CHEMICALS

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 poultry sector.

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

Much Asphalt's performance was below expectations. State-owned entities and local government delayed road infrastructure contract awards and conditions in the sector as a whole remained difficult. It is estimated that the asphalt market contracted by 35% in 2018. The execution of projects in the Western Cape, where Much Asphalt has a strong order book, was delayed by the onset of the rainy season but activity resumed thereafter. Much Asphalt's results were also impacted by non-cash amortisation of identifiable assets of R11 million recognised through the PPA. The ongoing annual amortisation will be R12 million from 2019 onwards. The business' results were not accretive to HEPS for the year.

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.

CASH UTILISATION

Cash of R2 029 million (2017: R1 221 million) was generated by the Group's operating activities. This performance was enabled by improved profitability and good overall working capital control in the second half of the year. Most of the R845 million increase in working capital related to the acquisitions. The net cash outflow in working capital was R155 million and related mainly to the continued growth of the Explosives business outside South Africa.

R328 million of the R847 million invested in fixed assets (2017: R704 million), was for expansion projects and the balance of R519 million was replacement capital expenditure. Key expansion projects included 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.

Cash interest cover was 8,2 times. The decrease from the 2017 cover of 13 times was due to the higher net interest charge of R365 million (2017: R167 million). The acquisitions of Schirm and Much Asphalt were funded through bridge finance initially. This arrangement was replaced late in 2018 when R4,4 billion was raised through term debt and debt capital funds at favourable interest rates. It is anticipated that the borrowings will be repaid over five years to 2023.

US$20 million, net of withholding taxes, was repatriated from the Group's foreign subsidiaries.

STRATEGIC REALIGNMENT OF AEL AND IMPROCHEM

AEL and ImproChem have initiated business realignment projects, assisted by external consultants.

AEL is reviewing its product and service offering, and the structures that support these, mainly for the South African narrow reef mining market which has been declining over several years. Narrow reef mining is the key market for initiating systems, where a 12% decline in volumes was recorded in 2018 alone. The closure of another two shafts has been announced by an AEL customer.

AEL's realignment will ensure that it remains a sustainable, responsible and shareholder value-creating local supplier to the South African mining industry while continuing to position itself for growth in the rest of its expanding footprint.

ImproChem is reviewing its go-to market model to enhance its capabilities and improve service delivery.

Section 189 processes at both AEL and ImproChem commenced in January 2019. Costs associated with realignment will be incurred in the first half of 2019 and it is anticipated that these costs will be offset by savings in the second six months of the year.

FOCUS

AECI delivered pleasing results in 2018, notwithstanding some challenges.

The priority in the coming year will be ensuring that the Group's recent acquisitions deliver financial performances in line with expectations and that the newly-acquired asset in Brazil is integrated into Mining Solutions as quickly as possible once the transaction has been finalised. Successful execution of realignment projects in AEL and ImproChem will also be key. Cash management remains important.

OUTLOOK

From an international perspective, the uncertainty created by shifts in world trade relations persists as does that relating to final Brexit agreements. Rainfall patterns and the effects of climate change impacts will continue to have a strong influence on the agricultural sector globally.

AECI continues to expand its product and services offering in the rest of Africa, in line with strategy. Conditions in several countries where the Group operates were conducive to maximising the opportunities for growth that demand for commodities presented in 2018, 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 in the countries of operation.

In South Africa policy certainty and the future stability of state-owned enterprises, including electricity supply, has improved. This, together with the positive changes in the political environment at the end of 2017, should favour an acceleration in economic growth and investment in the coming year.

The expansion and maintenance of infrastructure is fundamental to South Africa's long-term economic growth and it is of concern that the timing of contract awards in this sector remains unclear. There are some indications that activity could accelerate in the second half of the year.

It is pleasing that the terms of the Mining Charter were finalised in 2018. The Group is well placed to continue adding value to its customers as they enhance their compliance in this important area.

The Board and management have reconfirmed AECI's strategy and value proposition going forward.

Khotso Mokhele
Chairman

Mark Dytor
Chief Executive

Woodmead, Sandton
26 February 2019

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

* *Zimbabwean*

Group Company Secretary: EN Rapoo

NOTICE TO SHAREHOLDERS

DECLARATION OF FINAL ORDINARY CASH DIVIDEND NO. 170

NOTICE IS HEREBY GIVEN that, on Monday, 25 February 2019, the Directors of AECI declared a gross final cash dividend of 366 cents per share, in respect of the financial year ended 31 December 2018. The dividend is payable on Monday, 8 April 2019 to holders of ordinary shares recorded in the register of the Company at the close of business on the record date, being Friday, 5 April 2019.

The last day to trade "cum" dividend will be Tuesday, 2 April 2019 and shares will commence trading "ex" dividend as from the commencement of business on Wednesday, 3 April 2019.

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 292,8 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, 2 April 2019.

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, 2 April 2019.

Share certificates may not be dematerialised or rematerialised from Wednesday, 3 April 2019 to Friday, 5 April 2019, both days inclusive.

By order of the Board

EN Rapoo
Group Company secretary

Woodmead, Sandton
26 February 2019

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
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and
Computershare Investor Services PLC
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SPONSOR

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AECI LIMITED

(Incorporated in the Republic of South Africa)
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Tax reference number 9000008608
Share code: AFE   ISIN: ZAE000000220
Hybrid code: AFEP   ISIN: ZAE000000238
Bond company code: AECI
("AECI" or "the Company" or "the Group")