Condensed consolidated unaudited interim financial results and cash dividend declaration for the half-year ended 30 June 2019 and Board changes

REVENUE
+14% to R11 972m

EBITDA
+7% to R1 346m
UNDERLYING
+11% to R1 391m

PROFIT FROM OPERATIONS
-9% to R826m
UNDERLYING
+9% to R992m

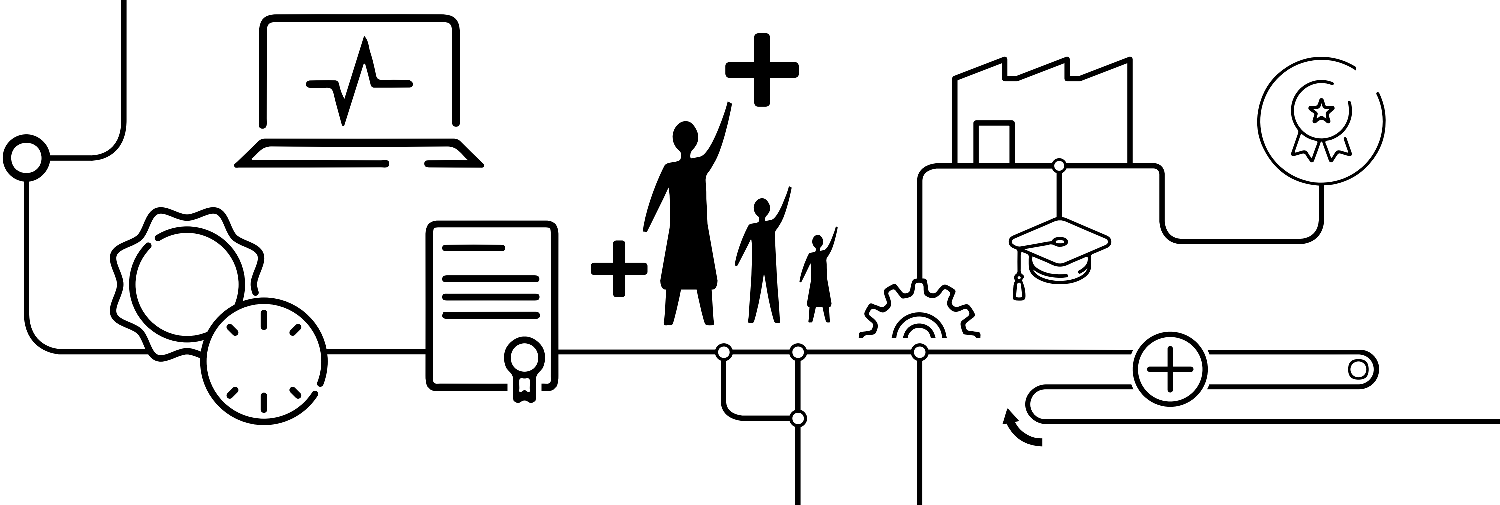
HEPS
-20% to 365c
UNDERLYING
+7% to 492c

INTERIM ORDINARY CASH DIVIDEND
156cps declared

SAFETY PERFORMANCE IMPROVED
TRIR of 0,51
Excluding acquisitions, TRIR of 0,27

ACHIEVED
Level 2 B-BBEE Contributor status

GCR RATING
upgraded to A+ with stable outlook



INCOME STATEMENT

R millions	Note	% change	2019 First half Unaudited	2018 First half Unaudited	2018 Year Audited
REVENUE	2	14	**11 972**	10 473	23 314
Net operating costs			**(11 146)**	(9 562)	(21 315)
PROFIT FROM OPERATIONS		(9)	**826**	911	1 999
Impairment of equity-accounted investee			**—**	—	(78)
Share of profit of equity-accounted investees, net of tax			**15**	17	—
PROFIT FROM OPERATIONS AND EQUITY-ACCOUNTED INVESTEES		(9)	**841**	928	1 921
Net finance costs			**(242)**	(161)	(365)
Interest expense			**(260)**	(171)	(403)
Interest received			**18**	10	38
PROFIT BEFORE TAX			**599**	767	1 556
Tax expense			**(192)**	(263)	(529)
PROFIT FOR THE PERIOD			**407**	504	1 027
Profit for the year attributable to:					
— Ordinary shareholders			**387**	483	990
— Preference shareholders			**2**	1	3
— Non-controlling interest			**18**	20	34
			407	504	1 027
HEADLINE EARNINGS ARE DERIVED FROM:					
Profit attributable to ordinary shareholders			**387**	483	990
Impairment of goodwill			**—**	—	31
Impairment related to equity-accounted investees			**—**	—	78
Surplus on disposal of property, plant and equipment			**(2)**	—	6
Tax effects of the above items			**—**	—	(2)
HEADLINE EARNINGS			**385**	483	1 103
PER ORDINARY SHARE (CENTS):					
Headline earnings		(20)	**365**	458	1 045
Diluted headline earnings			**354**	441	1 012
Basic earnings		(20)	**367**	458	938
Diluted basic earnings			**356**	441	909
Ordinary dividends declared		5	**156**	149	366
Ordinary dividends paid			**366**	340	489

