AECI Limited Interim Report For the half-year ended 30 June 2000 Transformation...clearer focus

Headline EPS up six per cent after payment of special dividend

"Pleasing progress has been made in refocusing AECI as a specialty chemicals Group."

Tony Trabar

Operating results

Headline earnings per ordinary share at 73 cents were six per cent higher than in the first half of 1999. This result should be seen in the light of the special dividend of six rand per share paid to shareholders on 29 November 1999, which reduced the capital base and available cash resources of the Company by R1 044 million. Had these funds been retained in the Company and placed on call deposit, headline earnings for the first half would have been 97 cents per ordinary share, a 41 per cent increase on the corresponding period of 1999. An unchanged interim dividend of 30 cents per share has been declared.

Trading conditions over the period were lacklustre, reflecting little evidence of underlying growth in those sectors of the domestic economy serviced by the Group.

The improvement in earnings reflects significantly lower financing costs and the benefits of intensive cost cutting and rationalisation, and was achieved in spite of a major reduction in the contribution from African Explosives, which suffered from a number of factors, including a severe margin squeeze in ammonium nitrate-based explosives. This resulted from an unexpected surge in the global price of ammonia, the primary raw material. In addition a weak mining sector, excessive rain and the absorption of service costs following the closure of other Group operations at Modderfontein, compounded the reversal. An aggressive action plan is being implemented to address the current cost structure of the explosives business.

The Group's other core clusters, Specialty, Fine and Industrial Chemicals and Specialty Fibres, delivered most satisfactory results,

with the latter progressively recovering oil-based raw material price increases from its markets. The Group's property activities are also gathering momentum and should make a material contribution to profits in the second half of the year.

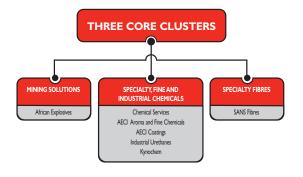
The Group's balance sheet is sound, with gearing up from four per cent to 11 per cent at mid-year. Cash spent against the provision for restructuring costs, established last year, amounted to R141 million and a change in procurement terms of raw materials at SANS Fibres accounted for an increase in borrowings of R103 million. However, working capital and capex were generally well controlled.

Transformation

The transformation of the Group is well advanced and an eventful half-year saw the closure, as scheduled, of the ammonia/urea complex at Modderfontein, the nitrates production unit at Milnerton and a feed phosphates plant at Potchefstroom. As further steps towards achieving clear focus on three core business clusters, the disposals of Alliance Peroxide and Acrylic Products were concluded. The Group increased its holding in listed subsidiary, Chemical Services, by five per cent to 68 per cent through the acquisition of shares from an institutional shareholder.

Expansion

Particularly pleasing is the strategic progress made by SANS Fibres, which has announced a R40 million project to expand industrial yarn production at its Bellville plant. This investment follows closely on the R60 million PET bottle polymer extension scheduled for commissioning in December this year.



Prospects

Trading prospects for the balance of the year appear mixed but with a gradual recovery of margins in the mining solutions cluster anticipated. As a consequence, headline earnings for the year are expected to be similar to the level achieved in 1999.

Tony Trahar

Lex van Vught Managing Director

Declaration of ordinary dividend No. 133

Notice is hereby given that an interim dividend of 30 cents per share, in respect of the year ending 31 December 2000, has been declared to holders of ordinary shares registered in the books of the Company at the close of business on 18 August 2000. Payment will be made from the office of the transfer secretaries in Johannesburg on 27 September 2000. Changes of address or dividend instructions to apply to this dividend must be received not later than 18 August 2000. The transfer books and register of members will be closed from 19 August 2000 to 1 September 2000, both days inclusive.

By order of the Board

M J F Potgieter Secretary

2 August 2000

Transfer secretaries: Computershare Services Limited 41 Fox Street, Johannesburg, 2001; and

Computershare Services PLC PO Box 82 Caxton House Redcliffe Wav Bristol BS 99 7 KH England

Registered office: 1st Floor, AECI Place 24 The Woodlands Woodlands Drive Woodmead, Sandton

(Registration number 04/02590/06)

