

# AECI Limited

Presentation to Analysts and  
Investors

26 February 2002

# Summary

- Transformation programme concluded
- 2001 Group results pleasing by global chemical industry standards ...
- ... particularly of the core businesses
- Trading conditions dull, with little prospect of a recovery until 2H02
- Outlook for the Group positive

# Business Environment

- Regional demand subdued
- Dramatic slowdown in world economy
- Plunge of the rand: good news
- Raw material prices have fallen in US\$ terms
- Interest rates, inflation remain high
- Pre-price increase activity?

# Chemical Industry

- In the doldrums since April 1998
- 2001: dismal results, profit warnings, job cuts, site closures, re-structuring
- Applies to all, including Dow, Bayer, DuPont, Eastman, and Orica, to ...
- ... commodity as well as specialty firms
- No recovery seen until 2H02

# Transformation

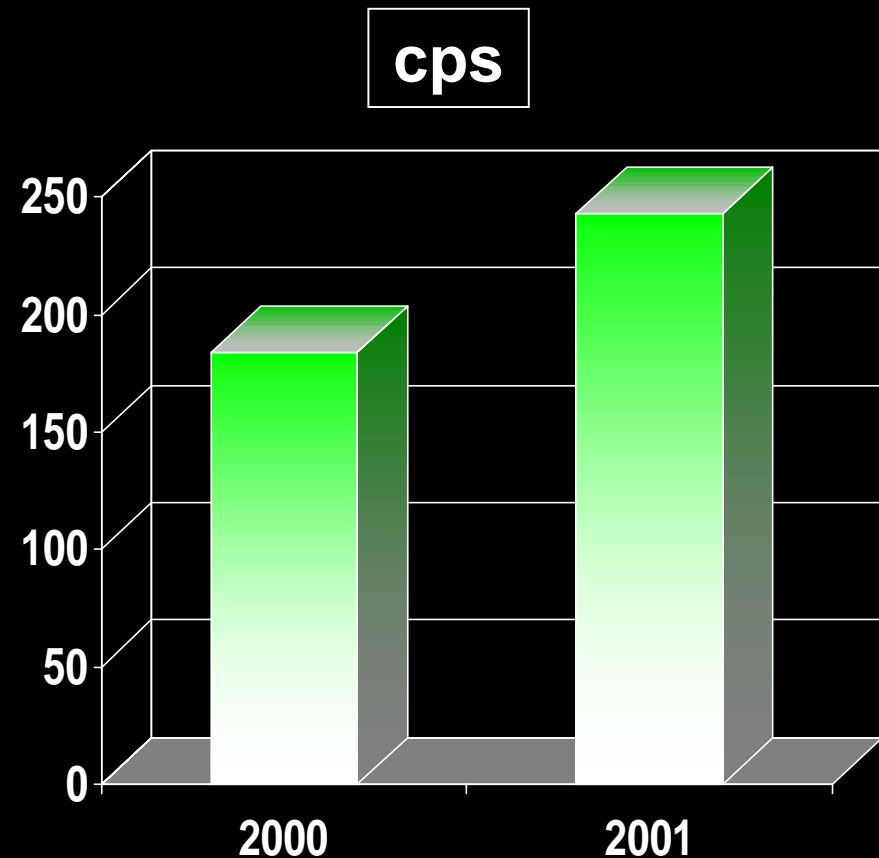
- Transformation is complete ...
- ... achieved without value destruction
- Transformation cost over 3 years: R1bn (40% cash) funded out of proceeds from disposals, and covered by exceptional gains
- R283m after tax charge in 2001:
  - R87m loss on sale of Kynoch Fertilizer
  - R88m loss on sale of AECl Bioproducts

# The Buy-Back

- Success: overhang addressed
- Earnings enhancement achieved
- R200m agterskot paid in Jan 2002
- Residual Anglo holding: sold in Dec 2001
- We're now a truly public company, highly liquid share