STATEMENT OF COMPREHENSIVE INCOME

R millions	2019 First half Unaudited	2018 First half Unaudited	2018 Year Audited
PROFIT FOR THE PERIOD	**407**	504	1 027
OTHER COMPREHENSIVE INCOME NET OF TAX			
Items that may be reclassified subsequently to profit or loss:			
— Foreign currency translation differences	**(124)**	294	461
— Effective portion of cash flow hedges	**—**	9	5
Items that may not be reclassified subsequently to profit or loss:			
— Remeasurement of defined-benefit obligations	**—**	(15)	(50)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**283**	792	1 443
Total comprehensive income attributable to:			
Ordinary shareholders	**243**	761	1 389
Preference shareholders	**2**	1	3
Non-controlling interest	**38**	30	51
	283	792	1 443

STATEMENT OF CHANGES IN EQUITY

R millions	2019 First half Unaudited	2018 First half Unaudited	2018 Year Audited
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**283**	792	1 443
Dividends paid	**(404)**	(379)	(571)
Change in ownership percentage	**—**	—	(19)
Share-based payment reserve	**(10)**	2	35
Put option liability for future buy-out of non-controlling interests	**—**	—	(29)
Non-controlling interest acquired	**—**	27	32
Adjusted equity at the beginning of the period	**10 216**	9 314	9 314
Equity at the beginning of the period	**10 205**	9 356	9 356
Adjustment on adoption of IFRS 9, net of deferred tax	**—**	(42)	(42)
Adjustment on adoption of IFRS 16, net of deferred tax	**11**	—	—
EQUITY AT THE END OF THE PERIOD	**10 085**	9 756	10 205
Made up as follows:			
Ordinary share capital	**110**	110	110
Reserves	**1 434**	1 397	1 557
— Foreign currency translation reserve	**1 183**	1 167	1 327
— Other reserves	**(29)**	4	(29)
— Share-based payment reserve	**280**	226	259
Retained earnings	**8 344**	8 073	8 376
Non-controlling interest	**191**	170	156
Preference share capital	**6**	6	6
	10 085	9 756	10 205

RECONCILIATION OF WEIGHTED AVERAGE NUMBER OF SHARES

Millions	2019 First half Unaudited	2018 First half Unaudited	2018 Year Audited
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AT THE BEGINNING OF THE PERIOD	**131,9**	131,9	131,9
Weighted average number of unlisted ordinary shares held by consolidated EST	**(10,1)**	(10,1)	(10,1)
Weighted average number of contingently returnable ordinary shares held by CEDT	**(4,4)**	(4,4)	(4,4)
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	**105,5**	105,5	105,5
Dilutive adjustment for potential ordinary shares	**3,2**	4,1	3,4
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	**108,7**	109,6	108,9

STATEMENT OF FINANCIAL POSITION

R millions	Note	2019 First half Unaudited	2018 First half Unaudited	2018 Year Audited
ASSETS				
Non-current assets		**11 800**	11 493	11 681
Property, plant and equipment		**5 671**	5 525	5 768
Right-of-use assets	3	**573**	—	—
Investment property		**230**	187	222
Intangible assets		**1 010**	177	1 039
Goodwill		**3 351**	4 139	3 410
Pension fund employer surplus accounts		**305**	454	341
Investments in associates		**136**	204	135
Investment in joint venture	4	**24**	295	258
Other investments		**122**	122	126
Deferred tax		**378**	390	382
Current assets		**10 381**	9 733	10 594
Inventories		**4 065**	3 839	4 081
Accounts receivable		**4 291**	4 235	4 650
Other investments		**221**	164	218
Loans to joint ventures		**—**	55	7
Assets classified as held for sale	4	**205**	—	—
Tax receivable		**50**	129	57
Cash and cash equivalents		**1 549**	1 311	1 581
TOTAL ASSETS		**22 181**	21 226	22 275
EQUITY AND LIABILITIES				
Equity		**10 085**	9 756	10 205
Ordinary share capital and reserves		**9 888**	9 580	10 043
Non-controlling interest		**191**	170	156
Preference share capital		**6**	6	6
Non-current liabilities		**6 926**	1 864	6 646
Deferred tax		**531**	183	547
Non-current borrowings		**5 438**	1 100	5 475
Lease liabilities	3	**343**	—	—
Contingent consideration		**12**	36	10
Put option liability		**33**	—	31
Non-current provisions and employee benefits		**569**	545	583
Current liabilities		**5 170**	9 606	5 424
Accounts payable		**3 941**	3 805	5 010
Current borrowings		**871**	5 620	283
Lease liabilities	3	**195**	—	—
Loans from joint ventures		**69**	44	—
Tax payable		**94**	137	131
TOTAL EQUITY AND LIABILITIES		**22 181**	21 226	22 275

