



One AECI, *for a better world*

Summarised audited consolidated financial results
and final cash dividend declaration for the year
ended 31 December 2020.

good chemistry



aeciworld.com

2020

**CASH GENERATED FROM
OPERATING ACTIVITIES**
R3 132m

GEARING
22%
FY19: 36%

FINAL CASH DIVIDEND OF
470c
DECLARED

REVENUE
-3% to R24 111m
Underlying* +2% to R25 202m
Foreign & export revenue: 44% of total revenue

EBITDA
-15% to R2 943m
Underlying* +4% to R3 368m

PROFIT FROM OPERATIONS
-55% to R917m
Underlying* +3% to R2 232m

SAFETY PERFORMANCE
TRIR OF
0,42

* Excl. impairments, net profit from sale of businesses
and estimated COVID-19 impact.

INDEPENDENT AUDITOR'S REPORT ON SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF AECI LIMITED

OPINION

The summarised consolidated financial statements of AECI Limited, as set out on pages 2 to 12, which comprise the summarised consolidated statement of financial position as at 31 December 2020, the summarised consolidated income statement, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of AECI Limited for the year ended 31 December 2020.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of AECI Limited, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

OTHER MATTER

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of AECI Limited and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 23 February 2021. That report also includes the communication of a key audit matter as reported in the auditor's report of the audited consolidated financial statements.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as 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 SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Deloitte & Touche

Registered Auditors

Per: Patrick Ndlovu

Partner

23 February 2021

Building 1 and 2
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead, Sandton
Private Bag X6
Gallo Manor
2052
South Africa

SUMMARISED CONSOLIDATED INCOME STATEMENT

			2020	2019
R millions	Note	% change	Audited	Audited
REVENUE	2	(3)	24 111	24 799
Net operating costs			(23 194)	(22 768)
PROFIT FROM OPERATIONS		(55)	917	2 031
(Loss)/profit on disposal of equity-accounted investees	4.2		(3)	234
Share of profit of equity-accounted investees, net of tax			27	30
PROFIT FROM OPERATIONS AND EQUITY-ACCOUNTED INVESTEEs		(59)	941	2 295
Net finance costs			(278)	(457)
Interest expense			(365)	(516)
Interest received			87	59
PROFIT BEFORE TAX			663	1 838
Tax expense			(503)	(511)
PROFIT FOR THE YEAR			160	1 327
Profit attributable to:				
— Ordinary shareholders			133	1 291
— Preference shareholders			4	3
— Non-controlling interest			23	33
			160	1 327
PER ORDINARY SHARE (CENTS):				
Basic earnings		(90)	127	1 223
Diluted basic earnings			121	1 179
Headline earnings		(23)	880	1 150
Diluted headline earnings			844	1 108
Ordinary dividends declared			470	414
Ordinary dividends paid			514	522
HEADLINE EARNINGS ARE DERIVED FROM:				
Profit attributable to ordinary shareholders			133	1 291
Impairment of goodwill	4 and 7.2		863	147
Impairment of property, plant and equipment	4		27	—
Loss/(profit) on disposal of equity-accounted investees	4.2		3	(234)
(Profit)/loss on disposal of businesses and investment in subsidiaries	4.1 and 5		(102)	—
Gain on bargain purchase	3		(24)	—
Surplus on disposal of investment property and property, plant and equipment			(12)	(69)
Tax effects of the above items			40	78
HEADLINE EARNINGS			928	1 213

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020	2019
R millions	Audited	Audited
PROFIT FOR THE YEAR	160	1 327
OTHER COMPREHENSIVE INCOME NET OF TAX		
Items that may be reclassified subsequently to profit or loss:		
— Foreign currency translation differences	230	(146)
— Effective portion of cash flow hedges	(4)	—
Items that may not be reclassified subsequently to profit or loss:		
— Remeasurement of defined-benefit and post-retirement medical aid obligations	6	243
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	392	1 424
Total comprehensive income attributable to:		
— Ordinary shareholders	358	1 388
— Preference shareholders	4	3
— Non-controlling interest	30	33
	392	1 424

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		2020	2019
R millions	Note	Audited	Audited
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		392	1 424
Dividends paid		(604)	(594)
Share-based payment reserve		(63)	38
Non-controlling interest acquired	3	6	—
Adjusted equity at the beginning of the year		11 084	10 216
Equity at the beginning of the year		11 084	10 205
Adjustment on adoption of IFRS 16, net of deferred tax		—	11
EQUITY AT THE END OF THE YEAR		10 815	11 084
Made up as follows:			
Ordinary share capital		110	110
Reserves		1 636	1 487
— Foreign currency translation reserve		1 404	1 181
— Other reserves		(27)	(29)
— Share-based payment reserve		259	335
Retained earnings		8 895	9 315
Non-controlling interest		168	166
Preference share capital		6	6
		10 815	11 084

RECONCILIATION OF WEIGHTED AVERAGE NUMBER OF SHARES

	2020	2019
Millions	Audited	Audited
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AT THE BEGINNING OF THE YEAR	131,9	131,9
Weighted average number of shares held by consolidated subsidiary cancelled during the year	(11,9)	
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AT THE END OF THE YEAR	120,0	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)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR BASIC EARNINGS PER SHARE	105,5	105,5
Dilutive adjustment for potential ordinary shares	4,5	4,0
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	110,0	109,5

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2020	2019
R millions	Note	At 31 Dec Audited	As 31 Dec Audited
ASSETS			
NON-CURRENT ASSETS		10 720	11 884
Property, plant and equipment	4	5 671	5 722
Right-of-use assets		404	592
Investment property		225	228
Intangible assets		999	964
Goodwill	4 and 7.2	2 363	3 201
Pension fund employer surplus accounts		584	662
Investments in joint ventures		52	33
Investments in associates	4.2	125	141
Other investments		124	107
Deferred tax		173	234
CURRENT ASSETS		12 921	11 249
Inventories		3 761	4 034
Accounts receivable		5 129	4 908
Other investments		398	252
Tax receivable		76	77
Cash		3 557	1 978
TOTAL ASSETS		23 641	23 133
EQUITY AND LIABILITIES			
EQUITY		10 815	11 084
Ordinary share capital and reserves		10 641	10 912
Non-controlling interest		168	166
Preference share capital		6	6
NON-CURRENT LIABILITIES		5 037	6 764
Deferred tax		590	527
Non-current borrowings		3 555	5 237
Lease liabilities		247	366
Put option liability		22	32
Non-current provisions and employee benefits		623	602
CURRENT LIABILITIES		7 789	5 285
Accounts payable		5 391	4 683
Current borrowings		1 865	195
Lease liabilities		150	210
Contingent consideration		—	15
Loans from joint ventures		98	62
Tax payable		162	120
Bank overdraft		123	—
TOTAL EQUITY AND LIABILITIES		23 641	23 133

