CONDENSED CONSOLIDATED UNAUDITED

INTERIM FINANCIAL RESULTS AND CASH DIVIDEND DECLARATION

FOR THE HALF-YEAR ENDED 30 JUNE 2013

REVENUE UP 13% TO R7 223m

PROFIT FROM OPERATIONS UP 28% TO R612m

HEPS UP 236% TO 356c

CASH DIVIDEND UP 35% TO 105c

AECI good chemistry

INCOME STATEMENT

R millions	% change	2013 First half Unaudited	2012 First half Restated[2]	2012 Year Restated[2]
REVENUE[3]	+13	**7 223**	6 405	13 827
Net operating costs		**(6 611)**	(5 928)	(12 630)
PROFIT FROM OPERATIONS	+28	**612**	477	1 197
CST share-based payment[4]		**–**	(138)	(138)
		612	339	1 059
Interest expense		**(97)**	(118)	(256)
Interest received		**16**	20	38
Share of profit of equity-accounted investees, net of tax		**20**	23	57
Profit before tax		**551**	264	898
Tax expense		**(150)**	(128)	(309)
PROFIT FOR THE PERIOD		**401**	136	589
Profit for the period attributable to:				
– ordinary shareholders		**398**	134	581
– preference shareholders		**1**	1	2
– non-controlling interest		**2**	1	6
		401	136	589
HEADLINE EARNINGS ARE DERIVED FROM:				
Profit attributable to ordinary shareholders		**398**	134	581
Impairment of goodwill		**–**	4	9
Impairment of property, plant and equipment		**–**	–	3
Surplus on derecognition of businesses, joint ventures and subsidiaries disposed of		**–**	–	(15)
Surplus on disposal of property, plant and equipment		**1**	(23)	(18)
Tax effects of the above items		*****	3	2
HEADLINE EARNINGS		**399**	118	562
PER ORDINARY SHARE (CENTS):				
Headline earnings	+236	**356**	106	503
Diluted headline earnings		**333**	102	479
Basic earnings		**356**	120	520
Diluted basic earnings		**332**	116	496
Dividends declared	+35	**105**	78	185
Dividends paid		**185**	179	257

* Nominal amount

STATEMENT OF COMPREHENSIVE INCOME

R millions	2013 First half Unaudited	2012 First half Restated[2]	2012 Year Restated[2]
PROFIT FOR THE PERIOD	**401**	136	589
OTHER COMPREHENSIVE INCOME NET OF TAX:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	**303**	(1)	41
Other	*****	1	–
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on defined benefit obligations	**(4)**	2	49
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**700**	138	679
Total comprehensive income attributable to:			
– ordinary shareholders	**697**	136	672
– preference shareholders	**1**	1	2
– non-controlling interest	**2**	1	5
	700	138	679

* Nominal amount

STATEMENT OF CHANGES IN EQUITY

R millions	2013 First half Unaudited	2012 First half Restated[2]	2012 Year Restated[2]
Total comprehensive income for the period	**700**	138	679
Dividends paid	**(213)**	(206)	(297)
Business combinations	**(2)**	–	1
Issue of ordinary shares:			
– at par value[4]	**–**	4	4
– at market value[5]	**–**	393	393
Net effect of acquisition of non-controlling interest to equity[5]	**–**	(393)	(393)
Share-based payment reserve	**17**	10	29
Transfer to retained earnings for CST share-based payment	**–**	138	138
Equity at the beginning of the period	**5 757**	5 203	5 203
EQUITY AT THE END OF THE PERIOD	**6 259**	5 287	5 757
Made up as follows:			
Ordinary share capital	**116**	116	116
Share premium	**496**	496	496
Reserves	**726**	354	405
Property revaluation surplus	**237**	237	237
Foreign currency translation reserve	**442**	100	143
Share-based payment reserve	**46**	10	29
Other	**1**	7	(4)
Retained earnings	**4 880**	4 287	4 697
Preference share capital	**6**	6	6
Non-controlling interest	**35**	28	37
	6 259	5 287	5 757