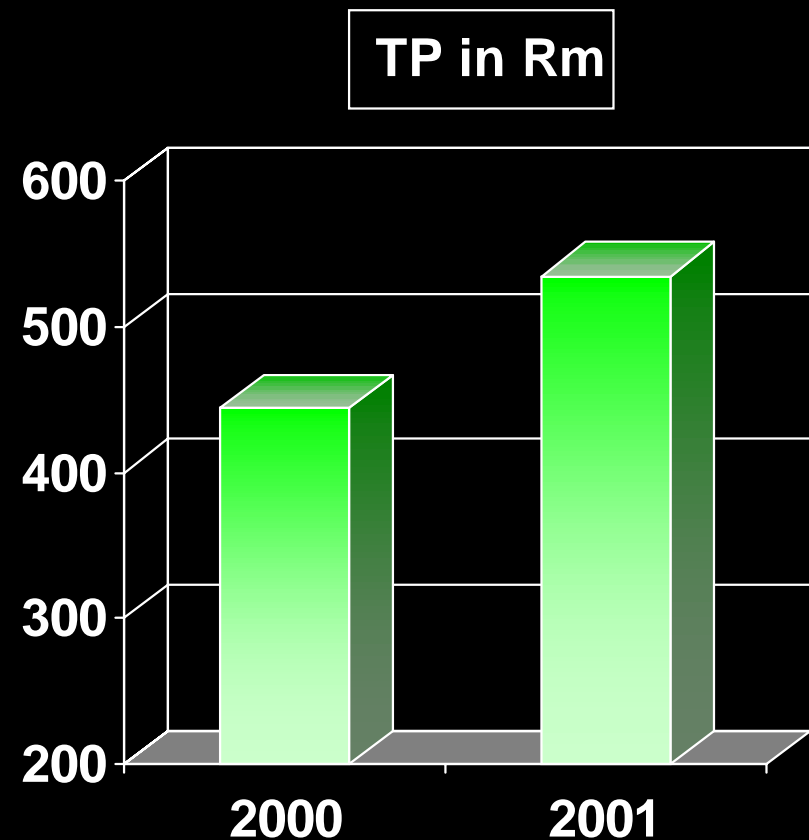
# Results for 2001

- Revenue up 12%
- Headline eps up 32%, 2% before enhancement from reduced shares
- 2000 included Fedmis, Nitrogen Products



# Core Businesses

- Revenue and Trading Profit up 23% and 20% respectively
- Trading margin 9.6% (EBITDA: 11.4%)
- Volumes up, thanks to PET, acquisitions, Africa
- Strategy validated