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

R millions	Note	2020 Audited	2019 Audited
CASH GENERATED BY OPERATIONS		2 915	3 347
Dividends received		8	50
Interest paid		(326)	(456)
Interest received		87	59
Tax paid		(346)	(509)
Changes in working capital		913	(538)
Cash outflows relating to defined-benefit and post-retirement medical aid obligations		(21)	(20)
Cash outflows relating to non-current provisions and employee benefits		(98)	(65)
CASH AVAILABLE FROM OPERATING ACTIVITIES		3 132	1 868
Dividends paid		(604)	(594)
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		2 528	1 274
CASH FLOWS FROM INVESTING ACTIVITIES		(534)	(302)
Acquisition of subsidiaries, net of cash acquired		(82)	—
Loans with joint ventures		36	69
Other net investment activities		(161)	(51)
Investment in associates		(10)	—
Proceeds from disposal of businesses and investment in subsidiaries	4.1 and 5	222	—
Proceeds from disposal of equity-accounted investees	4.2	26	390
Net capital expenditure		(565)	(710)
NET CASH GENERATED BEFORE FINANCING ACTIVITIES		1 994	972
CASH FLOWS FROM FINANCING ACTIVITIES		(591)	(547)
Lease payments		(269)	(246)
Cash paid on buy-out of non-controlling interest		(6)	—
Settlement of performance shares		(102)	(45)
Borrowings raised		—	875
Borrowings repaid		(214)	(1 131)
NET INCREASE IN CASH		1 403	425
Cash at the beginning of the year		1 978	1 581
Translation gain/(loss) on cash		53	(28)
CASH AT THE END OF THE YEAR¹		3 434	1 978

¹ Includes cash of R3 276 million, restricted cash of R281 million and bank overdraft of R123 million (2019: cash of R1 978 million).

INDUSTRY SEGMENT ANALYSIS

BASIS OF SEGMENTATION

The realignment and rebranding of the Group's businesses was completed in the year. This included repositioning businesses into four strategic pillars. These pillars, together with AECI Property Services & Corporate, are the Group's reportable segments and are described below.

The Food & Beverage segment, previously reported separately, was integrated with the AECI Chemicals segment in the current year. AECI Animal Health transferred from AECI Chemicals to AECI Agri Health. Associated internal reporting was amended to reflect these changes and audited 2019 disclosure has been restated accordingly.

Businesses in each pillar offer differing products and services and are managed separately because they require different technology and marketing strategies.

REPORTABLE SEGMENTS	OPERATIONS
AECI MINING	The businesses in this segment provide a mine-to-mineral solution for the mining sector internationally. The offering includes commercial explosives, initiating systems, blasting services and surfactants for explosives manufacture right through the value chain to chemicals for ore beneficiation and tailings treatment.
AECI WATER	This business provides customers on the African continent with integrated water treatment solutions, process chemicals and equipment solutions for a diverse range of applications. These include, inter alia, public and industrial water, desalination and utilities.
AECI AGRI HEALTH	Businesses in this pillar manufacture and distribute crop protection products, plant nutrients, animal premixes, specialty animal health products and fine chemicals on the African continent, in Europe and in the USA.
AECI CHEMICALS	Businesses in this segment supply raw materials and related services to a broad spectrum of customers in the food and beverage, manufacturing, infrastructure and general industrial sectors. Their markets are mainly in South Africa and in other Southern African countries, except for AECI SANS Fibers which is based in the USA.
AECI PROPERTY SERVICES & CORPORATE	Mainly property leasing and management in the office, industrial and retail sectors, and corporate centre functions including the treasury.

There are varying levels of integration between the segments. This includes transfers of raw materials and finished goods, and property management services. Inter-segment pricing is determined on terms that are no more and no less favourable than transactions with unrelated external parties.

INFORMATION RELATING TO REPORTABLE SEGMENTS

Information relating to each reportable segment is set out below. Segmental profit from operations is used to measure performance because AECI's Executive Committee believes that this information is the most relevant in evaluating the results of the respective segments.

	2020	2019	2020	2019	2020	2019
R millions	Audited	Audited Restated	Audited	Audited Restated	Audited	Audited Restated
	EXTERNAL REVENUE		INTER-SEGMENT REVENUE		TOTAL SEGMENT REVENUE	
AECI Mining	11 035	11 429	154	108	11 189	11 537
AECI Water	1 421	1 415	26	37	1 447	1 452
AECI Agri Health	6 005	5 109	51	47	6 056	5 156
AECI Chemicals	5 304	6 504	123	164	5 427	6 668
AECI Property Services & Corporate	346	342	133	129	479	471
Inter-segment	—	—	(487)	(485)	(487)	(485)
	24 111	24 799	—	—	24 111	24 799
	DEPRECIATION		AMORTISATION		IMPAIRMENTS¹	
AECI Mining	613	615	7	1	—	—
AECI Water	33	20	15	19	—	—
AECI Agri Health	196	154	31	27	—	—
AECI Chemicals	154	139	23	23	890	147
AECI Property Services & Corporate	74	67	5	5	—	—
Inter-segment	(39)	(39)	—	—	—	—
	1 031	956	81	75	890	147

INFORMATION RELATING TO REPORTABLE SEGMENTS

	2020	2019	2020	2019	2020	2019
R millions	Audited	Audited Restated	Audited	Audited Restated	Audited	Audited Restated
	PROFIT/(LOSS) FROM OPERATIONS		EBITDA ²		CAPITAL EXPENDITURE	
AECI Mining	1 120	1 305	1 744	1 923	325	479
AECI Water	211	190	259	229	40	22
AECI Agri Health	290	228	518	409	166	121
AECI Chemicals	(531)	399	555	970	78	139
AECI Property Services & Corporate	(165)	(83)	(86)	(11)	23	72
Inter-segment	(8)	(8)	(47)	(47)	—	—
	917	2 031	2 943	3 473	632	833
	OPERATING ASSETS ³		OPERATING LIABILITIES ³			
AECI Mining	7 044	7 917	1 964	1 931		
AECI Water	1 205	1 205	256	263		
AECI Agri Health	5 113	4 529	1 857	1 491		
AECI Chemicals	4 631	5 396	1 384	1 024		
AECI Property Services & Corporate	1 082	1 126	319	328		
Inter-segment	(523)	(524)	(389)	(354)		
	18 552	19 649	5 391	4 683		

¹ Includes impairments of goodwill, property, plant and equipment.