STATEMENT OF CASH FLOWS

R millions	Note	2019 First half Unaudited	2018 First half Unaudited	2018 Year Audited
CASH GENERATED BY OPERATIONS		**1 454**	1 353	2 955
Dividends received		**50**	—	18
Interest paid		**(227)**	(112)	(370)
Interest received		**18**	10	38
Tax paid		**(254)**	(171)	(302)
Changes in working capital		**(772)**	(789)	(155)
Cash outflows relating to defined-benefit and post-retirement medical aid obligations		**(9)**	(8)	(19)
Cash outflows relating to non-current provisions and employee benefits		**(24)**	(24)	(136)
CASH AVAILABLE FROM OPERATING ACTIVITIES		**236**	259	2 029
Dividends paid		**(404)**	(379)	(571)
CASH (UTILISED IN)/GENERATED FROM OPERATING ACTIVITIES		**(168)**	(120)	1 458
CASH FLOWS FROM INVESTING ACTIVITIES		**(278)**	(4 379)	(4 759)
Acquisition of subsidiaries, net of cash acquired		—	(3 884)	(3 884)
Loans with joint ventures		**69**	(140)	(137)
Other net investment activities		**(3)**	22	(4)
Net capital expenditure		**(344)**	(377)	(734)
NET CASH UTILISED BEFORE FINANCING ACTIVITIES		**(446)**	(4 499)	(3 301)
CASH FLOWS FROM FINANCING ACTIVITIES		**434**	4 518	3 519
Cash paid on buy-out of non-controlling interest		—	—	(11)
Settlement of performance shares		**(45)**	(46)	(46)
Lease payments	3	**(109)**	—	—
Borrowings raised		**871**	5 433	8 857
Borrowings repaid		**(283)**	(869)	(5 281)
NET (DECREASE)/INCREASE IN CASH		**(12)**	19	218
Cash at the beginning of the period		**1 581**	1 206	1 206
Translation (loss)/gain on cash		**(20)**	86	157
CASH AT THE END OF THE PERIOD		**1 549**	1 311	1 581

INDUSTRY SEGMENT ANALYSIS

BASIS OF SEGMENTATION

The Group's key growth pillars, which are its reportable segments, are described below. Businesses in the pillars offer differing products and services and are managed separately because they require different technology and marketing strategies.

REPORTABLE SEGMENTS	OPERATIONS
Mining Solutions	The businesses in this pillar provide a mine-to-mineral solution for the mining sector internationally. The offering includes surfactants for explosives manufacture, commercial explosives, initiating systems and blasting services right through the value chain to chemicals for ore beneficiation and tailings treatment.
Water & Process	ImproChem provides integrated water treatment solutions, process chemicals and equipment solutions for a diverse range of applications in Africa. These include, inter alia, public and industrial water, desalination and utilities.
Plant & Animal Health	Nulandis manufactures and supplies an extensive range of crop protection products, plant nutrients and services for the agricultural sector in Africa. Schirm, based in Germany, is a contract manufacturer of agrochemicals and fine chemicals with a European and US footprint. It is the premier provider of external agrochemical formulation services in Europe.
Food & Beverage	These businesses supply ingredients and commodities to the dairy, beverage, wine, meat, bakery, health and nutrition industries. The other main activity is the manufacture and distribution of a broad range of juice-based products and drinks, including formulated compounds, fruit concentrate blends and emulsions.
Chemicals	Supply of chemical raw materials and related services for use across a broad spectrum of customers in the manufacturing, infrastructure and general industrial sectors mainly in South Africa and in other Southern African countries.
Property & Corporate	Mainly property leasing and management in the office, industrial and retail sectors, and corporate centre functions including the treasury.

