SUMMARISED UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS AND CASH DIVIDEND DECLARATION FOR THE HALF-YEAR ENDED 30 JUNE 2020

REVENUE

-6% to R11 265m

Foreign & export revenue: 48% of total revenue

INTERIM DIVIDEND OF 100c DECLARED

DEFERRED FINAL DIVIDEND FOR '19 TO BE PAID IN '20

EBITDA

-18% to R1 111m

SAFETY PERFORMANCE

TRIR OF 0,36

IMPROVEMENT TREND SUSTAINED

PROFIT FROM OPERATIONS

-32% to R558m

RETAINED

LEVEL 2

B-BBEE CONTRIBUTOR STATUS

HEPS

-34% to 240c

GCR RATING MAINTAINED

A+

WITH STABLE OUTLOOK

GEARING

32%

(FY19: 36%)

good chemistry

AECI®

SUMMARISED CONSOLIDATED INCOME STATEMENT

R millions	Note	% change	**2020 First half Unaudited**	2019 First half Unaudited	2019 Year Audited
REVENUE	2	(6)	**11 265**	11 972	24 799
Net operating costs			**(10 707)**	(11 146)	(22 768)
PROFIT FROM OPERATIONS		(32)	**558**	826	2 031
Profit on sale of joint venture			**–**	–	234
Share of profit of equity-accounted investees, net of tax			**9**	15	30
PROFIT FROM OPERATIONS AND EQUITY-ACCOUNTED INVESTEES		(33)	**567**	841	2 295
Net finance costs			**(185)**	(242)	(457)
Interest expense			**(200)**	(260)	(516)
Interest received			**15**	18	59
PROFIT BEFORE TAX			**382**	599	1 838
Tax expense			**(122)**	(192)	(511)
PROFIT FOR THE PERIOD			**260**	407	1 327
Profit for the period attributable to:					
– Ordinary shareholders			**259**	387	1 291
– Preference shareholders			**2**	2	3
– Non-controlling interest			**(1)**	18	33
			260	407	1 327
HEADLINE EARNINGS ARE DERIVED FROM:					
Profit attributable to ordinary shareholders			**259**	387	1 291
Impairment of goodwill		6	**42**	–	147
Impairment of property, plant and equipment		6	**27**	–	–
Profit on sale of joint venture			**–**	–	(234)
Profit on sale of business		4	**(108)**	–	–
Surplus on disposal of investment property and property, plant and equipment			**(2)**	(2)	(69)
Tax effects of the above items			**36**	–	78
HEADLINE EARNINGS			**254**	385	1 213
PER ORDINARY SHARE (CENTS):					
Headline earnings		(34)	**240**	365	1 150
Diluted headline earnings			**233**	354	1 108
Basic earnings		(33)	**245**	367	1 223
Diluted basic earnings			**238**	356	1 179
Ordinary dividends declared			**100**	156	414
Ordinary dividends paid			**–**	366	522
Ordinary dividends payable			**414**	–	–

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R millions	**2020 First half Unaudited**	2019 First half Unaudited	2019 Year Audited
PROFIT FOR THE PERIOD	**260**	407	1 327
OTHER COMPREHENSIVE INCOME NET OF TAX			
Items that may be reclassified subsequently to profit or loss:			
– Foreign currency translation differences	**866**	(124)	(146)
– Effective portion of cash flow hedges	**(1)**	–	–
Items that may not be reclassified subsequently to profit or loss:			
– Remeasurement of defined-benefit obligations	**–**	–	243
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1 125**	283	1 424
Total comprehensive income attributable to:			
– Ordinary shareholders	**1 099**	243	1 388
– Preference shareholders	**2**	2	3
– Non-controlling interest	**24**	38	33
	1 125	283	1 424