Income statement

	U	2000 First half naudited U millions R		1999 Year Audited millions					Un	2000 First half Finaudited United The State Stat		1999 Year Audited millions		2000 First half Unaudited L R millions F	Unaudited
Revenue	(1)	2 913	4 047	7 311	Assets			Cash generated by					Capital expenditure	113	183
Net trading profit		210	315	568	Non-current assets	2 576 3	513 2 657	operations		300	487	897	– expansion	64	92
Financing costs		(20)	(156)	(120)	Property, plant, equipment and goodwill	2 302 3	373 2 319	Investment income		-	5	11	– replacement	49	91
Income/(loss) from								Financing costs		(20)	(156)	(120)			272
associates and investments		(7)	7	20	Investments	274	140 338	Taxes paid		(53)	(74)	(62)	Capital commitments	151	372
		183	166	468	Current assets	3 222 3	447 3 079	Changes in working capital	d	(126)	(204)	(207)	– contracted for	68	289
Exceptional items		-	_	683	Inventory	996 I	573 939	Expenditure relating to					– not contracted for	83	83
Amortisation of goodwill		(14)	(11)	(25)	Accounts receivable		603 251	long-term provisions		(1)	(8)	(36)	Future rentals on		
Net profit before taxation		169	155	1 126	Cash and cash equivalents	974	271 889	Expenditure relating to					property, plant and		
Taxation		(54)	(45)	(117)	Total assets	5 798 6	960 5 736	restructuring		(141)	(115)	(206)	equipment leased	166	222
Normal activities		(54)	(45)	(134)	Equity and liabilities			Cash (absorbed by)/ava	ailable				- payable within one year	38	43
			(45)	17	Ordinary capital and reserves	2 900 2	967 2 843	from operating activit		(41)	(65)	277	– payable thereafter	128	179
Exceptional items		_	_		Preference capital and outside	1/5	12/ 145	Normal dividends paid		(83)	(48)	(99)	Contingent liabilities		
Net profit		115	110	1 009	shareholders' interest	165	136 145			(00)	()	(**)	and guarantees	169	28
Attributable to preference					Total shareholders' interest Non-current liabilities		103 2 988 113 233	Cash (absorbed by)/ret		(124)	(113)	178	0		
and outside shareholders		(16)	(14)	(35)				from operating activit		(124)	(113)	170	Net borrowings (R millions)	325	1 728
Net profit attributable to					Deferred taxation Long-term borrowings	(194) 50	(43) (215) 864 95	Cash utilised in investm activities	nent	(159)	(93)	(199)	Gearing (%)	11	56
ordinary shareholders		99	96	974	Long-term provisions		292 353	Proceeds from disinvestme	ent and	(157)	(73)	(177)	Current assets to current		
Headline earnings are					Current liabilities		744 2 515	restructuring		86	_	2 432	liabilities	1.3	1.2
derived from:					Accounts payable		465 1 193	Special dividend and STC p	paid	_	_	(1 044)	Net asset value per ordinary		
Net profit attributable to					Provision for restructuring	106	124 282	· ·	•	(107)	(20.4)	· /	share (cents)	I 875	9 8
ordinary shareholders		99	96	974	Short-term borrowings		135 918	Net cash (utilised)/gene		(197)	(206)	1 367	Net capital expenditure		
Less: net exceptional item		-	-	(700)	Taxation	20	(26) 45	Cash effects of financin	ng	202	27/	((70)	(R millions)	79	93
Amortisation of goodwill		14	П	25	Dividend declared	46	46 77	activities		282	276	(679)	Depreciation and amortisation		
		113	107	299	Total equity and liabilities	5 798 6	960 5 736	Increase in liquid funds	6	85	70	688	(R millions)	117	183
Headline earnings per ordinary share (cents) Attributable earnings per ordinary share (cents) Dividend per ordinary	(2)	73 64	69 62	193 (82)	Industry segment analys For the half-year ended June	is 2000 ^{Turnover} Unaudited R millions		Trading profit 2000 Unaudited R millions		Assa 99 2000 Unauc R mill			Statement of changes in	sharehold 2000 First half Unaudited U R millions F	۔ 1999 First half Unaudited
share (cents)					Mining solutions	580	586	50	97	8	51	853	Headline earnings for the period	113	107
Normal		30	30	80	Specialty, fine and industrial chemicals	957		96	88		79	655	Exceptional items net of taxation Amortisation of goodwill	(14)	(11)
Special		-	-	600	Specialty fibres	628	594	58	66	6	08	472	Dividends	(46)	(46)
Number of ordinary shares					Property	-	-	9	6		27	625	Other	4	-
in issue (millions)		155	155	155	Other businesses	827	833	25	19	6	40	666	Net increase/(decrease) in equity for the period	57	50
Notes:					Group services, development	(12)	(242)	(22)	(22)			47	Equity at the beginning of the period	2 843	2 917
(1) Includes exports of R601 mill	lion (1999 – R	.712 million).			and intergroup	(131	, ()	(29)	(32)		37	47	Equity at the end of the period	2 900	2 967
(2) Payment of the special dividend	l of R6 per ord	inary share in №	lovember 19	99 reduced	.	2 861		209	244	34		3 3 1 8	Made up as follows:	220	220
the available cash resources of					Businesses sold/equity-accounted	52	390	I	71		-	1 766	Share capital and share premium Non-distributable reserves	228 581	228 593
been retained in the Compan		,				2 913	4 047	210	315	34	42	5 084	Retained income	2 091	2 146
			, neaunie e	a migs per										2 900	2 967