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

INDUSTRY SEGMENT ANALYSIS CONTINUED

INFORMATION RELATING TO REPORTABLE SEGMENTS

R millions	First half Unaudited 2019	First half Unaudited 2018	First half Unaudited 2019	First half Unaudited 2018	First half Unaudited 2019	First half Unaudited 2018
	EXTERNAL REVENUE		INTER-SEGMENT REVENUE		TOTAL SEGMENT REVENUE	
Mining Solutions	**5 542**	4 987	**53**	34	**5 595**	5 021
Water & Process	**689**	652	**18**	26	**707**	678
Plant & Animal Health	**2 166**	1 859	**23**	23	**2 189**	1 882
Food & Beverage	**619**	529	**25**	23	**644**	552
Chemicals	**2 788**	2 286	**44**	53	**2 832**	2 339
Property & Corporate	**168**	160	**64**	51	**232**	211
Inter-segment	**—**	—	**(227)**	(210)	**(227)**	(210)
	11 972	10 473	**—**	—	**11 972**	10 473
	PROFIT/(LOSS) FROM OPERATIONS		DEPRECIATION AND AMORTISATION		IMPAIRMENTS	
Mining Solutions	**499**	520	**299**	208	**—**	—
Water & Process	**49**	80	**25**	22	**—**	—
Plant & Animal Health	**103**	115	**86**	42	**—**	—
Food & Beverage	**27**	31	**18**	8	**—**	—
Chemicals	**234**	241	**78**	51	**—**	—
Property & Corporate	**(82)**	(76)	**34**	16	**—**	—
Inter-segment	**(4)**	—	**(20)**	—	**—**	—
	826	911	**520**	347	**—**	—

Segmental profit from operations is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

	OPERATING ASSETS		OPERATING LIABILITIES		CAPITAL EXPENDITURE	
Mining Solutions	**7 719**	6 936	**1 902**	1 516	**208**	290
Water & Process	**1 178**	1 214	**257**	250	**6**	6
Plant & Animal Health	**3 818**	3 646	**726**	828	**43**	63
Food & Beverage	**911**	715	**205**	168	**5**	10
Chemicals	**5 247**	4 937	**953**	885	**69**	53
Property & Corporate	**1 105**	1 051	**310**	546	**27**	14
Inter-segment	**(582)**	(396)	**(412)**	(389)	**—**	—
	19 396	18 103	**3 941**	3 804	**358**	436

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

OTHER SALIENT FEATURES

R millions	Note	2019 First half Unaudited	2018 First half Unaudited	2018 Year Audited
Capital expenditure		**358**	436	847
— expansion		**121**	113	328
— replacement		**237**	323	519
Capital commitments		**715**	412	516
— contracted for		**157**	124	103
— not contracted for		**558**	288	413
Acquisitions authorised and contracted for	5	**89**	—	91
Future rentals on non-cancellable property, plant and equipment leases	3	**—**	456	932
— payable within one year		**—**	102	257
— payable thereafter		**—**	354	675
Future rentals on short-term and low value leases	3	**16**	—	—
— payable within one year		**11**	—	—
— payable thereafter		**5**	—	—
Net borrowings [1]		**5 298**	5 409	4 177
EBITDA [2]		**1 346**	1 258	2 631
Depreciation		**482**	335	646
Amortisation		**38**	12	64
Gearing (%) [3]		**53**	55	41
Current assets to current liabilities		**2,0**	1,0	2,0
Net asset value per ordinary share (cents)		**8 994**	8 714	9 135
ZAR/€ closing exchange rate (rand)		**16,11**	15,98	16,45
ZAR/€ average exchange rate (rand)		**16,05**	14,88	15,61
ZAR/US$ closing exchange rate (rand)		**14,15**	13,72	14,37
ZAR/US$ average exchange rate (rand)		**14,20**	12,30	13,24

[1] *Current and non-current borrowings, including finance lease liabilities, less cash.*
[2] *Earnings before interest, taxation, depreciation and amortisation; calculated as profit from operations plus depreciation and amortisation.*
[3] *Borrowings less cash, as a percentage of equity.*

NOTES

(1) (a) Basis of preparation and accounting policies

The condensed consolidated unaudited interim financial results are 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, Financial Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa. They contain, as a minimum, the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of these condensed consolidated unaudited interim financial results are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, except as described in note 1(b).

The preparation of these condensed consolidated unaudited interim financial results for the half-year ended 30 June 2019 was supervised by the Financial Director, Mr KM Kathan CA(SA) AMP (Harvard). The condensed consolidated financial results have not been audited or reviewed by the Company's auditor, Deloitte & Touche.

(b) New and amended standards adopted by the Group

A number of new or amended standards became applicable in the current reporting period. The Group was required to amend its accounting policies as a result of adopting IFRS 16 Leases. The impact of the adoption of this standard and the amended accounting policies are disclosed in note 3.

The other new or amended standards did not have an impact on the Group's accounting policies and did not require retrospective adjustments.

(2) Revenue includes foreign and export revenue of R4 971 million (2018: R4 139 million).

(3) Change in significant accounting policy

IFRS 16 Leases

This standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee is required to recognise right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to former practice; i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 introduces additional disclosures for both lessees and lessors. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases — Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements. The new accounting policy that was applied from 1 January 2019 is disclosed in note 3(c).

(a) Adjustments recognised on adoption of IFRS 16

The Group adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated.

In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard in the application of the initial accounting:

› the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
› reliance on previous assessments in determining whether leases are onerous;
› leases that, at 1 January 2019, had a remaining lease term of 12 months or less continue to be accounted for on a straight line basis over the remaining lease term;
› leases for which the underlying asset is of low value continue to be accounted for on a straight line basis over the lease term;
› initial direct costs were excluded from the measurement of the right-of-use asset at 1 January 2019; and
› where contracts contain options to extend or terminate the lease, the benefit of hindsight was used to determine the lease term.