STATEMENT OF CASH FLOWS

R millions	2013 First half Unaudited	2012 First half Restated[2]	2012 Year Restated[2]
CASH GENERATED BY OPERATIONS	**992**	777	1 777
Dividends received	**7**	28	28
Interest paid	**(103)**	(118)	(238)
Interest received	**16**	20	37
Income tax paid	**(202)**	(155)	(289)
Changes in working capital	**(573)**	(694)	(331)
Expenditure relating to non-current provisions	**(17)**	(47)	(101)
CASH AVAILABLE/(UTILISED) FROM OPERATING ACTIVITIES	**120**	(189)	883
Dividends paid	**(213)**	(206)	(297)
CASH FLOWS FROM OPERATING ACTIVITIES	**(93)**	(395)	586
CASH FLOWS FROM INVESTING ACTIVITIES	**(261)**	(363)	(616)
Net investment expenditure	**(52)**	(11)	(134)
Prepayment for business combination[6]	**–**	(135)	–
Net capital expenditure	**(209)**	(217)	(482)
NET CASH UTILISED	**(354)**	(758)	(30)
CASH FLOWS FROM FINANCING ACTIVITIES	**318**	614	96
Non-current loans receivable	**3**	(1)	14
Borrowings	**315**	615	82
(DECREASE)/INCREASE IN CASH	**(36)**	(144)	66
Cash at the beginning of the period	**1 069**	979	979
Translation gain on cash	**102**	3	24
CASH AT THE END OF THE PERIOD	**1 135**	838	1 069

STATEMENT OF FINANCIAL POSITION

R millions	2013 30 Jun Unaudited	2012 30 Jun Restated[2]	2012 31 Dec Restated[2]	2012 01 Jan Restated[2]
ASSETS				
NON-CURRENT ASSETS	**6 553**	6 182	6 467	6 143
Property, plant and equipment	**3 677**	3 623	3 662	3 587
Investment property	**480**	437	445	436
Intangible assets	**148**	22	159	21
Goodwill	**1 089**	1 022	1 089	1 024
Pension fund employer surplus accounts	**247**	245	267	259
Investments in joint ventures	**331**	358	318	363
Other investments	**136**	26	86	22
Loans receivable	**8**	25	11	24
Deferred tax	**437**	424	430	407
CURRENT ASSETS	**6 760**	5 988	6 397	6 061
Inventories	**2 979**	2 467	2 711	2 426
Accounts receivable	**2 635**	2 484	2 617	2 601
Loans to joint ventures	**11**	64	*	40
Prepayment for business combination[6]	**–**	135	–	–
Assets classified as held for sale	**–**	–	–	16
Cash	**1 135**	838	1 069	978
TOTAL ASSETS	**13 313**	12 170	12 864	12 204
EQUITY AND LIABILITIES				
Ordinary capital and reserves	**6 218**	5 253	5 714	4 999
Non-controlling interest	**35**	28	37	198
Preference share capital	**6**	6	6	6
TOTAL EQUITY	**6 259**	5 287	5 757	5 203
NON-CURRENT LIABILITIES	**2 844**	2 785	2 451	2 653
Deferred tax	**210**	170	201	150
Non-current borrowings	**1 626**	1 575	1 251	1 494
Non-current provisions	**1 008**	1 040	999	1 009
CURRENT LIABILITIES	**4 210**	4 098	4 656	4 348
Accounts payable	**2 418**	2 019	2 758	2 799
Current borrowings	**1 678**	1 947	1 738	1 413
Loans from joint ventures	**7**	17	*	2
Tax payable	**107**	115	160	134
TOTAL EQUITY AND LIABILITIES	**13 313**	12 170	12 864	12 204

* Nominal amount

RECONCILIATION OF WEIGHTED AVERAGE NUMBER OF SHARES

Millions	2013 First half Unaudited	2012 First half Unaudited	2012 Year Audited
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AT BEGINNING OF THE PERIOD	**138,3**	119,1	119,1
Weighted average number of ordinary shares issued during the period	**–**	15,5	17,4
Weighted average number of ordinary shares held by consolidated EST	**(10,1)**	(7,9)	(9,0)
Weighted average number of contingently returnable ordinary shares held by CST	**(4,4)**	(3,4)	(3,9)
Weighted average number of shares held by consolidated subsidiary	**(11,9)**	(11,9)	(11,9)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR BASIC EARNINGS PER SHARE	**111,9**	111,4	111,7
Dilutive adjustment for potential ordinary shares	**7,9**	4,5	5,4
Dilutive adjustment for share options under the AECI share option scheme	**–**	0,1	0,1
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	**119,8**	116,0	117,2