² Earnings before interest, taxation, depreciation and amortisation calculated as profit from operations and equity-accounted investees plus depreciation, amortisation and impairment.

³ Operating assets comprise property, plant and equipment, right-of-use assets, investment property, intangible assets, goodwill, inventories, accounts receivable and assets classified as held for sale. Operating liabilities comprise accounts payable.

Geographical information on non-current assets has not been disclosed as it is not readily available.

OTHER SALIENT FEATURES

	Note	2020 Audited	2019 Audited
R millions			
Capital expenditure		632	833
— expansion		201	159
— replacement		431	674
Capital commitments		544	574
— contracted for		239	182
— not contracted for		305	392
Acquisitions authorised and contracted for		—	88
Future rentals on short-term and low value assets		50	35
— payable within one year		46	22
— payable thereafter		4	13
Net borrowings ¹		2 383	4 030
EBITDA		2 943 ³	3 473 ³
Depreciation		1 030	956
Amortisation		82	75
Gearing (%) ²		22 ³	36 ³
Current assets to current liabilities		1,7 ³	2,1 ³
Net asset value per ordinary share (cents)		9 679	9 925
ZAR/€ closing exchange rate (rand)		17,97	15,73
ZAR/€ average exchange rate (rand)		18,78	16,18
ZAR/US\$ closing exchange rate (rand)		14,65	14,03
ZAR/US\$ average exchange rate (rand)		16,46	14,45

¹ Current and non-current borrowings, including finance lease liabilities and bank overdrafts, less cash.

² Net borrowings, as a percentage of equity.

³ Unaudited.

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 (JSE and 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 (SAICA) 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 statement.

The preparation of these summarised consolidated financial results and the consolidated financial statements for the year ended 31 December 2020 was supervised by the Financial Director, Mr KM Kathan CA(SA) AMP (Harvard).

(1) (b) Financial statements preparation and external audit

These summarised consolidated financial statements for the year ended 31 December 2020 have been audited by Deloitte & Touche which expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived. The auditor's report does not necessarily report on all the information contained in this announcement. Accordingly, shareholders and noteholders are advised that, 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.

The auditor identified the impairment assessment of indefinite life intangible assets and goodwill amounts that arose on the acquisition of Schirm GmbH and Much Asphalt (Pty) Ltd as a key audit matter. Details of the key audit matter and how it was addressed in the audit of the consolidated financial statements for the year ended 31 December 2020 are contained in the auditor's report. The auditor does not report on any forward-looking statements.

A copy of the auditor's report on the summarised consolidated financial statements, the auditor's report on the consolidated financial statements and the auditor's key audit matter 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 this 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 financial statements for the year ended 31 December 2020.

(2) Revenue includes foreign and export revenue of R10 528 million (2019: R10 033 million).

(3) Acquisition of a business

In 2018 the Group, through its subsidiary, AECL Latam Produtos Quimicos Ltd, acquired 100% of an explosives business in Brazil, from Dinacon, for a cash consideration of US\$6,3 million.

On 1 March 2020, the effective date of the transaction, conditions precedent to make the transaction unconditional had been fulfilled. The initial accounting for the acquisition had been provisionally determined at the previous reporting date. At the date of finalisation of these results, the necessary market valuations and other calculations resulted in adjustments to the fair values of identifiable assets and liabilities. This, in turn, resulted in the recognition of a gain on bargain purchase.

	R millions
Carrying value of acquirees' net assets at the acquisition date	
Property, plant and equipment	29
Definite life intangible assets	79
Inventory	4
Non-controlling interest acquired	(6)
Net identifiable assets and liabilities acquired	106
Gain on bargain purchase	(24)
Net consideration paid	82

(4) Segment realignment project: Food & Beverage and Chemicals

Trading conditions for businesses in these segments have become increasingly challenging. In South Africa, subdued economic growth resulted in a slowdown in the manufacturing sector coupled with a slowdown in consumer spending, which directly impacted the affected serviced customers. In this context, operating costs increased progressively over time.

The impact of the COVID-19 pandemic compounded the challenges, with economic and industry forecasts revised downwards to account for the effects on business operations, as well as market uncertainty in respect of future economic activity.

The AECL Executive Committee considered various measures to deal with the challenges and to address the Group's operational requirements in this context. Following a business review of the two affected segments, they were integrated. This provides the Group with the opportunity to reduce costs, improve efficiencies, optimise synergies and have the agility to respond more effectively to market changes going forward.

The project resulted in a decision to exit non-performing businesses and, as a consequence, resulted in the following impairments being recognised:

	R millions
Goodwill	(42)
IOP distillation plant shutdown	(30)
Afoodable operational shutdown	(7)
Cobito brine market exit	(5)
Property, plant and equipment	(27)
IOP distillation plant shutdown	(19)
Chemical Initiatives plant nutrient elemental sulphur plant shutdown	(8)
IMPAIRMENTS	(69)

(4.1) Sale of sauces business

A decision was taken by management to exit the sauces business. Accordingly, Afoodable (Pty) Ltd was sold to Lluvia Holdings (Pty) Ltd. All conditions were fulfilled in line with the sale agreement and, accordingly, the transaction was finalised on 4 August 2020. The goodwill relating to this business, amounting to R7,4 million, was impaired at 30 June 2020.

	R millions
Carrying value of net assets disposed	
Property, plant and equipment	13
Right-of-use assets	2
Deferred tax	(2)
Inventories	7
Accounts receivable	8
Subsidiaries and joint ventures	—
Lease liabilities — non-current	(2)
Accounts payable	(2)
Tax payable	(4)
Subsidiaries and joint ventures creditors	—
Net assets disposed	20
Loss on disposal	(6)
Proceeds on disposal	14

(4.2) Disposal of interest in associate (Olive Pride)

In 2016, AECI entered into a transaction with Clover S.A (Pty) Ltd (Clover) in which AECI sold 51% of its shareholding in Olive Pride to Clover in return for a consideration of R26 million. AECI's 49% stake in Olive Pride was treated as an equity-accounted investee in the AECI Chemicals operating segment. The initial sale agreement made provision for a call and put option exercisable after June 2020. Clover exercised its call option in October 2020 to purchase the remaining 49% of Olive Pride from AECI, with effect from 30 November 2020.