The Group has also elected to not reassess whether a contract is, or contains, a lease as at 1 January 2019. Instead, for contracts entered into before the transition date the Group relied on assessments made through the application of IAS 17 and IFRIC 4.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rates as at 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10%.

R millions	**1 January 2019**
Operating lease commitments disclosed as at 31 December 2018	**932**
Discounted using the lessees' incremental borrowing rates at the date of initial application	**744**
Less: low-value leases recognised on a straight line basis as expense	**(2)**
Less: short-term leases recognised on a straight line basis as expense	**(17)**
Less: adjustments as a result of a different treatment of extension and termination options	**14**
Lease liabilities recognised as at 1 January 2019	**739**

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets as at 1 January 2019.

The recognised right-of-use assets relate to property, plant and equipment and vehicles.

The change in accounting policy affected the following items in the statement of financial position:

R millions	**1 January 2019**
ASSETS	**Increase/ (decrease)**
Right-of-use assets	**795**
Property	**411**
Plant and equipment	**23**
Vehicles	**361**
Pre-payments	**(56)**
Deferred tax assets	**(4)**
EQUITY AND LIABILITIES	**(Increase)/ decrease**
Finance lease liabilities	**(739)**
Operating lease smoothing liabilities	**15**
Retained earnings	**(11)**

(3) (b) Impact on segmental disclosures and earnings per share

Adjusted profit before tax decreased, whilst segment assets and segment liabilities for the half-year to June 2019 increased, as a result of the change in accounting policy. The following segments were affected by the change:

R millions	Decrease in share of profits from equity-accounted investees, net of tax	Decrease in operating lease expenses	Increase in depreciation	Increase in interest expense	Increase in segment assets*	Increase in segment liabilities*
Mining Solutions	—	(95)	82	26	403	(420)
Water & Process	—	(5)	5	2	34	(36)
Plant & Animal Health	—	(15)	14	3	156	(106)
Food & Beverage	—	(12)	9	5	104	(107)
Chemicals	1	(2)	2	—	8	(8)
Property & Corporate	—	(6)	6	1	20	(20)
Inter-segment	—	24	(20)	(7)	(152)	159
	1	(111)	98	30	573	(538)

* *Excluding deferred tax.*

Earnings per share decreased by 12c per share for the six months to 30 June 2019 as a result of the adoption of IFRS 16.

(c) Change in significant accounting policy

Leases

The Group leases various properties, plant and equipment. Rental contracts are typically entered into for fixed periods but may have extension options as described in note 3(d). Lease terms are negotiated on an individual basis and contain a range of terms and conditions. Although the lease agreements do not impose any covenants, leased assets may not be used as security for borrowing purposes.

Up to and including the 2018 financial year, leases for property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight line basis over the period of the lease.

From 1 January 2019, the Group recognises a right-of-use asset and a corresponding lease liability at the lease commencement date, being the date at which the leased asset is available for use by the Group. The right-of-use asset is measured initially at cost and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements in the lease liability.

The lease liability is measured initially at the present value of the lease payments that are not paid at commencement date, discounted using the implicit rate in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by interest costs and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Payments associated with short-term leases and leases of low value assets are recognised on a straight line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group has elected to apply the practical expedient in IFRS 16 and accounts for lease and non-lease components as a single lease.

(d) Critical accounting judgements and key sources of estimation uncertainty

Leases

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in the management of contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group has applied judgement to determine the lease term for some of the lease contracts, in which it is a lessee, that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or to not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the lessee.

(4) Assets classified as held for sale

Management is committed to a plan to sell its 50% stake in Crest Chemicals and anticipates the disposal to be completed within the next 12 months. The investment is available for immediate sale in its present condition. Accordingly, the equity-accounted investment is presented as a non-current asset classified as held for sale as at 30 June 2019. No impairment loss was required to be recognised as the investment's carrying amount is lower than its fair value less costs to sell. No cumulative income or expenses related to the investment are included in other comprehensive income. Crest Chemicals is part of the Chemicals segment.

(5) During September 2018 the Group, through its subsidiary, AECI Latam Produtos Quimicos Ltd, acquired an explosives business in Lorena, Brazil from Dinacon, for a cash consideration of US$6,3 million.

At the reporting date, the conditions precedent to make the transaction unconditional had not been fulfilled. The initial accounting for the business combination has thus not been completed and, accordingly, it was not possible for IFRS 3 Business Combinations disclosures to be made.

(6) The Group entered into 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.

(7) The condensed consolidated unaudited interim 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 2018.