ORDINARY SHARES IN ISSUE

Millions	2013 First half Unaudited	2012 First half Unaudited	2012 Year Audited
LISTED ORDINARY SHARES			
At the beginning of the period	**128,2**	119,1	119,1
Issued during the period for CST and KTH transactions[4] [5]	**–**	9,1	9,1
At the end of the period	**128,2**	128,2	128,2
Treasury shares held by subsidiary company	**(11,9)**	(11,9)	(11,9)
	116,3	116,3	116,3
UNLISTED REDEEMABLE CONVERTIBLE ORDINARY SHARES			
At the beginning of the period	**10,1**	–	–
Issued during the period for EST transactions[4]	**–**	10,1	10,1
At the end of the period	**10,1**	10,1	10,1
Treasury shares held by consolidated EST[4]	**(10,1)**	(10,1)	(10,1)
	–	–	–
ORDINARY SHARES IN ISSUE	**116,3**	116,3	116,3

OTHER SALIENT FEATURES

R millions	2013 First half Unaudited	2012 First half Restated[2]	2012 Year Restated[2]
Capital expenditure	**216**	272	538
– expansion	**104**	143	259
– replacement	**112**	129	279
Capital commitments[6]	**476**	334	207
– contracted for	**161**	94	55
– not contracted for	**315**	240	152
Future rentals on property, plant and equipment leased	**258**	159	130
– payable within one year	**64**	47	52
– payable thereafter	**194**	112	78
Net borrowings	**2 169**	2 684	1 920
Gearing (%)*	**35**	51	33
Current assets to current liabilities	**1,6**	1,5	1,4
Net asset value per ordinary share (cents)	**5 347**	4 517	4 914
Depreciation and amortisation	**258**	216	460
ZAR/US$ closing exchange rate (rand)	**9,94**	8,19	8,49
ZAR/US$ average exchange rate (rand)	**9,20**	7,92	8,20

* Borrowings less cash as a percentage of total equity.

INDUSTRY SEGMENT ANALYSIS

	Revenue First half		Profit from operations First half		Net assets First half	
R millions	2013 Unaudited	2012 Restated[2]	2013 Unaudited	2012 Restated[2]	2013 Unaudited	2012 Restated[2]
Explosives	**3 551**	2 907	**312**	178	**3 181**	3 087
Specialty chemicals	**3 667**	3 575	**389**	395	**4 597**	4 306
Property	**278**	176	**50**	21	**811**	781
Group services and inter-segment	**(273)**	(253)	**(139)**	(117)	**1**	(3)
	7 223	6 405	**612**	477	**8 590**	8 171

Net assets consist of property, plant, equipment, investment property,intangible assets, goodwill, inventory, accounts receivable and prepayment for business combination less accounts payable.

Specialty fibres (USA) has been reported as part of the Specialty chemicals segment effective from 1 January 2013, the comparatives have been adjusted accordingly.

CHANGE IN ACCOUNTING POLICY: INCOME STATEMENT[(2)]

R millions	2012 First half Unaudited	2012 First half Adjustment	2012 First half Restated	2012 Year Audited	2012 Year Adjustment	2012 Year Restated
REVENUE[(3)]	6 954	(549)	6 405	14 916	(1 089)	13 827
Net operating costs	(6 423)	495	(5 928)	(13 575)	945	(12 630)
PROFIT FROM OPERATIONS	531	(54)	477	1 341	(144)	1 197
CST share-based payment[(4)]	(138)	–	(138)	(138)	–	(138)
Net (loss)/income from pension fund employer surplus accounts	(14)	14	–	8	(8)	–
Net (loss)/income from plan assets for post-retirement medical aid liabilities	(2)	2	–	(6)	6	–
	377	(38)	339	1 205	(146)	1 059
Interest expense	(121)	3	(118)	(262)	6	(256)
Interest received	21	(1)	20	40	(2)	38
Share of profit of equity-accounted investees, net of tax	–	23	23	*	57	57
Profit before tax	277	(13)	264	983	(85)	898
Tax expense	(139)	11	(128)	(345)	36	(309)
PROFIT FOR THE PERIOD	138	(2)	136	638	(49)	589
Profit for the period attributable to :						
– ordinary shareholders	136	(2)	134	630	(49)	581
– preference shareholders	1	–	1	2	–	2
– non-controlling interest	1	–	1	6	–	6
	138	(2)	136	638	(49)	589
HEADLINE EARNINGS ARE DERIVED FROM:						
Profit attributable to ordinary shareholders	136	(2)	134	630	(49)	581
Impairment of goodwill	4	–	4	9	–	9
Impairment of property, plant and equipment	–	–	–	3	–	3
Surplus on derecognition of businesses, joint ventures and subsidiaries disposed of	–	–	–	(15)	–	(15)
Surplus on disposal of property, plant and equipment	(23)	–	(23)	(18)	–	(18)
Tax effects of the above items	3	–	3	2	–	2
HEADLINE EARNINGS	120	(2)	118	611	(49)	562
PER ORDINARY SHARE (CENTS):						
Headline earnings	108	(2)	106	547	(44)	503
Diluted headline earnings	103	(1)	102	521	(42)	479
Basic earnings	122	(2)	120	564	(44)	520
Diluted basic earnings	117	(1)	116	537	(41)	496