Balance sheet

income statement					Dalance sneet				Abridged cash flow s	statement			Other salient features		
		2000 First half Jnaudited U R millions R		1999 Year Audited millions		2000 30 June Unaudited R millions		1999 31 Dec Audited R millions				1999 Year Audited R millions		2000 First half Unaudited U R millions R	Jnaudited
Revenue	(1)	2 913	4 047	7311	Assets				Cash generated by				Capital expenditure	113	183
Net trading profit		210	315	568	Non-current assets	2 576	3 5 1 3	2 657	operations	300	487	897	– expansion	64	92
Financing costs		(20)	(156)	(120)	Property, plant, equipment and goodwill	2 302	3 373	2 319	Investment income	-	5	11	– replacement	49	91
Income/(loss) from					Investments	274	140	338	Financing costs	(20) (156)	(120)	Capital commitments	151	372
associates and investments		(7)	7	20	investments	2/7	140	550	Taxes paid	(53) (74)	(62)	Capital communents	131	
		183	166	468	Current assets	3 222	3 447	3 079	Changes in working capital	(126) (204)	(207)	- contracted for	68 83	289
Exceptional items		-	-	683	Inventory	996	I 573	939	Expenditure relating to				– not contracted for	03	83
Amortisation of goodwill		(14)	(11)	(25)	Accounts receivable	1 252	1 603	1 251	long-term provisions	(1) (8)	(36)	Future rentals on		
Net profit before taxation		169	155	1 126	Cash and cash equivalents	974	271	889	Expenditure relating to				property, plant and	166	222
Taxation		(54)	(45)	(117)	Total assets	5 798	6 960	5 736	restructuring	(141) (115)	(206)	equipment leased	100	222
Normal activities		(54)	(45)	(134)	Equity and liabilities Ordinary capital and reserves	2 900	2 967	2 843	Cash (absorbed by)/availabl	e			– payable within one year	38	43
Exceptional items		_	_	17		2 900	2 70/	2 043	from operating activities	(41) (65)	277	– payable thereafter	128	179
Net profit		115	110	1 009	Preference capital and outside shareholders' interest	165	136	145	Normal dividends paid	(83) (48)	(99)	Contingent liabilities		
					Total shareholders' interest	3 065	3 103	2 988	Cash (absorbed by)/retained	d			and guarantees	169	28
Attributable to preference and outside shareholders		(14)	(14)	(25)	Non-current liabilities	208	3	233	from operating activities	(124) (113)	178	Net borrowings (R millions)	325	1 728
		(16)	(14)	(35)	Deferred taxation	(194)	(43)	(215)	Cash utilised in investment				Gearing (%)	П	56
Net profit attributable to ordinary shareholders		99	96	974	Long-term borrowings	50	864	95	activities	(159) (93)	(199)	Current assets to current		
		99	70	7/4	Long-term provisions	352	292	353	Proceeds from disinvestment an			2 (22	liabilities	1.3	1.2
Headline earnings are					Current liabilities	2 525	2 744	2 515	restructuring	86	-	2 432			
derived from:					Accounts payable	1 104	1 465	1 193	Special dividend and STC paid	-	-	(1 044)	Net asset value per ordinary share (cents)	875	1 918
Net profit attributable to ordinary shareholders		99	96	974	Provision for restructuring Short-term borrowings	106 1 249	124 1135	282 918	Net cash (utilised)/generate	ed (197) (206)	367	Net capital expenditure		
Less: net exceptional item		-	_	(700)	Taxation	20	(26)	45	Cash effects of financing				(R millions)	79	93
Amortisation of goodwill		14	11	25	Dividend declared	46	46	77	activities	282	276	(679)	Depreciation and amortisation		
		113	107	299	Total equity and liabilities	5 798	6 960	5 736	Increase in liquid funds	85	70	688	(R millions)	117	183
		113	107	299									<u>.</u>		
Headline earnings per ordinary share (cents)	(2)	73	69	193	Industry segment analys	is							Statement of changes in		
Attributable earnings	(-)				For the half-year ended June		Tu	nover	Trading profit		Δε	sets		2000 First half	1999 Einst half
per ordinary share (cents)		64	62	(82)			2000	I999 Indited	2000 Inaudited	999	2000	I 999 Idited		Unaudited U	
Dividend per ordinary				. ,				nillions	R millions			llions		R millions R	R millions R
share (cents)					Mining solutions		580	586	50	97	851	853	Headline earnings for the period	113	107
Normal		30	30	80	Specialty, fine and industrial chemicals		957	906	96	88	679	655	Exceptional items net of taxation Amortisation of goodwill	_ (14)	(1)
Special		-	-	600	Specialty fibres		628	594	58	66	608	472	Dividends	(46)	(11) (46)
Number of ordinary shares					Property		-	-	9	6	627	625	Other	4	-
in issue (millions)		155	155	155	Other businesses		827	833	25	19	640	666	Net increase/(decrease) in equity for the period	57	50
Notes:					Group services, development		(121)	(2.4.2)	(20)	(22)		47	Equity at the beginning of the period	2 843	2 917
(1) Includes exports of R601 millio	on (1999 –	R712 million).			and intergroup		(131)	(262)		(32)	37	47	Equity at the end of the period	2 900	2 967
(2) Payment of the special dividend of	of R6 per or	dinary share in N	November 19	99 reduced		2	2 861	2 657	209	244	3 442	3 3 8	Made up as follows:		
the available cash resources of t					Businesses sold/equity-accounted		52	390	I	71	-	1 766	Share capital and share premium Non-distributable reserves	228 581	228 593
been retained in the Company						2	2 913	4 047	210	315	3 442	5 084	Retained income	2 091	2 146
ordinary share for the period we				0 F-	Assets consist of property, plant, equip	oment and good	will, invento	ory, accounts re	ceivable and accounts payable.					2 900	2 967
,, in a lot all period we					FF/, F		,	,,	F-/				_		