	R millions
Final adjusted purchase price	26
Carrying value of investment disposed	(29)
Loss of sale of associate	(3)

(5) Sale of paper and pulp chemicals business unit

On 1 June 2020, AECI finalised the sale of its pulp and paper chemicals business unit to Solenis Technologies South Africa (Pty) Ltd (Solenis). The business operated in AECI Specialty Chemicals which is part of the AECI Chemicals operating segment.

AECI Specialty Chemicals produces and supplies specialised chemical solutions for broadly the same spectrum of industries as Solenis, including the pulp, paper and tissue manufacturing industries in South Africa and Sub-Saharan Africa. Until this disposal, AECI Specialty Chemicals was Solenis' distributor in Africa.

	R millions
Carrying value of net assets disposed	
Property, plant and equipment	8
Goodwill	19
Inventories	31
Accounts receivable	20
Net assets disposed	78
Employee liabilities recognised	22
Profit on disposal	108
Proceeds on disposal	208

(6) Cash and debt covenants

The Company's net borrowings at 31 December 2020 were R2 383 million compared to R4 030 million at 31 December 2019, with undrawn finance facilities of R4 400 million. All covenant requirements were met in the current and prior year.

(7) Financial impact of COVID-19

(7.1) Property, plant and equipment

The Group has assessed the impact of the COVID-19 pandemic on the assumptions and significant judgements made in the valuation of items of property, plant and equipment.

Considered in this process were factors included in the Group's COVID-19 Response Plan and impairments that resulted in the pillar realignment project undertaken in the year (see note 5). It was concluded that the effects of the coronavirus will not have a lasting effect on the productivity of the Group's property, plant and equipment.

In assessing the potential future impact of the pandemic's effects on the value of items of property, plant and equipment the following were considered:

- several Group businesses were deemed to be providers of essential goods and services at all stages of restrictions on activity and movement imposed to mitigate the spread of the coronavirus
- other businesses, where activities were curtailed or halted, are slowly returning to pre-pandemic productivity in line with a gradual economic recovery
- as a consequence of this, together with the benefits of business realignment initiatives undertaken in the year, the present value of future cash flows of property, plant and equipment is not expected to be impacted negatively, and
- the Group has been assessed as a going concern and plans to continue utilising items of property, plant and equipment to support its revenue-generating activities. The negative impact of COVID-19 has not been significant in this regard.

In view of the above, management does not expect that any medium-term changes in the value of items of property, plant and equipment assets will be material.

(7.2) Goodwill

Significant cash-generating unit (CGU)

AECI Much Asphalt

The recoverable amount of this CGU was based on the value-in-use, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant market sector and have been based on historical data from both external and internal sources.

	%
Post-tax discount rate	14,3
Terminal value growth rate	4,8
Budgeted revenue growth rate ¹	4,7

¹ Revenue growth of 59% in 2021 and average of 4,7% for the next four years.

A post-tax discount rate was applied in determining the recoverable amount of the CGU and estimated based on the Group's weighted average cost of capital, adjusted for the risk profile applicable to the CGU, with a possible debt leveraging of 30%. The discount rate is influenced by changes in the country risk-free rate, currency default spread and risk premiums which, in turn, are influenced by changes in the macro-economic environment.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual earnings before interest, depreciation and amortisation (EBITDA) growth rate, consistent with the assumptions that a market participant would make.

Revenue growth and trading margins were projected taking into account the average growth levels over the past five years and the estimated sales volume and price growth for the next five years. Previously it was assumed that sales would increase in line with projected investment in road infrastructure that would materialise in the foreseeable future, based on the South African government's commitments to infrastructure spend as published by the National Treasury in its forecasts for the next five years.

However, owing to government's fiscal priorities as a result of COVID-19, uncertainty remains as to the pace at which infrastructure projects will be executed in the medium term. The potential negative effects of this on the industry as a whole in the longer term is unclear as is the ongoing pandemic's socio-economic impact in the medium term. Against this background, management reduced its revenue growth and trading margin projections for the next five years. This resulted in the full realisation of the cash flows relating to this CGU no longer being expected.

The value-in-use of the CGU was reassessed at 31 December 2020 by discounting its expected future cash flows based on the considerations above. Its recoverable amount was R1 690 million compared to its carrying value of R2 527 million. Accordingly, R821 million (attributable to ordinary shareholders) of the R1 531 million goodwill recognised at the acquisition date was impaired.

Following the impairment loss recognised, the recoverable amount of the CGU was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

The following changes in assumptions would have resulted in a significant increase in the impairment loss as follows:

R millions	Impairment higher by
An increase in the post-tax discount rate from 14,3% to 16,0%	233
A decrease in the terminal growth rate from 4,8% to 3,8%	100
A decrease of 1,0% in the trading margin from 2021 to 2025	150

AECI Schirm

The recoverable amount of this CGU was based on the value-in-use, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant market sectors and have been based on historical data from both external and internal sources.

	%
Post-tax discount rate ¹	7,8
Terminal value growth rate	2,1
Budgeted revenue growth rate (average for the next five years) ²	3,0

¹ Germany 7,6% and USA 8,0%.

² Germany 2,7% and USA 3,2%.

A post-tax discount rate was applied in determining the recoverable amount of the CGU and was estimated based on the Group's weighted average cost of capital, adjusted for the risk profile applicable to the CGU, with a possible debt leveraging of 15% in both Germany and the USA. The discount rate is influenced by changes in the country risk-free rates, currency default spread and risk premiums which, in turn, are influenced by changes in the macro-economic environment.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Revenue growth was projected taking into account average growth levels over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that sales would increase in line with the expectation of a strong economic recovery post COVID-19 (especially in the automotive sector in Germany), securing major customers on tender, optimisation of existing manufacturing facilities and the delivery to expectations of capital investments in the USA.

The estimated recoverable amount of the CGU was equal to its carrying amount at 31 December 2020, but is sensitive to changes in certain key assumptions. Management identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following changes in assumptions would have resulted in an impairment loss as follows:

R millions	Impairment of
An increase in the post-tax discount rate of 1%	290
A decrease of 2% in the revenue growth rate from 2021 to 2025	120

Other CGUs

Goodwill is tested for impairment by calculating the value-in-use of the CGU or CGUs to which the goodwill is allocated. The goodwill in the operating segments comprises individual CGUs, each of which has been tested for impairment. The goodwill balances are aggregated per operating segment, due to no single CGU in each operating segment being considered individually significant, other than the CGUs disclosed above.