* Nominal amount

CHANGE IN ACCOUNTING POLICY: STATEMENT OF COMPREHENSIVE INCOME[(2)]

R millions	2012 First half Unaudited	2012 First half Adjustment	2012 First half Restated	2012 Year Audited	2012 Year Adjustment	2012 Year Restated
PROFIT FOR THE PERIOD	138	(2)	136	638	(49)	589
OTHER COMPREHENSIVE INCOME NET OF TAX:						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation differences	(1)	–	(1)	41	–	41
Other	1	–	1	–	–	–
Items that will not be reclassified subsequently to profit or loss:						
Actuarial gain on defined benefit obligations	–	2	2	–	49	49
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	138	–	138	679	–	679
Total comprehensive income attributable to:						
– ordinary shareholders	136	–	136	672	–	672
– preference shareholders	1	–	1	2	–	2
– non-controlling interest	1	–	1	5	–	5
	138	–	138	679	–	679

CHANGE IN ACCOUNTING POLICY: STATEMENT OF CHANGES IN EQUITY[2]

R millions	2012 First half Unaudited	2012 First half Adjustment	2012 First half Restated	2012 Year Audited	2012 Year Adjustment	2012 Year Restated
Total comprehensive income for the period	138	–	138	679	–	679
Dividends paid	(206)	–	(206)	(297)	–	(297)
Business combinations	–	–	–	1	–	1
Issue of ordinary shares:						
– at par value[4]	4	–	4	4	–	4
– at market value[5]	393	–	393	393	–	393
Net effect of acquisition of non-controlling interest to equity[5]	(393)	–	(393)	(393)	–	(393)
Share-based payment reserve	10	–	10	30	(1)	29
Transfer to retained earnings for CST share-based payment	138	–	138	138	–	138
Equity at the beginning of the period	5 214	(11)	5 203	5 214	(11)	5 203
EQUITY AT THE END OF THE PERIOD	5 298	(11)	5 287	5 769	(12)	5 757
Made up as follows:						
Ordinary share capital	116	–	116	116	–	116
Share premium	496	–	496	496	–	496
Reserves	354	–	354	406	(1)	405
Property revaluation surplus	237	–	237	237	–	237
Foreign currency translation reserve	100	–	100	143	–	143
Share-based payment reserve	10	–	10	30	(1)	29
Other	7	–	7	(4)	–	(4)
Retained earnings	4 287	–	4 287	4 697	–	4 697
Preference share capital	6	–	6	6	–	6
Non-controlling interest	39	(11)	28	48	(11)	37
	5 298	(11)	5 287	5 769	(12)	5 757

CHANGE IN ACCOUNTING POLICY: STATEMENT OF CASH FLOWS[2]

R millions	2012 First half Unaudited	2012 First half Adjustment	2012 First half Restated	2012 Year Audited	2012 Year Adjustment	2012 Year Restated
CASH GENERATED BY OPERATIONS	819	(42)	777	1 867	(90)	1 777
Dividends received	–	28	28	–	28	28
Interest paid	(121)	3	(118)	(245)	7	(238)
Interest received	21	(1)	20	40	(3)	37
Income tax paid	(168)	13	(155)	(308)	19	(289)
Changes in working capital	(702)	8	(694)	(326)	(5)	(331)
Expenditure relating to non-current provisions	(47)	–	(47)	(98)	(3)	(101)
CASH (UTILISED)/AVAILABLE FROM OPERATING ACTIVITIES	(198)	9	(189)	930	(47)	883
Dividends paid	(206)	–	(206)	(297)	–	(297)
CASH FLOWS FROM OPERATING ACTIVITIES	(404)	9	(395)	633	(47)	586
CASH FLOWS FROM INVESTING ACTIVITIES	(360)	(3)	(363)	(645)	29	(616)
Net investment expenditure	(1)	(10)	(11)	(144)	10	(134)
Prepayment for business combination[6]	(135)	–	(135)	–	–	–
Net capital expenditure	(224)	7	(217)	(501)	19	(482)
NET CASH UTILISED	(764)	6	(758)	(12)	(18)	(30)
CASH FLOWS FROM FINANCING ACTIVITIES	593	21	614	75	21	96
Non-current loans receivable	(1)	–	(1)	14	–	14
Borrowings	594	21	615	61	21	82
(DECREASE)/INCREASE IN CASH	(171)	27	(144)	63	3	66
Cash at the beginning of the period	1 061	(82)	979	1 061	(82)	979
Translation gain on cash	3	–	3	24	–	24
CASH AT THE END OF THE PERIOD	893	(55)	838	1 148	(79)	1 069