	First half	First half
	Unaudited	Unaudited
	R millions	R millions R
ash generated by operations	300	487
•	500	
vestment income	-	5
nancing costs	(20)	(156)
axes paid	(53)	(74)
hanges in working capital	(126)	(204)
xpenditure relating to ong-term provisions	(1)	(8)
penditure relating to		(
restructuring	(141)	(115)

Abridged cash flow statement

Other salient features

Income statement					balance sneet				Abridged cash flow sta	atement			Other salient features			
1	U	2000 First half Jnaudited U R millions R		1999 Year Audited millions		Inaudited Ur	30 June 31	ited		2000 First half Unaudited R millions		1999 Year Audited & millions		2000 First half Unaudited U R millions R	naudited	1999 Yea Audited R million
Revenue	(1)	2 913	4 047	7 311	Assets				Cash generated by				Capital expenditure	113	183	23
Net trading profit		210	315	568	Non-current assets	2 576	3 5 1 3 2	657	operations	300	487	897	- expansion	64	92	104
inancing costs		(20)	(156)	(120)	Property, plant, equipment and goodwill	2 302	3 373 2	319	Investment income	-	5	П	– replacement	49	91	12
ncome/(loss) from					Investments	274		338	Financing costs	(20)	(156)	(120)	Capital commitments	151	372	18
associates and investments		(7)	7	20	intestitents				Taxes paid	(53)	(74)	(62)	Capital communents			
		183	166	468	Current assets	3 222	3 447 3	079	Changes in working capital	(126)	(204)	(207)	- contracted for	68 83	289	5
xceptional items		-	-	683	Inventory	996		939	Expenditure relating to				– not contracted for	83	83	12
mortisation of goodwill		(14)	(11)	(25)	Accounts receivable	1 252		251	long-term provisions	(1)	(8)	(36)	Future rentals on			
let profit before taxation		169	155	1 126	Cash and cash equivalents	974		889	Expenditure relating to				property, plant and	166	222	17
axation		(54)	(45)	(117)	Total assets	5 798	6 960 5	736	restructuring	(141)	(115)	(206)	equipment leased	100		17
Normal activities		(54)	(45)	(134)	Equity and liabilities Ordinary capital and reserves	2 900	2 967 2	843	Cash (absorbed by)/available				– payable within one year	38	43	4
Exceptional items		_	_	17		2 900	2 707 2	640	from operating activities	(41)	(65)	277	 payable thereafter 	128	179	12
let profit		115	110	1 009	Preference capital and outside shareholders' interest	165	136	145	Normal dividends paid	(83)	(48)	(99)	Contingent liabilities			
					Total shareholders' interest	3 065	3 103 2	988	Cash (absorbed by)/retained				and guarantees	169	28	16
ttributable to preference			(14)	(25)	Non-current liabilities	208	3	233	from operating activities	(124)	(3)	178	Net borrowings (R millions)	325	1 728	12
nd outside shareholders		(16)	(14)	(35)	Deferred taxation	(194)	(43)	215)	Cash utilised in investment				Gearing (%)	п	56	
et profit attributable to				07.4	Long-term borrowings	50	864	95	activities	(159)	(93)	(199)	0()		50	
ordinary shareholders		99	96	974	Long-term provisions	352	292	353	Proceeds from disinvestment and				Current assets to current liabilities	1.3	1.2	I