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R millions	**2020 First half Unaudited**	2019 First half Unaudited	2019 Year Audited
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1 125**	283	1 424
Dividends paid	**(11)**	(404)	(594)
Dividends declared and payable	**(448)**	–	–
Share-based payment reserve	**27**	(10)	38
Non-controlling interest acquired	**6**	–	–
Adjusted equity at the beginning of the period	**11 084**	10 216	10 216
Equity at the beginning of the period	**11 084**	10 205	10 205
Adjustment on adoption of IFRS 16, net of deferred tax	**–**	11	11
EQUITY AT THE END OF THE PERIOD	**11 783**	10 085	11 084
Made up as follows:			
Ordinary share capital	**110**	110	110
Reserves	**2 354**	1 434	1 487
– Foreign currency translation reserve	**2 022**	1 183	1 181
– Other reserves	**(30)**	(29)	(29)
– Share-based payment reserve	**362**	280	335
Retained earnings	**9 121**	8 344	9 315
Non-controlling interest	**192**	191	166
Preference share capital	**6**	6	6
	11 783	10 085	11 084

RECONCILIATION OF WEIGHTED AVERAGE NUMBER OF SHARES

Millions	**2020 First half Unaudited**	2019 First half Unaudited	2019 Year Audited
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AT THE BEGINNING OF THE PERIOD	**131,9**	131,9	131,9
Weighted average number of shares held by consolidated subsidiary cancelled during the period	**(11,9)**		
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AT THE END OF THE PERIOD	**120,0**	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)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR BASIC EARNINGS PER SHARE	**105,5**	105,5	105,5
Dilutive adjustment for potential ordinary shares	**3,3**	3,2	4,0
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	**108,8**	108,7	109,5

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R millions	Note	2020 **At 30 Jun Unaudited**	2019 At 30 Jun Unaudited	2019 At 31 Dec Audited
ASSETS				
Non-current assets		**12 422**	11 800	11 884
Property, plant and equipment	3, 4, 6	**6 110**	5 671	5 722
Right-of-use assets		**530**	573	592
Investment property		**226**	230	228
Intangible assets	3	**1 078**	1 010	964
Goodwill	3, 4, 6	**3 228**	3 351	3 201
Pension fund employer surplus accounts		**636**	305	662
Investment in associates		**165**	136	141
Investment in joint ventures		**41**	24	33
Other investments		**128**	122	107
Deferred tax		**280**	378	234
Current assets		**11 799**	10 381	11 249
Inventories	3, 4	**4 206**	4 065	4 034
Accounts receivable	3, 4	**4 420**	4 291	4 908
Other investments	5	**365**	221	252
Loans to joint ventures		**9**	–	–
Assets classified as held for sale		**–**	205	–
Tax receivable		**119**	50	77
Cash and cash equivalents		**2 680**	1 549	1 978
TOTAL ASSETS		**24 221**	22 181	23 133
EQUITY AND LIABILITIES				
Equity		**11 783**	10 085	11 084
Ordinary share capital and reserves		**11 585**	9 888	10 912
Non-controlling interest	3	**192**	191	166
Preference share capital		**6**	6	6
Non-current liabilities		**6 113**	6 926	6 779
Deferred tax		**523**	531	527
Non-current borrowings		**4 558**	5 438	5 237
Lease liabilities		**327**	343	366
Contingent consideration		**15**	12	15
Put option liability		**34**	33	32
Non-current provisions and employee benefits		**656**	569	602
Current liabilities		**6 325**	5 170	5 270
Accounts payable		**4 125**	3 941	4 683
Dividends payable		**448**	–	–
Current borrowings		**1 330**	871	195
Lease liabilities		**187**	195	210
Loans from joint ventures		**62**	69	62
Tax payable		**173**	94	120
TOTAL EQUITY AND LIABILITIES		**24 221**	22 181	23 133