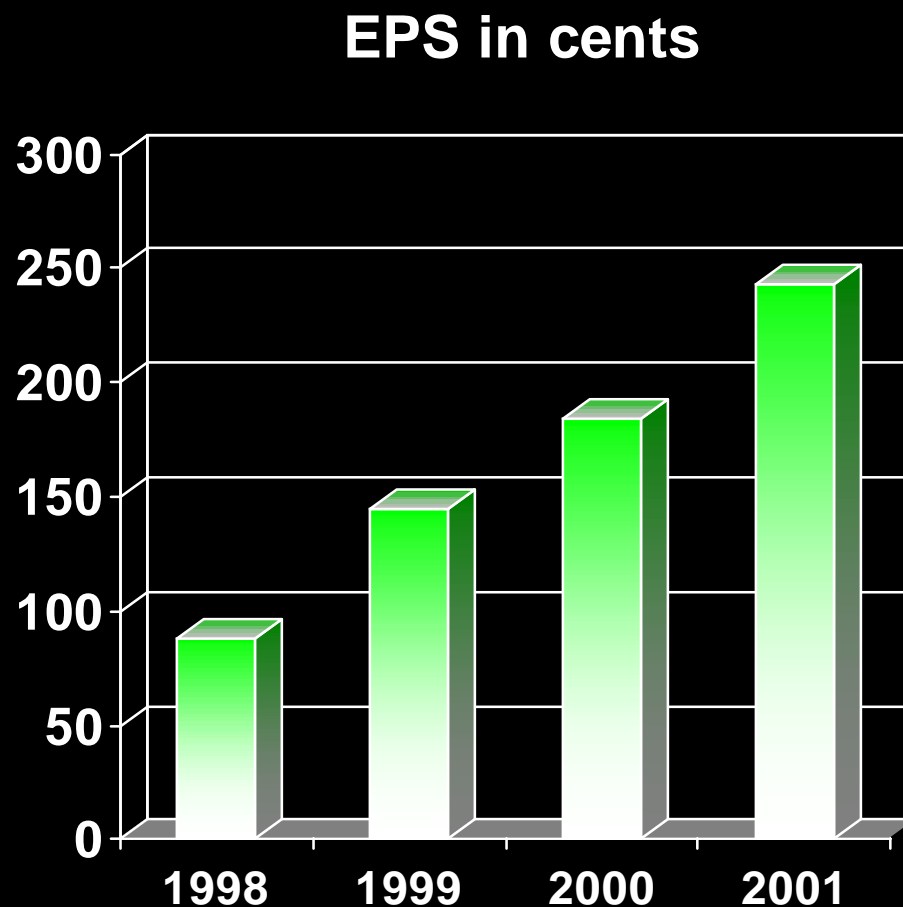


# Weak Rand Effect on 2001

- Positive impact on earnings in 4Q
- AEL, SANS Fibres positively hedged
- Chemserve, Dulux had forward cover
- Lead-lag contribution versus ongoing benefits
- No foreign entity investment gains in income statement

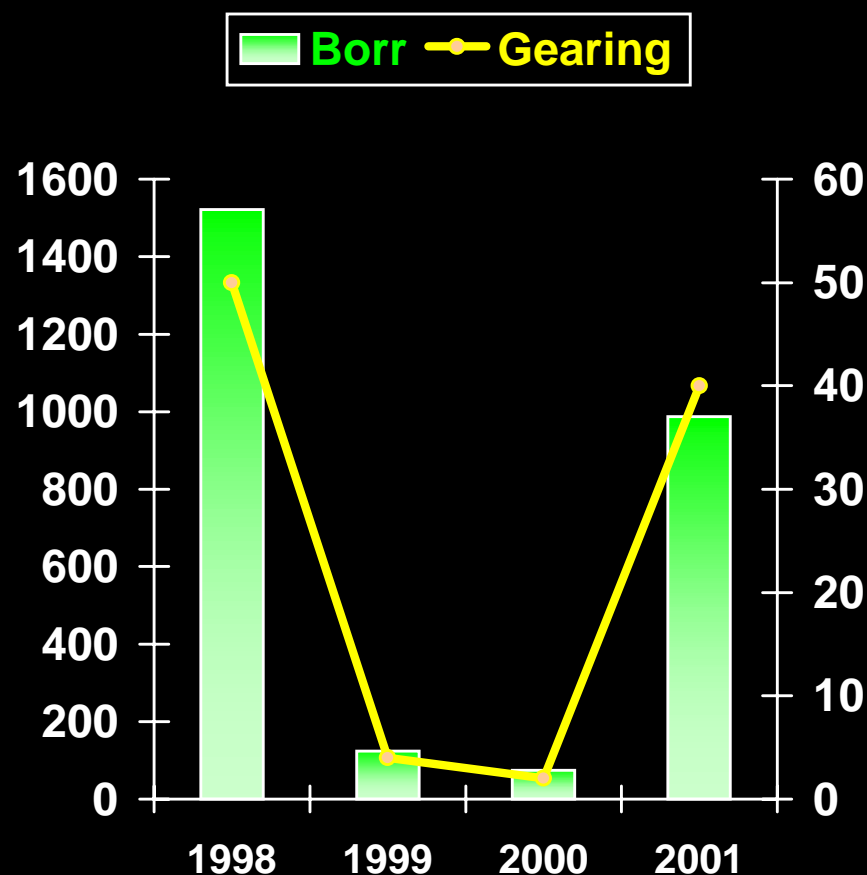
# A Track Record Emerges

- Adjusted for Polifin (or special dividend) in 1998 and 1999
- >30% compound earnings growth achieved since 1998
- LT target > 15% compound growth