leadline earnings are					Current liabilities	2 525		515	restructuring	86	-	2 432		1.5	1.2	
lerived from:					Accounts payable	1 104		193	Special dividend and STC paid	-	-	(1 044)	Net asset value per ordinary share (cents)	1 875	9 8	1 83
let profit attributable to ordinary shareholders		99	96	974	Provision for restructuring Short-term borrowings	106 1 249		282 918	Net cash (utilised)/generated	(197)	(206)	1 367	· · · · · · · · · · · · · · · · · · ·	10/5	1 /10	10.
		-	-	(700)	Taxation	20	(26)	45	Cash effects of financing				Net capital expenditure (R millions)	79	93	15
ess: net exceptional item		- 14	-	25	Dividend declared	46	46	77	activities	282	276	(679)	()	.,		
Amortisation of goodwill					Total equity and liabilities	5 798	6 960 5	736	Increase in liquid funds	85	70	688	Depreciation and amortisation (R millions)	117	183	31
		113	107	299	········											
leadline earnings per	(2)	73	69	193	Industry segment analysis								Statement of changes in	sharehold	ers' eq	uity
ordinary share (cents)	(2)	73	07	175	For the half-year ended June		-		T I: A					2000	1999	199
tributable earnings er ordinary share (cents)		64	62	(82)		20	Turnover	1999	Trading profit 2000 Unaudited	9	Ass 2000	ets 1999 dited lions		First half Unaudited U		Ye Audit
ividend per ordinary		•1	02	(02)			Unaudite R million		R millions		Unau R mi	dited lions		R millions R		
hare (cents)					Mining solutions		580	586	50 9	7	851	853	Headline earnings for the period	113	107	2
ormal		30	30	80	Specialty, fine and industrial chemicals		957	906		8	679	655	Exceptional items net of taxation	(14)	(11)	7
ecial		-	_	600	Specialty fibres		528	594		6	608	472	Amortisation of goodwill Dividends	(14)	(11) (46)	() (1 0
umber of ordinary shares					Property		_	-		6	627	625	Other	`4´	`-'	`
n issue (millions)		155	155	155	Other businesses	8	327	833	25	9	640	666	Net increase/(decrease) in equity		50	
otes:					Group services, development								for the period Equity at the beginning of the period	57 2 843	50 2 917	() 2 9
Includes exports of R601 million	n (1999 –	R712 million).			and intergroup	(31)	(262)	(29) (3	2)	37	47	Equity at the end of the period	2 900	2 967	2.8
			November 10	00 roducod		2 8	36 1	2 657	209 24	4 3	442	3 318	Made up as follows:			
) Payment of the special divide f			NOVEHIDER 19	// reuuceu			52	390	I 7	1	-	1 766	Share capital and share premium	228	228	22
 Payment of the special dividend of the available cach recourses of the 				funde had	Businesses sold/equity-accounted		52	1 370	i ,	1		1700				E C
Payment of the special dividend of the available cash resources of th been retained in the Company a	ne Compar	ny by RI 044 m	illion. If thes		Businesses sold/equity-accounted		913	4 047	210 31		442	5 084	Non-distributable reserves Retained income	581 2 091	593 2 146	59 2 0 I

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