Value-in-use was determined by discounting the future cash flows expected to be generated from the continuing use of the CGU and was based on the following key assumptions:

- cash flows were projected based on actual operating results, approved budgets for three years and the business plan for a period of at least five years, and using an average trading margin between 9% and 10% (2019: 8% and 11%) over the five years
- a post-tax discount rate between 7% and 26% (2019: 7% and 21%) was applied in determining the recoverable amount of the CGU and the discount rate was estimated based on the Group's weighted average cost of capital, adjusted for the risk profile applicable to each CGU
- terminal value growth rates between 2% and 5% (2019: 2% and 6%) were applied. This was based on sustainable earnings and a conservative growth model

For each of the sensitive inputs, management provided the possible impact of decreased profitability on the goodwill valuation by testing multiple scenarios.

Other than AECI Schirm, the impairments of AECI Much Asphalt and those resulting from the segment realignment project in Food & Beverage and Chemicals, a reasonably possible change in the assumptions used to calculate the value-in-use is not likely to cause the recoverable amount to fall below the carrying value of the remaining CGUs

(7.3) Deferred tax

The COVID-19 pandemic negatively impacted the Group's profitability in the short term. However, management remains confident of the Group's ability to continue to generate future taxable income. Future taxable profits were estimated based on business plans which include estimates and assumptions regarding economic growth, interest and inflation rates and current market conditions as a result of the pandemic. Deferred tax assets were recognised to the extent that it is probable that taxable income will be available in future against which they can be utilised. These deferred tax assets do not expire.

(7.4) Trade receivables

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.

The loss allowance is calculated using an expected credit loss (ECL) model instead of an incurred loss model. The Group uses a provision matrix to calculate ECLs, with amounts more than 90 days past due viewed as rebuttable default events. The weighted average loss rate is not applied to receivables that carry an insignificant risk of default due to credit insurance, letters of credit or other forms of guarantee.

The ECLs were calculated based on actual credit loss experience. The Group performed the calculation of ECL rates separately by segmenting exposures based on common credit risk characteristics and focused on the risks relevant to each geographic region.

Actual credit loss experience was adjusted to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The following were considered by management in the forward-looking assessment to determine if the ECL was further affected by the impact of COVID-19:

- the expected loss rate (allowance for credit losses) is applied to the outstanding balances to derive the amount provided for doubtful debt.
- the trade receivables were assessed by analysing the industries in which the Group's customers operate as well as reviewing publicly available information to ascertain whether any of the Group's customers or their industries were at risk of being impacted by adverse economic conditions or COVID-19 effects at the reporting date. The Group also considered any specific communications from customers that would cause concern in terms of their ability to meet their short-term obligations as at the reporting date. No such communications were received
- the data and research also showed that an insignificant number of customers had formally requested an extension on current terms. None were in business rescue
- management also considered the type of products and services the Group provides to its customers. Certain of them, were classified as providers of essential products and services throughout lockdowns and periods of restrictions associated with mitigating the spread of COVID-19. This allowed the Group to generate income, albeit at reduced levels in some instances.

(8) 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.

(9) Dispute in West Africa

A subsidiary in the West African region is defending an action brought by an Administration of Customs, claiming CFA1 652 000 000 (US\$2,8m) and penalties up to CFA44 546 724 967 (US\$76m). Based on local and international legal advice, management is confident in its legal position. Subsidiaries in this region comply strictly with the Common External Tariff adopted in and applied by the West African Economic Monetary Union.

(10) No reportable events occurred after the reporting date.

(11) The following changes to the Board and Group Company Secretary were announced during the year:

Non-executive Directors

Resignations

- J Molapo, with effect from 24 November 2020; and
- AJ Morgan, with effect from 26 May 2020.

Appointments

- SA Dawson, with effect from 1 January 2020;
- WH Dissinger, with effect from 1 January 2020; and
- AM Roets, with effect from 1 June 2020.

Group Company Secretary

Resignation

- EN Rapoo, with effect from 31 December 2020. WJ Strydom was appointed to this position in an acting capacity with effect from 1 January 2021

COMMENTARY

AECI's results for 2020 demonstrated the benefits of the Company's strategy to diversify geographically and in terms of the markets served. We now operate in 22 countries and regions on six continents and provide products and services to customers across a broad range of sectors. This diversification makes us more resilient and agile in responding to changing market conditions. Without these advantages, some unprecedented challenges in 2020 would have had a significantly more severe impact on our performance.

Further diversification and consolidation of our strategic footprint will remain a focus going forward as we deliver value to all stakeholders in line with our commitment being purpose-led in who we are and in everything we do. Purpose is at the core of our "One AECI, for a better world" revised brand promise. The global pandemic has brought humanity together in a desire to build back better and, through our products and service, we embrace the opportunity to make a meaningful contribution into the future.

COVID-19

The COVID-19 pandemic and its ongoing effects have dominated global conversation and every aspect of human life for the past year. Regrettably, the AECI family has not been left unscathed. Four of our colleagues in South Africa have succumbed to COVID-related illnesses to date and many others have experienced tragedy in their own families and among their friends. The Board and management extend their sincere condolences to the families of our deceased employees and to all our employees who have suffered similar bereavement.

The Board and management also take this opportunity to pay tribute to the way all employees have responded to the unprecedented challenges. Their diligence and determination have been exemplary. Equally, we express our gratitude to all AECI's stakeholders for their ongoing and unwavering support.

The Group leadership's focus since March last year has been on navigating the business through the effects of the pandemic. To this end, a COVID-19 Task Team was established with the strategic intent of minimising impact on our people, on our operations and safeguarding the supply of products and services to customers globally.

A comprehensive AECI COVID-19 Response Plan was developed in March 2020 and has been updated regularly to reflect the changing circumstances and requirements through the pandemic. It is currently in its 12th Revision. Employees' health and working arrangements continue to be tracked and monitored daily in line with this plan, which is available at <https://static1.squarespace.com/static/5dc3e3a1ddb32f457c64c6af/t/6024f2bf87d7df2a609f7980/1613034179567/12-august-2020-aeci-response-plan-for-covid-19-rev12.pdf>.

More than 90% of all employees are now performing their duties at their place of work. A total of 590 employees have tested positive for COVID-19 to date, with 574 of them having recovered fully. Currently, 16 positive cases are being tracked actively and two employees are receiving treatment in hospital.