COMMENTARY

FINANCIAL PERFORMANCE

AECI delivered a creditable performance, achieving revenue growth of 14% to R11 972 million for the half-year ended 30 June 2019 (2018: R10 473 million). This was underpinned by contributions for the full period from the acquisitions finalised in 2018, namely Schirm (Plant & Animal Health) and Much Asphalt (Chemicals). Pleasing revenue improvements were achieved in all of the Group's strategic pillars. The Mining Solutions segment benefited from higher sales volumes on the continent outside of South Africa as well as the weaker ZAR/US$ exchange rate. Foreign and export revenue of R4 971 million accounted for 42% of total revenue (2018: R4 139 million, 40% of total revenue).

Profit from operations was R826 million, 9% lower than 2018's R911 million. Headline earnings per share ("HEPS") and earnings per share ("EPS") were 365 cents and 367 cents, respectively, 20% lower than the HEPS and EPS of 458 cents in the first half of last year.

Profitability was negatively impacted by a number of factors. Key among these were:

› The costs associated with strategic realignment projects initiated in the fourth quarter of 2018 by AEL Intelligent Blasting ("AEL") in the Mining Solutions segment and by ImproChem, which constitutes the Water & Process segment. Both these projects were essentially completed by 30 June 2019, at an aggregate non-recurring cost of R156 million for the period (100 cents HEPS effect). The total cost of these projects was R204 million.
› Change in significant accounting policies: IFRS 16 Leases, adopted by the Group on 1 January 2019. The Group adopted this standard using the modified retrospective approach, under which the cumulative effect of initial application was recognised in retained earnings as at 1 January 2019 (12 cents HEPS effect).
› The initial accounting for the acquisitions had not been provisionally determined at 30 June 2018 since the necessary information to perform market valuations and other calculations for the purchase price allocation ("PPA") was not yet available. Non-cash amortisation of identifiable assets in the amount of R23 million, in aggregate, was recognised through the PPA for both Schirm and Much Asphalt in the first half of 2019 (15 cents HEPS effect).
› Power supply constraints in South Africa in the first quarter. These curtailed some of AECI's own operations and had more adverse consequences for customers in some sectors serviced by the Group.

The Board has declared an interim cash dividend of 156 cents per ordinary share, an increase of 5% from 2018's 149 cents per share. A South African dividend withholding tax of 20% will be applicable to the dividend, resulting in a net dividend of 124,8 cents per share payable to those shareholders who are not eligible for exemption or reduction.

SAFETY

The Group's Total Recordable Incident Rate ("TRIR"), which measures the number of incidents per 200 000 hours worked, improved to 0,51 from 0,58 in December 2018. Although progress made by Schirm and Much Asphalt was encouraging, more radical measures have been introduced to accelerate further improvement in these two acquisitions.

Excluding the acquisitions, the Group's TRIR was 0,27 (0,33 in December 2018).

SEGMENTAL PERFORMANCE

MINING SOLUTIONS

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

Revenue increased by 11% to R5 595 million (2018: R5 021 million), primarily as a result of good volume growth on the African continent. The performance was supported by the weaker ZAR/US$ exchange rate and higher ammonia prices. 59% of the segment's revenue was generated from foreign operations and exports.

Reported profit from operations was 4% lower at R499 million (2018: R520 million), due to the non-recurring costs associated with AEL's strategic realignment project. This impacted operating profit by R104 million in the period and will be offset by the project's benefits in the second half-year. The annualised sustainable benefits in future years will be at least R200 million. The total non-recurring cost of the project was R142 million, of which R38 million was incurred in the last quarter of 2018.

Excluding the project costs and the impact of IFRS 16, profit from operations was R590 million or 13,5% higher than the R520 million achieved in the prior corresponding period. The underlying operating margin was 10,5% (2018: 10,3%).

Explosives (AEL)

Overall bulk explosives volumes were 3,0% lower and volumes of initiating systems declined by 8,2%.

In South Africa, bulk explosives decreased by 7,6% as a result of discontinued sales to Optimum Coal, which remains in business rescue, and decreased sales to a customer in Namibia. Lower mining activity at a large iron ore customer in the first three months of the year also had an effect.

Initiating systems volumes were curtailed as a consequence of protracted industrial action at a customer in the gold and platinum mining sectors.

On the rest of the continent, the robust growth trend established in 2018 was sustained and sales of bulk explosives volumes were 14,7% higher. Good progress was made by AEL's businesses in West Africa and Francophone West Africa, where returns on recent investments are meeting expectations and new contracts gained in the gold mining sector are being optimised. Performance in Central Africa remained solid, underpinned by good growth in copper mining volumes.

Although opportunistic sales in Australia slowed, the operating performance remained in line with expectations. Two Mobile Production Units ("MPUs") were procured and deployed successfully at a customer site and the deployment of an additional two MPUs is expected by year-end. This will enhance further AECI Australia's in-country position.