CHANGE IN ACCOUNTING POLICY: STATEMENT OF FINANCIAL POSITION[2]

R millions	2012 30 Jun Unaudited	2012 30 Jun Adjustment	2012 30 Jun Restated	2012 31 Dec Audited	2012 31 Dec Adjustment	2012 31 Dec Restated	2012 01 Jan Audited	2012 01 Jan Adjustment	2012 01 Jan Restated
ASSETS									
NON-CURRENT ASSETS	6 030	152	6 182	6 314	153	6 467	6 024	119	6 143
Property, plant and equipment	3 754	(131)	3 623	3 733	(71)	3 662	3 721	(134)	3 587
Investment property	437	–	437	445	–	445	436	–	436
Intangible assets	78	(56)	22	214	(55)	159	77	(56)	21
Goodwill	1 075	(53)	1 022	1 124	(35)	1 089	1 078	(54)	1 024
Pension fund employer surplus accounts	245	–	245	267	–	267	259	–	259
Investments in joint ventures	–	358	358	–	318	318	–	363	363
Other investments	26	–	26	86	–	86	22	–	22
Loans receivable	25	–	25	11	–	11	24	–	24
Deferred tax	390	34	424	434	(4)	430	407	–	407
CURRENT ASSETS	6 295	(307)	5 988	6 752	(355)	6 397	6 433	(372)	6 061
Inventories	2 613	(146)	2 467	2 867	(156)	2 711	2 584	(158)	2 426
Accounts receivable	2 654	(170)	2 484	2 737	(120)	2 617	2 772	(171)	2 601
Loans to joint ventures	–	64	64	–	*	*	–	40	40
Prepayment for business combination[6]	135	–	135	–	–	–	–	–	–
Assets classified as held for sale	–	–	–	–	–	–	16	–	16
Cash	893	(55)	838	1 148	(79)	1 069	1 061	(83)	978
TOTAL ASSETS	12 325	(155)	12 170	13 066	(202)	12 864	12 457	(253)	12 204
EQUITY AND LIABILITIES									
Ordinary capital and reserves	5 253	–	5 253	5 715	(1)	5 714	4 998	1	4 999
Non-controlling interest	39	(11)	28	48	(11)	37	210	(12)	198
Preference share capital	6	–	6	6	–	6	6	–	6
TOTAL EQUITY	5 298	(11)	5 287	5 769	(12)	5 757	5 214	(11)	5 203
NON-CURRENT LIABILITIES	2 786	(1)	2 785	2 488	(37)	2 451	2 702	(49)	2 653
Deferred tax	165	5	170	232	(31)	201	179	(29)	150
Non-current borrowings	1 575	–	1 575	1 251	–	1 251	1 507	(13)	1 494
Non-current provisions	1 046	(6)	1 040	1 005	(6)	999	1 016	(7)	1 009
CURRENT LIABILITIES	4 241	(143)	4 098	4 809	(153)	4 656	4 541	(193)	4 348
Accounts payable	2 183	(164)	2 019	2 912	(154)	2 758	2 987	(188)	2 799
Current borrowings	1 947	–	1 947	1 738	–	1 738	1 421	(8)	1 413
Loans from joint ventures	–	17	17	–	*	*	–	2	2
Tax payable	111	4	115	159	1	160	133	1	134
TOTAL EQUITY AND LIABILITIES	12 325	(155)	12 170	13 066	(202)	12 864	12 457	(253)	12 204

* Nominal amount

NOTES

(1) **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The condensed consolidated unaudited interim financial results are prepared in accordance with International Financial Reporting Standards, IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Listings Requirements of the JSE Limited and the requirements of the Companies Act of South Africa. Accounting policies have been applied consistently by all entities in the Group and are consistent with those applied in the previous reporting period, apart from the adoption of the new accounting standards as detailed below. This interim report has not been audited or reviewed by the Company's auditor, KPMG Inc. This interim report for the six months ended 30 June 2013 is being published on 24 July 2013. The preparation of these condensed consolidated unaudited interim financial results for the period ending 30 June 2013 was supervised by the Financial Director, Mr KM Kathan CA(SA) AMP (Harvard).