In addition to implementation of the Response Plan, operational business continuity management plans have been adapted and applied in line with the Company's overall risk management framework. These measures have enabled continuity in operations and in meeting all our customers' needs globally.

SAFETY

The TRIR* was at 0,42 at year-end (2019: 0,38). This was a disappointing performance. COVID-19 continues to present emotional and logistical challenges for our employees, both in their homes and in the workplace. These challenges undoubtedly have an impact. We recognise this and a new programme focused on holistic wellness and safety has been launched Group-wide in response. Some key elements of the programme cover people engagement, behaviour-based safety, risk management and process safety.

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

FINANCIAL PERFORMANCE

Revenue of R24 111 million was 3% lower (2019: R24 799 million), with declines recorded primarily in the AECI Mining and AECI Chemicals segments. Of the total revenue, 44% was generated outside of South Africa and mostly in US dollars and Euros. The weaker average rand exchange rate against these major currencies assisted in limiting the revenue decline.

EBITDA of R2 943 million was 15% lower than 2019's R3 473 million. Profit from operations was 55% lower at R917 million (2019: R2 031 million) and was negatively impacted by impairments of certain property, plant and equipment and goodwill in the amount of R890 million. R821 million of this amount related to the impairment of goodwill on the acquisition of AECI Much Asphalt. There was a positive impact from the disposals of three business units. The most significant of these was the sale of the Group's pulp and paper chemicals unit. Proceeds of R208 million were received, with profit of R108 million. The benefits of the strategic realignment projects undertaken in the prior year in AECI Mining Explosives and AECI Water were in line with expectations overall.

The structural realignment of AECI Chemicals was undertaken in the first half of the year. Associated costs were offset by the project's benefits in the second six months and annualised savings of R100 million are still anticipated.

Reported headline earnings per share (HEPS) of 880 cents was 23% lower year-on-year (2019: 1 150 cents). Headline earnings decreased to R928 million from 2019's R1 213 million.

FINANCIAL IMPACT OF COVID-19

Each Group operating entity estimated the impact of the COVID-19 pandemic on revenue, volumes and costs as accurately as it was possible to do so from March 2020 onwards. These calculations were based on the following:

- **Revenue**
 - Loss of revenue based on historical trends, revenue levels preceding 1 April 2020 and open orders cancelled as a direct result of the pandemic
 - Additional revenue generated directly related to the pandemic
- **Cost of sales**
 - Costs not incurred as a direct result of revenue assumptions above
 - Overhead under-recoveries as a direct result of the loss of revenue
 - Costs incurred as a direct result of additional revenue generated
 - Calculated as volumes not sold at current market prices or estimates of costs based on an estimated gross profit percentage
- **Operating costs**
 - Additional costs incurred as a direct result of the pandemic
 - Costs not incurred as a direct result of the pandemic
- **Tax on above**
 - Tax at the Group's effective tax rate, excluding impairments

The estimated negative impact on the Group's financial performance was as follows:

• revenue	R1 091 million
• profit from operations	R527 million
• HEPS	341 cents

The AECI Mining and AECI Chemicals segments were the most seriously affected. These losses were partly offset by good sales of sanitiser by AECI Schirm in Germany and AECI Specialty Chemicals in South Africa.

Having considered that the Company managed its cash resources exceptionally well in the period and remains in a solid financial position, notwithstanding the uncertainty and negative effects resulting from the COVID-19 pandemic, the Board decided to declare a final ordinary cash dividend of 470 cents (final ordinary dividend of 414 cents for the year ended 31 December 2019).

The total ordinary dividend for 2020 was 570 cents, unchanged from the total dividend for 2019.

SEGMENTAL PERFORMANCE

AECI MINING (AECI MINING EXPLOSIVES AND AECI MINING CHEMICALS)

Revenue decreased by 3% to R11 189 million (2019: R11 537 million) on the back of lower overall volumes. Part of the volume decline was due to negative COVID-19 effects in certain countries where our mining customers operate. This decline was partly offset by the benefits of a weaker average year-on-year ZAR/US\$ exchange rate. Of the segment's total revenue, 61% was generated outside of South Africa (2019: 59%).

EBITDA was R1 744 million, a 9% decrease (2019: R1 923 million). Profit from operations declined by 14% to R1 120 million (2019: R1 305 million). It is estimated that the COVID-19 impact on revenue and operating profit was R697 million and R426 million, respectively.

AECI Mining Explosives

Overall bulk explosives volumes declined by 6,7% while those for initiating systems declined by 22%. The decrease in bulk explosives volumes was mainly the consequence of pandemic effects and business lost in the iron ore and platinum surface mining sectors in South Africa. Progress was made in replacing the volumes lost. To date, 65% of the contribution of these lost volumes has been recovered.

Sales of initiating systems were impacted directly by the hard lockdown restrictions in South Africa in the second quarter. Some recovery was evident in the second six months but the rate thereof was limited by our customers' activating their own COVID-19 response plans to protect their employees at underground mines.

The favourable gold price drove demand in West Africa and the business sustained its robust performance trend. In Central Africa, first-half sales to customers in the copper and cobalt mining sectors were depressed due to lower copper prices and COVID-19 restrictions on mining activity. A steady recovery in the second six months led to a solid performance being delivered for the full year.

Volume growth was again achieved in Asia Pacific, comprising the businesses in Australia and Indonesia. Mining sector operations in those countries were largely unaffected by the pandemic. There were high sales of traded products and, in Australia, 24 000t of previously opportunistic sales were converted to contracted sales.

Roll-out of growth plans for the recently acquired Brazilian operations was slower than anticipated owing to international travel challenges and in-country restrictions to mitigate the spread of the coronavirus. The strategy remains to expand the customer base through the delivery of a high quality service offering to the Brazilian mining sector.

AECI Mining Chemicals

The decline in volumes in South Africa occurred primarily in the second quarter. An improvement was noted in the last three months as customers ramped up their production levels. Exports to other countries on the continent increased even though certain large customers' mining operations remained under care and maintenance. Resumption of their activities is anticipated in the second quarter of 2021. Margins were preserved through cost saving initiatives.

AECI WATER

Revenue was R1 447 million (2019: R1 452 million), EBITDA improved by 13% to R259 million (2019: R229 million) and profit from operations improved 11% to R211 million (2019: R190 million). AECI Water was considered a provider of essential products and services through all COVID-19 Alert levels in South Africa and thus the business was not negatively affected from an operational perspective. However, some of its key customers in the oil refining and mining sectors were impacted to a significant extent. The pandemic effect on revenue was R61 million and R30 million in operating profit terms.