The acquisition of an explosives business in Brazil by AECI Latam in the last quarter of 2018, for a cash consideration of US$6,3 million, was not finalised in the anticipated timeframe owing to administrative delays in transferring the requisite explosives licences to AECI. It is now expected that the transaction will take effect in the fourth quarter.

Mining Chemicals (Senmin and Experse)

Senmin's overall volumes were marginally lower year-on-year due to a decrease in offtake of bulk liquid xanthate as a consequence of electricity supply constraints. Demand for solid xanthate was strong and production at the new pellet plant, in Sasolburg, ramped up to 80% of design capacity. Direct exports of flocculants to West Africa and Madagascar resumed.

Experse's volumes of surfactants for explosives manufacture were restricted by lower demand in the surface mining market.

WATER & PROCESS (ImproChem)

Revenue increased by 4,3% to R707 million (2018: R678 million) on the back of marginal volume growth of 0,8%. Reported profit from operations, after accounting for the strategic realignment project costs, decreased by 39% to R49 million (2018: R80 million). Excluding these project costs and the impact of IFRS 16, profit from operations was R101 million or 26% higher than in the prior corresponding period and the operating margin was 14,3% (2018: 11,8%). This improvement was enabled by a more advantageous sales mix, exports to Ghana and Uganda and progress in recovering outstanding debt. Sustainable cost control also benefited margins.

In the last quarter of 2018, ImproChem initiated a strategic review of its go-to-market model to enhance its capabilities and efficiencies and to improve service delivery. The cost of this project was R52 million in the period (R62 million total cost). It is estimated that the benefits will offset the R52 million cost in the second half of 2019. The annualised sustainable benefit of the project will be at least R100 million in future years.

PLANT & ANIMAL HEALTH (Nulandis and Schirm)

Revenue increased by 16% to R2 189 million (2018: R1 882 million) largely due to the inclusion of Schirm's results for the full six-month period (five months in 2018). Operating profit decreased by 10% to R103 million (2018: R115 million), including a non-cash R17 million amortisation charge in Schirm (2018: nil) in line with the PPA process concluded in the second half of 2018.

Nulandis' performance improved as the drought conditions eased in the Western Cape. The late onset of summer rains also boosted results in the first months of the year. Roll-out of the SupPlant technology, an intelligent farming and automation solution, commenced. This is in line with Nulandis' strategy to provide customers with a holistic, more environmentally friendly and sustainable solution in plant health.

Schirm's performance was curtailed by lower demand for fungicides and herbicides by key customers during the season. This was exacerbated by the lengthy approval process required, in terms of the European Union's Health and Food Safety and Environment department, for the manufacture of a key product on the new synthesis plant. Formal approval in this regard was received in June 2019 and registration of the facility in 20 European countries has commenced. It is anticipated that this process will be completed by the first quarter of 2020.

FOOD & BEVERAGE (Lake Foods and Southern Canned Products)
Revenue increased by 16,7% to R644 million (2018: R552 million), with good volume growth in the commodities, juice concentrates, bakery, sauces and dairy categories notwithstanding a very weak consumer trading environment. Profit from operations declined by 13% to R27 million (2018: R31 million). In the first half of 2018, operating results included R10 million in unrealised foreign exchange gains. Most of these gains had reversed by the end of the year.

CHEMICALS (Chemfit, Chemical Initiatives, ChemSystems, Industrial Oleochemical Products, Much Asphalt, SANS Technical Fibers)
Revenue increased by 21% to R2 832 million (2018: R2 339 million) primarily as a result of the inclusion of results from Much Asphalt for the full six months (three months in 2018). Profit from operations decreased by 3% to R234 million (2018: R241 million).

Excluding Much Asphalt's contribution, the base Chemicals portfolio was adversely impacted by poor growth in South Africa's manufacturing sector. A less favourable product mix curtailed margins. Volumes were restricted by lower demand owing to customers scaling back or closing their operations, and very low investment levels. Nonetheless, the portfolio remained highly cash generative.

Much Asphalt's results were ahead of expectations and improved year-on-year, with good levels of activity in both the Western Cape and KwaZulu-Natal. Although delays in SANRAL projects continue, some acceleration in the advancement of work from the Department of Transport and metropolitan authorities has been noted. Much Asphalt is strategically well positioned to grow once government's investment in infrastructure is stepped up.

PROPERTY & CORPORATE
Revenue from leasing activities and the provision of services at the Umbogintwini Industrial Complex increased by 10% to R232 million (2018: R211 million). Profit from operations was 9% higher at R60 million (2018: R55 million).

Corporate costs increased by 8% year-on-year, due mainly to the implementation of a new Human Capital Shared Service Centre and information system.

The net operating expense of the segment was R82 million (2018: R76 million).

CASH UTILISATION

Historically, the Group has generated a higher proportion of its cash in the second half of the year.