(2) **CHANGE IN ACCOUNTING POLICIES**

IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors has been applied retrospectively to adjust the income statement, statement of comprehensive income, statement of changes in equity, statement of financial position and statement of cash flows for the effects of the following new accounting standards:

IAS 19: Employee Benefits became effective from 1 January 2013. Under its previous accounting policy, AECI elected to recognise its defined-benefit costs in the income statement, and applied the asset limitation in recognising the defined-benefit pension fund assets in the statement of financial position. The liability for the post-retirement medical aid was recognised in the statement of financial position. The income statement effects were recognised in profit from operations except for the net return on the employer surplus accounts and the net return on the post-retirement medical aid which were separately disclosed after profit from operations. Under the revised IAS 19, the basis of calculation of finance costs has been altered and is determined by applying the discount rate used to measure the defined-benefit obligation to the net defined-benefit asset/obligation at the beginning of the period. Profit from operations now includes only the current service cost and the net interest of the defined-benefit asset/liability. Remeasurements of the net defined-benefit asset/liability are now recognised in other comprehensive income. There are no amendments to the statement of financial position.

AECI has also adopted the new Consolidation Suite of standards: IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements, IFRS 12: Disclosure of Interests in Other Entities, IAS 27: Separate Financial Statements and IAS28: Investment in Associates and Joint Ventures effective from 1 January 2013. In terms of IFRS 11, the proportionate consolidation of joint arrangements is no longer permitted. Joint arrangements are now classified as either joint ventures or joint operations. Joint ventures are required to be equity accounted. For joint operations, AECI recognises its share of assets, liabilities, revenue and expenses. This is done on a line-by-line basis. Equity accounting of AECI's joint ventures has resulted in a restatement of the income statement, statement of comprehensive income, statement of changes in equity, statement of financial position and statement of cash flows for June 2012 and December 2012.

(3) Includes foreign and export revenue of R2 348 million (2012 first half restated: R1 944 million).

(4) **SHARE-BASED PAYMENTS**

CST share-based payment: The AECI Community Education and Development Trust ("CST") subscribed for 4 426 604 ordinary shares at par value in the Company in 2012. The shares vested immediately and a sharebased payment expense of R138 million (2012 first half) was recognised in full in the income statement. These shares are contingently returnable and, as a result, are excluded from EPS and HEPS.

EST share-based payment: The AECI Employees Share Trust ("EST") subscribed for 10 117 951 unlisted B ordinary shares of the Company. The total cost is estimated at R143 million of which R15 million (2012 first half: R10 million) was recognised in the income statement. The remainder of the expense is being recognised in future periods over the respective vesting periods.

(5) The Kagiso Tiso Holdings Proprietary Limited (RF) ("KTH") transaction in the 2012 financial year involved the purchase by AECI of the 25,1% interest held in AEL Holdco Limited by a KTH-led consortium in exchange for 4 678 667 ordinary shares in AECI. The shares issued were recognised in equity, with R5 million allocated to share capital and R388 million allocated to share premium. The non-controlling interest was reduced by the carrying amount of R172 million, with the balance of R221 million recognised directly in retained earnings.

(6) The prepayment for business combination at 30 June 2012 related to a payment made for the acquisition of General Electric's Chemical and Monitoring Solutions business in Africa.

(7) The preparation of the condensed consolidated unaudited interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

COMMENTARY

Performance

Revenue increased by 13% to R7 223 million in what were again challenging operating and trading conditions owing to an unpredictable global economic environment. A weaker ZAR/US$ exchange rate and higher ammonia prices assisted revenue growth. Profit from operations was 28% higher at R612 million and headline earnings increased by 238% to R399 million (2012: R118 million) primarily due to a significantly improved performance from the explosives business as well as the non-recurrence of the once off non-cash IFRS 2 charge of R138 million (or 123 cents per share) in respect of the B-BBEE transaction in 2012. Volumes, excluding bulk sulphur trading, grew by 3,7% in the period.