Operational outages at oil refineries in Durban and Cape Town presented additional challenges. Both facilities are expected to remain offline for an extended period.

Solid growth was achieved in the public water sector, both in South Africa and in the rest of the African continent.

The R100 million anticipated benefit from the 2019 realignment project was largely achieved, with the structural and internal costs benefits realised in full. 75% of the benefit of upliftment projects was delivered, with the balance delayed owing to the COVID-19 constraints. Included here was progress in the terms of the strategy to establish and consolidate partnerships between the private sector and the public sector (including local authorities).

AECI Water completed Phase 1 of a water re-use project for AECI Mining Explosives, at Modderfontein. This is aligned with AECI's strategy to decrease its water usage footprint. The financial benefits will accrue to both businesses in 2021. Several other new projects in the mining and public water sectors were finalised in the fourth quarter of the year and benefits will materialise from 2021 onwards.

AECI AGRI HEALTH (AECI PLANT HEALTH, AECI ANIMAL HEALTH AND AECI SCHIRM)

The segment delivered an excellent result. Revenue increased by 17% to R6 056 million (2019: R5 156 million) and EBITDA improved by 27% to R518 million (2019: R409 million). Consequently, profit from operations increased by 27% to R290 million (2019: R228 million).

The businesses of AECI Agri Health were largely unaffected by lockdowns in countries in which they operate as they were considered providers of essential products and services.

AECI Plant Health

AECI Plant Health benefited from a good rainfall season and favourable weather patterns in Southern Africa. Sales of in-house formulated and registered products increased to 32% of total revenue, benefiting margins. 78 new registrations were completed, with a pipeline of others pending. Farmers Organisation in Malawi achieved a turnaround in performance as market share was regained. Biocult delivered pleasing results in the local market. Progress was made with registrations of its products in North America as the first orders were shipped in the last quarter.

AECI Schirm

AECI Schirm delivered a much better result. Revenue increased by 21%, EBITDA by 31% and operating profit by 40%. This was assisted by a 16% increase in the rate of exchange of the Euro against the rand. The ZAR/EUR average exchange rate was R18,78 versus R16,18 in 2019. The enhanced profitability was attributable to the following:

- the once-off manufacture and delivery of 1,9 million litres of sanitiser ordered by the German Department of Interior (COVID-19 mitigation)
- cost realignment projects
- the implementation of a biocide formulation contract in Wolfenbüttel in Germany
- another strong performance from the business in the USA on the back of solid demand for agrochemicals in that market

Growth in profitability was curtailed to an extent by poor demand from the high margin automotive sector in Germany. A recovery was evident early in 2021. Secondary COVID-19 effects resulted in some slowdown in the overall agrochemicals market in Europe.

The improvement was also assisted by the benefits of a number of key projects completed in the year. These included:

- exit of the end-of-life leased Magdeburg site and transfer of all production to the new multipurpose synthesis facility, at Schönebeck in Germany
- installation of a new blender, at Bar-Ebenhausen in Germany
- construction and commissioning of a new suspension concentrate herbicide facility in the USA

Both the blender and the new facility in the USA are operational and good quality products are being delivered to customers.

In Germany, a project aimed at optimising operating costs is underway. Certain product lines from the Lübeck site will be consolidated with those at other sites.

AECI Schirm's project pipeline remains robust and the award of significant tenders is pending.

AECI Schirm's goodwill on acquisition was assessed and no impairment was necessary. Management remains confident that the projects and initiatives undertaken by the in-country leadership team will be value-adding for the business going forward.

AECI CHEMICALS (AECI INDUSTRIAL CHEMICALS, AECI SPECIALTY CHEMICALS, AECI FOOD AND BEVERAGE, AECI SANS FIBERS AND AECI MUCH ASPHALT)

Revenue declined by 19% to R5 427 million (2019: R6 668 million) and the segment reported a loss of R531 million (2019: profit of R399 million).

The results are analysed as follows:

R millions	2020	2019	% change
Reported operating (loss)/profit	(531)	399	
Impairments	890	147	
Profit on sale business units	(102)		
	257	546	(53)
Estimated COVID-19 impact	198		
	455	546	(17)

Realignment of the AECI Chemicals segment and the former standalone Food & Beverage segment was executed in the first half-year. Food & Beverage was merged into AECI Chemicals. Within AECI Chemicals (excluding AECI Much Asphalt and AECI SANS Fibers), there are now three strategically focused business units, namely AECI Industrial Chemicals, AECI Specialty Chemicals and AECI Food & Beverage. The costs associated with the realignment project were incurred in the first six months. In the second half, benefits to offset these costs were realised to expectations. It is still anticipated that this new structure will deliver annualised benefits of R100 million.

Already depressed trading conditions in the South African manufacturing, infrastructure and general industrial sectors were exacerbated by the adverse effects of COVID-19. The segment's performance was further impacted by weak demand for sulphur-based products from AECI Industrial Chemicals in South Africa and in Central Africa.

COVID-19 did present some opportunities. Notable in this regard was the manufacture and sale of sanitiser and disinfectant products, mainly in the first six months. Demand for products in the balance of this business' portfolio was erratic.

In AECI Food & Beverage, increased demand was evident across the product range. There were also increased exports to the rest of the continent. Restrictions on the sale of alcoholic beverages during lockdown restricted growth to an extent.

AECI SANS Fibers recovered strongly in the last quarter as the US automotive and apparel markets rallied.

The estimated negative effect of COVID-19 on the segment, excluding AECI Much Asphalt, was R453 million in revenue and R129 million in operating profit terms.

Sale of businesses

The sauces business, Afoodable (Pty) Ltd, was sold in August and the pulp and paper chemicals business unit was sold in the first half-year at a profit of R108 million. The remaining 49% investment in Olive Pride was sold in November 2020.

AECI Much Asphalt

AECI Much Asphalt's operations ceased from 26 March 2020 until end-April, in line with Alert Level 5 restrictions in South Africa. The sectors in which the business' customers operate were not considered essential during hard lockdown and operations only resumed in May 2020.

The South African Presidency has announced the establishment of an Infrastructure Fund which has the potential to drive investment in, among others, road infrastructure and enable the acceleration of an economic recovery. In management's view, owing to fiscal priorities as a result of COVID-19 a level of uncertainty remains as to the pace at which it will be possible to execute these projects, thereby enabling the road infrastructure sector to return to normalised levels of activity. Further, two oil refineries in South Africa are offline and this has presented supply chain challenges for AECI Much Asphalt.