R236 million (2018: R259 million) cash was generated by the Group's operating activities in the first six months. The net working capital ratio improved to 17,9% (2018: 20,8%). Working capital outflow of R772 million (2018: R789 million) was for increased levels in the Group's foreign businesses, where supply chains are generally longer, and extended credit terms granted to certain global customers.

R358 million was invested in fixed assets (2018: R436 million). Of this amount, R121 million was for expansion projects and the balance of R237 million was replacement capital expenditure. Key expansion projects included completion of SANS Technical Fibers' single-stage polyester fibre plant in North Carolina, USA, and asset deployments in Africa and Australia. Replacement capital included the statutory shutdown of No. 9 Nitric Acid plant, Modderfontein, as well as compliance-related air emissions abatement projects, also at Modderfontein.

Cash interest cover was 6,0 times (2018: 15,5 times), as net finance charges paid increased to R209 million (2018: R102 million). Net borrowings of R5,3 billion included the R538 million IFRS 16 impact on finance lease liabilities. The Group operates well within its loan covenants and continues to focus on disciplined cash management.

US$8 million was remitted, in the form of dividend payments, from the Group's foreign subsidiaries.

ASSET HELD FOR SALE

The Group is at an advanced stage of discussions regarding the potential sale of its 50% investment in Crest Chemicals.

DIRECTORATE

As announced during the period, Graham Dempster will leave the AECI Board on 29 September 2019. The Board thanks him for his contribution during his three-year tenure as a Non-executive Director of the Company. Also announced in the period was the appointment of Fikile De Buck as a Non-executive Director of AECI, with effect from 1 June 2019. The Board welcomes her and looks forward to her input.

Godfrey Gomwe has served as Chairman of the Audit Committee ("the Committee") since 2017. He will relinquish this role on 1 October 2019 but will continue to serve as a Committee member. Philisiwe Sibiya, currently a member of the Committee, will assume its chairmanship responsibilities on that same date.

OUTLOOK AND STRATEGIC FOCUS

Global mining is expected to remain robust and this should sustain the good momentum achieved in the Group's Mining Solutions segment. In South Africa, however, narrow reef underground mining remains under pressure although the outlook for PGMs, iron ore and coal mining is more positive overall.

It appears unlikely that there will be a step-change improvement in South Africa's manufacturing, infrastructure and retail sectors in the short term.

In the agricultural sector, better rainfall in the Western Cape thus far in the season should support a year-on-year recovery in the planting of high value crops by farmers.

AECI's particular focus to year-end will be on the following:

› delivery of the benefits associated with the strategic realignment projects undertaken at AEL and ImproChem. It is anticipated that, in the second half of 2019, the benefits of these projects will offset the costs of R156 million incurred in the period. In future years, the total sustainable annualised pre-tax benefit is expected to be at least R300 million;

› progressing the achievement of the investment case objectives in respect of Schirm and Much Asphalt; and

› continued disciplined cash management, with ongoing portfolio management.

Khotso Mokhele
Chairman

Mark Dytor
Chief Executive

Woodmead, Sandton
24 July 2019

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

* *Zimbabwean*

Group Company Secretary: EN Rapoo

NOTICE TO SHAREHOLDERS

DECLARATION OF INTERIM ORDINARY CASH DIVIDEND NO. 171

NOTICE IS HEREBY GIVEN that on Tuesday, 23 July 2019, the Directors of AECI declared a gross interim cash dividend of 156 cents per share, in respect of the six-month period ended 30 June 2019. The dividend is payable on Monday, 2 September 2019 to holders of ordinary shares recorded in the register of the Company at the close of business on the record date, being Friday, 30 August 2019.

The last day to trade "cum" dividend will be Tuesday, 27 August 2019 and shares will commence trading "ex" dividend as from the commencement of business on Wednesday, 28 August 2019.

A South African dividend withholding tax of 20% will be applicable to all shareholders who are not either exempt or entitled to a reduction of the withholding tax rate in terms of a relevant Double Taxation Agreement, resulting in a net dividend of 124,8 cents per share 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, 27 August 2019.

The issued share capital at the declaration date is 121 829 083 listed ordinary shares, 10 117 951 unlisted redeemable convertible B ordinary shares and 3 000 000 listed cumulative preference shares. The dividend has been declared from the income reserves of the Company.

Any change of address or dividend instruction must be received on or before Tuesday, 27 August 2019.

Share certificates may not be dematerialised or rematerialised from Wednesday, 28 August 2019 to Friday, 30 August 2019, both days inclusive.

By order of the Board

EN Rapoo
Group Company Secretary

Woodmead, Sandton
24 July 2019

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
and
Computershare Investor Services PLC
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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)
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Tax reference number 9000008608
Share code: AFE ISIN: ZAE000000220
Hybrid code: AFEP ISIN: ZAE000000238
Bond company code: AECI
("AECI" or "the Company" or "the Group")