Headline earnings per share ("HEPS") increased by 236% to 356 cents (2012: 106 cents).

The Board has declared an interim cash dividend of 105 cents per ordinary share (2012: 78 cents).

SAFETY

AECI's 12 month rolling average Total Recordable Injury Rate ("TRIR") was 0,60 (2012: 0,58). The TRIR measures the number of incidents per 200 000 hours worked.

EXPLOSIVES

Revenue from AEL Mining Services ("AEL") was 22% higher at R3 551 million (2012: R2 907 million) as ammonia prices increased by an average of 44% and bulk explosives volumes grew by 3%. It is pleasing that profit from operations improved by 75% to R312 million (2012: R178 million), while the operating margin recovered to 8,8% (2012: 6,1%). This significant change in AEL's results is attributable to the better operational performance of the company's nitric acid complex, a better business mix and exchange rate effects. The latter represented a net contribution of R27 million.

Higher working capital levels were maintained to mitigate potential industrial action in South Africa's chemicals sector. However, agreement with unions on wage increases was reached in the second week of July at the National Bargaining Council for the Chemical Industry. Strikes did occur at some customer sites in West Africa during the half-year.

Capital expenditure totalled R108 million. R58 million of this related to growth projects at customer sites, primarily outside South Africa.

Regional performance

Volumes in South Africa continued to be affected by uncertainty in the mining sector, weaker commodity prices and safety-related stoppages. Strong growth was nonetheless evident in the Open Pit and Massive business, particularly in coal mining. Volumes in the rest of Africa were flat owing to labour relations issues in West Africa and electricity shortages which prevented growth in Central Africa.

In Indonesia, volume growth of 14% was achieved despite some new coal projects being put on hold due to weaker thermal coal prices and a consequent reduction in demand.

ISAP

Significant progress was made in the technical and quality performance of the Initiating Systems Automated Plant ("ISAP") and output targets are being achieved. The full savings associated with closure of the conventional plants and efficiency enhancements will only be optimised by the end of 2013. This delay is the result of the extensive communication required with the affected unions.

SPECIALTY CHEMICALS

Revenue increased by 3% to R3 667 million (2012: R3 575 million). Volumes declined by 14,5% owing to lower sales of traded sulphur in Central Africa and the disposal of Resitec and Duco towards the end of 2012. Excluding the sulphur trading activities, overall specialty chemicals volumes were 5% higher. Profit from operations declined by 2% to R389 million (2012: R395 million) and the operating margin was 10,6% compared to 11% last year due to a lag in foreign exchange-related price increases.

The results for the prior period included a once-off profit of R24 million on the sale of a building.

Chemfit, Lake Foods, Lake Specialties, Nulandis and Senmin delivered pleasing performances. Senmin's results in 2012 were negatively impacted by strikes in the platinum mining industry but a strong recovery was evident during the first half of 2013. ImproChem delivered a solid result after the integration of General Electric's Chemical and Monitoring Solutions business in Africa and the Indian Ocean Islands, which was acquired in June 2012. SANS Technical Fibers ("STF"), in the USA, is now reported as part of the specialty chemicals cluster. STF's results deteriorated year-on-year because of higher raw material prices and weaker conditions in the European automotive sector.

Other companies in the specialty chemicals cluster remained challenged by the volatile conditions prevailing in South Africa's manufacturing sector.

The acquisition of SA Premix was finalised in June, pending Competition Commission approval. SA Premix produces and distributes animal feed formulations that fortify and enhance the nutritional content of feeds.

R93 million was invested in capital projects of which R33 million was for expansion, mainly at STF where a conversion to single stage equipment is in progress.

PROPERTY

Operating profit showed a pleasing increase of 138% to R50 million (2012: R21 million). Of the land sales concluded in the half-year, most were in Longlake Extensions 1 and 12 at Modderfontein and were predominantly for industrial end-use developments. Longlake Extension 1 will be sold out in the second half of 2013 as will a significant portion of Westlake Industrial, also at Modderfontein.

Demand from the industrial and residential property sectors is improving while that for office accommodation remains subdued.

The leasing and services businesses contributed R82 million to the segment's revenue. Vacancy rates, at about 20%, were unchanged from the prior period.

Property development expenditure of R29 million was incurred, primarily for Longlake and Westlake.