As indicated in the results announcement for the half-year ended 30 June 2020, published on the JSE Ltd's Stock Exchange News Service on 29 July 2020, in the second six months management undertook an assessment of the goodwill which arose on the acquisition of AECI Much Asphalt. The decision was taken to impair this goodwill by more than 50%, in the amount of R821 million. A balance of R710 million remains on the goodwill.

The management team of AECI Much Asphalt has realigned the cost base of the business to deliver annualised savings of R40 million. Among the initiatives undertaken was the mothballing of one manufacturing plant in Gauteng.

It is estimated that COVID-19 had a negative effect of R215 million on revenue and R69 million on operating profit for AECI Much Asphalt.

The outlook for this business has improved. SANRAL has awarded some contracts for work on the N2/N3 highways, most of the business' major customers are indicating increased activity levels in the medium term and there is an upward trend in mobile-type work.

PROPERTY & CORPORATE

Net property and corporate costs were R165 million (2019: costs of R83 million). In the prior year the sale of a parcel of land in Modderfontein yielded a profit of R61 million, resulting in lower costs being reflected for the segment.

CASH UTILISATION

A key focus for management throughout the pandemic has been to preserve the Company's liquidity. Although the Group's EBITDA declined by 15% to R2 943m (2019: R3 473m), all 13 operating businesses were profitable. Furthermore, there was a significant increase of R1 264 million, to R3 132 million in cash available from operating activities (2019: R1 868 million). This excellent result was achieved mainly in the second half of the year through strong working capital management across the Group and in the AECI Mining segment in particular.

The working capital to revenue ratio improved to 14,5% (2019: 17,2%) delivering a cash inflow of R913 million. Disciplined fixed capital spend of R632 million (2019: R833 million) also improved our cash position. As a consequence of travel restrictions during the pandemic, the statutory shutdown of AECI Mining Explosives' No 11 Nitric Acid plant, at Modderfontein, was postponed to February 2021. Completion of air emissions abatement projects was delayed to the second quarter of 2021.

Of the R632 million invested in fixed assets, R201 million was for expansion projects and the balance of R431 million was sustenance capital expenditure. The most significant expansion projects were the installation of a blender at AECI Schirm's Bar-Ebenhausen site in Germany and the investment in a suspension concentrate plant at its Ennis site, in the USA. The AECI Mining segment also invested in a number of projects in support of business growth.

Cash interest cover was 8,5 times. Net borrowings of R2 383 million were R1 647 million less than 2019's R4 030 million. The net gearing ratio improved to 22% (2019: 36%). The Company again operated well within its loan covenants during the year.

US\$20 million (2019: US\$19 million) in dividends, net of withholding taxes, was repatriated from the Group's foreign subsidiaries.

DIRECTORATE AND GROUP COMPANY SECRETARY

Changes that were announced in the prior year and took effect in the current year, as well as those announced in the current year, were as follows:

- Allen Morgan resigned as a Non-executive Director on 26 May 2020 after 10 years on the Board, and Jonathan Molapo resigned on 24 November 2020 owing to the demands of his executive commitments outside the Group. The Board reiterates its appreciation for their services.
- Steve Dawson and Walter Dissinger joined the Board on 1 January 2020 as Non-executive Directors and Marna Roets was appointed in the same capacity with effect from 1 June 2020.
- Nomini Rapoo resigned from her position as Group Company Secretary, with effect from 31 December 2020, after almost a decade in that role. We thank her for her contribution. Wynand Strydom was appointed to act in this position with effect from 1 January 2021.

OUTLOOK

The COVID-19 pandemic remains the overriding risk given uncertainty as to current and future waves of infection, the availability of vaccines for mass vaccinations and their efficacy, and the time and extent of post-pandemic economic recovery.

Nonetheless, there are indications of accelerated improvements, particularly in some leading global economies. Owing to the Group's diversity, we are well placed to continue to maximise all opportunities as the world's recovery from COVID-19 both in terms of the markets we serve and the geographies where we have a presence. Accordingly, we anticipate that demand for our products will be sustained, particularly in the areas of mining, water treatment, agriculture and food and beverage.

Ongoing benefits of the business realignment projects undertaken over the last two years will support performance further.

FOCUS

With the Board's oversight and support, management will intensify its focus on the safety and wellbeing of all our people, in line with our unwavering commitment to Zero Harm.

The continued diligent management of cash also remains a priority.

Identifying and actioning innovative new opportunities, as appropriate, is still a focus for the Company's robust future positioning. Also of great importance are initiatives being undertaken to accelerate delivery in terms of our renewed focus on sustainability. Our goals and commitments are aligned with certain United Nations Sustainable Development Goals which have become imperatives as humanity looks to build back better in a post-pandemic world.

Khotso Mokhele

Chairman

Mark Dytar

Chief Executive

23 February 2021

Directors: KDK Mokhele (Chairman), SA Dawson*, FFT De Buck, WH Dissinger**, MA Dytar (Chief Executive), G Gomwe†, KM Kathan (Executive), R Ramashia, AM Roets, PG Sibiya * Australian ** German † Zimbabwean

Group Company Secretary: WJ Strydom

DECLARATION OF FINAL ORDINARY CASH DIVIDEND NO. 174

Notice is hereby given that on Tuesday, 23 February 2021 the Directors of AECI declared a gross final cash dividend of 470 cents per share in respect of the financial year ended 31 December 2020. The dividend is payable on Monday, 12 April 2021 to holders of ordinary shares recorded in the register of the Company at the close of business on the record date, being Friday, 9 April 2021.

The last day to trade “cum” dividend will be Tuesday, 6 April 2021 and shares will commence trading “ex” dividend as from the commencement of business on Wednesday, 7 April 2021.

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 376 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, 6 April 2021.

The issued share capital of the Company at the declaration date is 109 944 384 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, 6 April 2021.

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 April 2021 and Friday, 9 April 2021, both days inclusive.

By order of the Board

WJ Strydom
Group Company Secretary

Woodmead, Sandton
24 February 2021

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd

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

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 No. 1924/002590/06)

Tax reference No. 9000008608

Share code: AFE ISIN: ZAE000000220

Hybrid code: AFEP ISIN: ZAE000000238

Bond company code: AECI

Bond code: AECI03 ISIN: ZAG000155227

Bond code: AECI04 ISIN: ZAG000155235

LEI: 3789008641F1D3D90E85

(AECI or the Company or the Group)