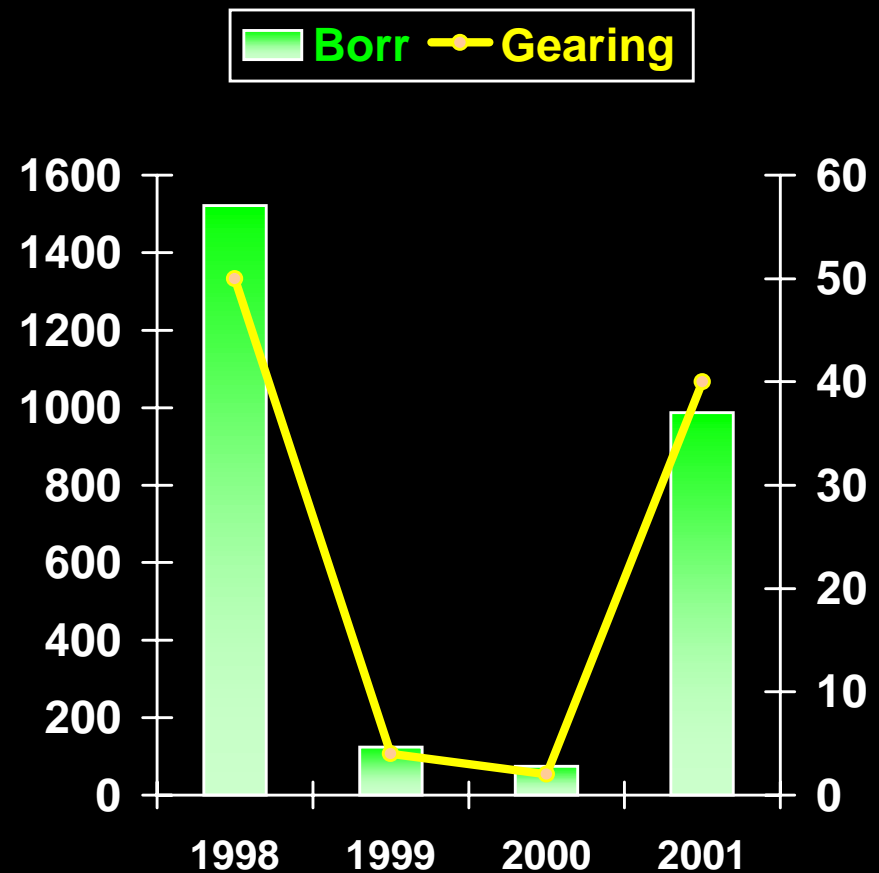
# Balance Sheet

- Borrowings R987m (R775m buy-back)
- Capex/Investments R470m (growth!)
- WC 17.3% (ratio down 1%), up only R74m on Dec 2000
- Cash interest cover 5.1



# Balance Sheet cont.

- Translation gains on foreign entities taken to Reserves
- "Quality" earnings
- Reduction in borrowings a 2002 target