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

R millions	Note	**2020 First half Unaudited**	2019 First half Unaudited	2019 Year Audited
CASH GENERATED BY OPERATIONS		**1 137**	1 454	3 347
Dividends received		**–**	50	50
Interest paid		**(181)**	(227)	(456)
Interest received		**15**	18	59
Tax paid		**(163)**	(254)	(509)
Changes in working capital		**145**	(772)	(538)
Cash outflows relating to defined-benefit costs and post-retirement medical aid obligations		**(9)**	(9)	(20)
Cash outflows relating to non-current provisions and employee benefits		**(44)**	(24)	(65)
CASH AVAILABLE FROM OPERATING ACTIVITIES		**900**	236	1 868
Dividends paid		**(11)**	(404)	(594)
CASH GENERATED FROM/(UTILISED IN) OPERATING ACTIVITIES		**889**	(168)	1 274
CASH FLOWS FROM INVESTING ACTIVITIES		**(290)**	(278)	(302)
Loans with joint ventures		**3**	69	69
Other investment activities		**(3)**	(3)	(5)
Acquisition of investments	5	**(114)**	–	(46)
Proceeds from sale of business	4	**208**	–	–
Acquisition of consolidated subsidiary	3	**(82)**	–	–
Proceeds from disposal of joint venture		**–**	–	390
Net capital expenditure		**(302)**	(344)	(710)
NET CASH GENERATED/(UTILISED) BEFORE FINANCING ACTIVITIES		**599**	(446)	972
CASH FLOWS FROM FINANCING ACTIVITIES		**(141)**	434	(547)
Settlement of performance shares		**–**	(45)	(45)
Lease payments		**(136)**	(109)	(246)
Borrowings raised		**–**	871	875
Borrowings repaid		**(5)**	(283)	(1 131)
NET INCREASE/(DECREASE) IN CASH		**458**	(12)	425
Cash at the beginning of the period		**1 978**	1 581	1 581
Translation gain/(loss) on cash		**244**	(20)	(28)
CASH AT THE END OF THE PERIOD		**2 680**	1 549	1 978

INDUSTRY SEGMENT ANALYSIS

BASIS OF SEGMENTATION

The Group's key growth pillars, which are its operating 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 segment 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 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.

INDUSTRY SEGMENT ANALYSIS CONTINUED

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

INFORMATION RELATING TO REPORTABLE SEGMENTS

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

R millions	**First half Unaudited 2020**	First half Unaudited 2019	**First half Unaudited 2020**	First half Unaudited 2019	**First half Unaudited 2020**	First half Unaudited 2019
	EXTERNAL REVENUE		**INTER-SEGMENT REVENUE**		**TOTAL SEGMENT REVENUE**	
Mining Solutions	**5 367**	5 542	**30**	53	**5 397**	5 595
Water & Process	**663**	689	**13**	18	**676**	707
Plant & Animal Health	**2 592**	2 166	**24**	23	**2 616**	2 189
Food & Beverage	**545**	619	**18**	25	**563**	644
Chemicals	**1 937**	2 788	**32**	44	**1 969**	2 832
Property & Corporate	**161**	168	**66**	64	**227**	232
Inter-segment	**–**	–	**(183)**	(227)	**(183)**	(227)
	11 265	11 972	**–**	–	**11 265**	11 972
	DEPRECIATION		**AMORTISATION**		**IMPAIRMENTS**	
Mining Solutions	**297**	298	**3**	1	**–**	–
Water & Process	**17**	15	**9**	10	**–**	–
Plant & Animal Health	**88**	73	**15**	13	**–**	–
Food & Beverage	**17**	17	**1**	1	**12**	–
Chemicals	**65**	67	**11**	11	**57**	–
Property & Corporate	**37**	32	**3**	2	**–**	–
Inter-segment	**(19)**	(20)	**–**	–	**–**	–
	502	482	**42**	38	**69**	–
	PROFIT/(LOSS) FROM OPERATIONS		**EBITDA**[1]		**CAPITAL EXPENDITURE**	
Mining Solutions	**393**	499	**694**	797	**166**	208
Water & Process	**100**	49	**126**	74	**9**	6
Plant & Animal Health	**126**	103	**229**	189	**79**	43
Food & Beverage	**(31)**	27	**(13)**	48	**4**	5
Chemicals	**53**	234	**137**	325	**51**	69
Property & Corporate	**(79)**	(82)	**(39)**	(48)	**13**	27
Inter-segment	**(4)**	(4)	**(23)**	(24)	**–**	–
	558	826	**1 111**	1 361	**322**	358
			OPERATING ASSETS[2,3]		**OPERATING LIABILITIES**[2]	
Mining Solutions			**8 023**	7 719	**1 828**	1 902
Water & Process			**1 263**	1 178	**265**	257
Plant & Animal Health			**4 548**	3 818	**1 142**	726
Food & Beverage			**666**	911	**183**	205
Chemicals			**4 790**	5 247	**811**	953
Property & Corporate			**1 001**	1 105	**240**	310
Inter-segment			**(493)**	(582)	**(344)**	(412)
			19 798	19 396	**4 125**	3 941