Financial

The Group invested R216 million (2012: R272 million) in capital expenditure, with R104 million of this relating to expansion projects at customer sites for explosives and mining chemicals. Gearing was at 35% from 51% in June 2012 (December 2012: 33%). Working capital was R573 million higher due to the weaker rand, higher ammonia prices and the Group's decision to build inventories to mitigate supply chain disruptions to mitigate potential industrial action in South Africa's chemicals industry. Group net working capital as a percentage of revenue was 21,8% (2012: 21,2%) and net interest cover was at 9,3 times (2012: 7,1 times).

The higher corporate centre charges are due largely to an increase in the provision for AECI's cash-settled long-term incentive scheme which tracks the share price and HEPS.

RESTATEMENT OF 2012 COMPARATIVES

On 1 January 2013, the following accounting standards applicable to the AECI Group's reporting took effect:

– IAS 19: Employee Benefits
– IFRS 10: Consolidated Financial Statements
– IFRS 11: Joint Arrangements

As a result of these changes, comparative figures for the periods 1 January 2012, 30 June 2012 and 31 December 2012 have been restated. The effect of the restatements on year-on-year HEPS was less than 2%.

Cautionary announcement

On 8 July 2013 the Company issued a cautionary announcement stating that it has entered into discussions relating to the disposal of the greater portion of its property assets at Modderfontein which are surplus to operational requirements.

Discussions regarding this potential disposal are on-going and shareholders will be advised of the outcome at the appropriate time. They should continue to exercise caution when dealing in AECI shares until an announcement is made.

Outlook and strategic focus

AECI's explosives and mining chemicals businesses remain poised for further growth outside South Africa notwithstanding the expected limited global economic recovery in the medium term. The positive trends in the local opencast coal and iron ore mining industries are expected to be sustained. However, conditions for the Group's customers in the narrow reef mining sector will remain challenging owing to weaker commodity prices and escalating costs.

The enhancement of the Group's African footprint will continue to receive attention not only in mining services but also in other markets of strategic interest, namely food additives; agriculture; personal and home care; and the water, oil, energy and gas industries.

Uncertainty regarding the extent and pace of recovery in the local manufacturing sector will continue to have an effect on AECI's South African-based businesses.

Management will maintain its focus on improving cost efficiencies, especially in AEL, and optimising cash management by decreasing working capital to targeted levels.

Acquisitions in Africa and South America continue to be pursued.

Schalk Engelbrecht
Chairman

Mark Dytor
Chief Executive

Woodmead, Sandton
23 July 2013

Directors: S Engelbrecht (Chairman), MA Dytor (Chief Executive)†, RMW Dunne*, Z Fuphe, KM Kathan (Financial Director)†, MJ Leeming, LL Mda, AJ Morgan, LM Nyhonyha, R Ramashia.

†Executive *British

Company Secretary: EN Rapoo

NOTICE TO SHAREHOLDERS

Interim Ordinary Cash Dividend No. 159

Notice is hereby given that on Tuesday, 23 July 2013 the Directors of AECI declared a gross interim cash dividend of 105 cents per share, in respect of the six month period ended 30 June 2013, payable on Monday, 9 September 2013 to ordinary shareholders recorded in the books of the Company at the close of business on Friday, 6 September 2013.

The last day to trade cum dividend will be Friday, 30 August 2013 and shares will commence trading ex dividend as from Monday, 2 September 2013.

A South African dividend withholding tax of 15% 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 89,25000 cents per share to those shareholders who are not exempt. Application forms for exemption or reduction may be obtained from the Transfer Secretaries and must be returned to them on or before Friday, 30 August 2013.

The issued share capital at the declaration date is 128 241 140 listed ordinary shares and 10 117 951 unlisted redeemable convertible B ordinary shares. The dividend has been declared from the income reserves of the Company. No Secondary Tax on Companies' credits are available to be used.

Any change of address or dividend instruction must be received on or before Friday, 30 August 2013.

Share certificates may not be dematerialised or rematerialised from Monday, 2 September 2013 to Friday, 6 September 2013, both days inclusive.

By order of the Board

E N Rapoo
Company Secretary

Woodmead, Sandton
23 July 2013

TRANSFER SECRETARIES

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Sandton

SPONSOR

Rand Merchant Bank (A division of FirstRand Bank Limited)

AECI Limited

("AECI" or "the Company" or "the Group")
(Incorporated in the Republic of South Africa)
Registration number 1924/002590/06
Tax reference number 9000008608

SHARE CODE: AFE
ISIN NO: ZAE000000220