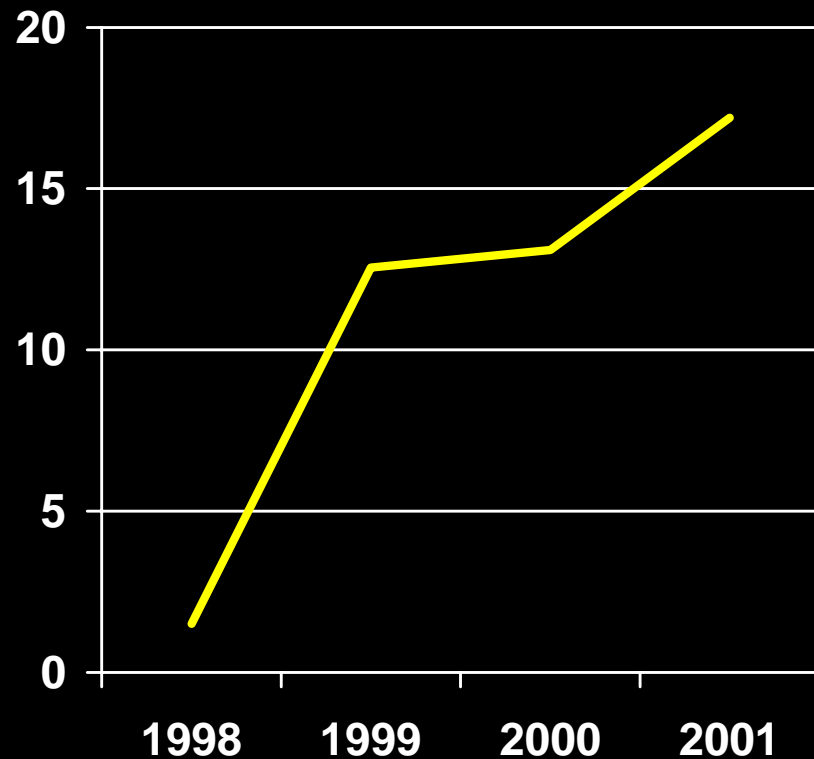


# Non-Core Disposals

- Dulux: retained (aggressive performance improvement plan). Longer term core?
- Kynoch Fertilizer
- Biotechnology/fine chemicals: completed
- Kynoch Feeds: sold subject to consents
- Tioxide, Botash, AAFC: discussions under way

# Share Price

Year-end in rand



- Relative rating close to May 1998 Sasol bid peak
- Graph adjusted for R6 special dividend ('98)
- PE relative (0.6) still low compared to industrial peers

# Group Strategy

- Three core businesses - plus properties
- Specialty product and service solutions, for global and regional niche markets
- Active portfolio management, profitable growth, global alliances
- Chemserve minorities
- Best practice transfer, cohesion, skills

# Growth

- Whilst transforming, the Group has invested R500m on growth projects:
  - R250m in SANS on PET, Stoneville, UT
  - R190m by Chemserve on acquisitions
  - R60m by AEL on Africa strategy
- Buy-back itself was a major acquisition
- Note: growth has to be well controlled



# African Explosives

- R142m TP (+18%) ; Margin 9.6%
- Demand flat on balance: gold and coal down, platinum and exports up
- Ammonia cost volatility resolved
- Electronic detonator development on track
- Growth will come from eDets, Africa and selected exports

# Specialty Chemicals

- R232m TP (+16%) ; Margin 9.6%
- Lacklustre domestic economy, up in 4Q01
- AECI Coatings performed poorly, but turnaround advanced
- Other acquisitions well settled: rationalisation benefits
- Further acquisitions under consideration

# Specialty Fibres

- R161m TP (+26%) ; Margin 9.4%
- Markets mixed, major global slowdown
- Improved plant efficiencies
- Excellent PET contribution
- Global customer support
- Bellville and Stoneville nylon projects commissioned

# Properties

- R9m TP (2000 comparison not meaningful)
- Demand slow in industrial sector, residential remains brisk
- Earnings contribution likely to be uneven
- Development pipeline long ...
- ... strategy changing to bulk land sales

# Dulux

- Modest profit in 2001 ....
- ... but generated R70m cash
- “Back office” problems resolved
- Africa performed well
- Restructuring complete, cultural changes
- Could become core

# 2002 Outlook

- Tough year globally for economies, much uncertainty, but recovery expected 2H02
- Domestic prospects moderate
- Fruits of transformation and 2001 cost cuts
- Weak rand favours Group: a "rand hedge"
- Encouraging start to year
- Borrowings, gearing to decrease

# In Conclusion

- AECI's re-invention complete
- Provides "specialty product and service solutions" based on chemistry
- Transformation and "self-help" delivering
- Well positioned for long-term earnings growth