[1] *Earnings before interest, taxation, depreciation and amortisation calculated as profit from operations and equity-accounted investees plus depreciation and amortisation.*

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

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

OTHER SALIENT FEATURES

R millions	Note	**2020 First half Unaudited**	2019 First half Unaudited	2019 Year Audited
Capital expenditure		**322**	358	833
— expansion		**117**	121	159
— replacement		**205**	237	674
Capital commitments		**445**	715	574
— contracted for		**66**	157	182
— not contracted for		**379**	558	392
Acquisitions authorised and contracted for	5	**5**	89	88
Future rentals on short-term and low value assets		**44**	16	35
— payable within one year		**39**	11	22
— payable thereafter		**5**	5	13
Net borrowings[1]		**3 722**	5 298	4 030
EBITDA[2]		**1 111**	1 361	3 326
Depreciation		**502**	482	956
Amortisation		**42**	38	75
Impairments		**69**	—	147
Gearing (%)[3]		**32**	53	36
Current assets to current liabilities		**1,9**	2,0	2,1
Net asset value per ordinary share (cents)		**10 537**	8 994	9 925
ZAR/€ closing exchange rate (rand)		**19,51**	16,11	15,73
ZAR/€ average exchange rate (rand)		**18,35**	16,05	16,18
ZAR/US$ closing exchange rate (rand)		**17,37**	14,15	14,03
ZAR/US$ average exchange rate (rand)		**16,65**	14,20	14,45

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

NOTES

(1) Basis of preparation and accounting policies

The summarised 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 summarised consolidated unaudited interim financial results are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

The preparation of these summarised consolidated unaudited interim financial results for the half-year ended 30 June 2020 was supervised by the Financial Director, Mr KM Kathan CA(SA) AMP (Harvard). The summarised consolidated financial results have not been audited or reviewed by the Company's auditor, Deloitte & Touche.

(2) Revenue includes foreign and export revenue of R5 413 million (2019: R4 971 million).

(3) Acquisition of explosives business in Lorena, Brazil

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.

The acquisition entitles the Group to 100% ownership of an explosives manufacturing plant, distribution and storage facilities and the requisite explosives operating licences as well as an opportunity for entry into the explosives market in Brazil and the rest of Latin America, in line with the Group's intent to continue expanding the geographic footprint of its Mining Solutions segment.

On 1 March 2020, the conditions precedent to make the transaction unconditional had been fulfilled and, accordingly, IFRS 3 Business Combinations disclosures have been made.

The initial accounting for the acquisition had been provisionally determined at the reporting date. At the date of finalisation of these interim financial results, the necessary market valuations and other calculations had not been finalised. Finalisation is expected within 12 months of the date of acquisition.

The provisional determination of the initial accounting results in a gain on bargain purchase. Due to the necessary market valuations and other calculations not being finalised, the gain on bargain purchase was recorded in the statement of financial position. Once the valuations and other calculations have been finalised, the necessary adjustments will be accounted for.

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

(4) Sale of paper chemicals business unit

AECI concluded the sale of this business unit to Solenis Technologies South Africa (Pty) Ltd ("Solenis"). All conditions precedent were fulfilled or waived in the period in line with the sale agreement and, accordingly, the transaction was finalised on 1 June 2020.

Prior to the disposal, AECI was Solenis' pulp and paper specialty chemical distributor on the African continent.

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

(5) During the period, an additional US$6,5 million (R114 million) was invested in a money market fund with Old Mutual Ltd. The investments are considered to be Level 1 financial assets and, therefore, their carrying values were the same as their fair values at the reporting date. The investment is carried at fair value through profit or loss.

(6) Portfolio management and restructuring: Food & Beverage and Chemicals segments

Trading conditions in markets served by businesses in the Group's Food & Beverage and Chemicals segments have become increasingly challenging in recent years. South Africa's poor economic growth trend has resulted in a slowdown in the manufacturing sector. These factors have had a severe effect on the Group's customers operating in the industries concerned. This, in turn, resulted in the Group's own operating cost base becoming less sustainable over time.

The COVID-19 pandemic has exacerbated the challenges and there is no clarity at this time on the timing or extent of a recovery.

Prior to the pandemic, the AECI Executive Committee had considered alternatives to mitigate poor trading conditions and to address the Group's related operational requirements. Reviews of the Food & Beverage and Chemicals segments were undertaken, with input from the leadership of the affected Group businesses, and resulted in the decision to integrate and restructure the segments. It is anticipated that this will enable cost reductions, improve efficiencies, optimise synergies and enhance the business' agility in responding effectively to market changes.

Food & Beverage will be integrated into Chemicals. The process includes the full integration of Lake Foods and Southern Canned Products (Pty) Ltd to form one division (AECI Food & Beverage). Further to this, four Chemicals businesses (Chemfit, ChemSystems, Chemical Initiatives and Industrial Oleochemical Products ("IOP")) will be integrated to form two divisions (AECI Specialty Chemicals and AECI Industrial Chemicals).

At the same time, a decision was made to exit non-performing businesses. This resulted in the following impairments being recognised:

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

(7) COVID-19 considerations and potential impact

(7.1) Property, plant and equipment

The Company has assessed the impact of COVID-19 on the assumptions and significant judgements made in the valuation of items of property, plant and equipment. AECI has a robust Response Plan in place to mitigate the pandemic's effects on its people and businesses as far as practically possible to do so. In this context, and after considering the effects of the impairments recognised as indicated in note 6, management does not anticipate that the effects of COVID-19 will have a lasting impact on the productivity of the Group's property, plant and equipment. In assessing the potential future impact of COVID-19 on the value of the items of property, plant and equipment, the following factors were considered:

- a number of Group businesses continued to provide goods and services to customers in essential services. Those businesses that were significantly impacted by restrictions on the movement of people and goods are resuming their activities as the restrictions ease. Given the anticipated benefits of optimisation initiatives undertaken and the expected return to normal trading in the medium term, no adverse effects on the present value of future cash flows of property, plant and equipment are foreseen, and
- the Group is a going concern and plans to continue using items of property, plant and equipment to support its revenue-generating activities. Owing to this planned use of the assets, therefore, there has been no significant negative impact on the planned productivity of the assets.

Management expects that any changes in the value of items of property, plant and equipment assets will be immaterial in the medium term.

(7.2) Goodwill

Significant cash-generating units ("CGUs")

Much Asphalt (Pty) Ltd

The effects of the pandemic on Much Asphalt's profitability were significant in the period and some negative impact is expected to persist to year-end. The easing of lockdown restrictions in South Africa from May, implementation of cost saving initiatives and plant efficiency projects are expected to mitigate short-term risks in the business.

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

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

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

Several scenarios were analysed. In the worst of these it was assumed that government's investment in road infrastructure will only materialise in 2022. Other factors considered were the business' return to normalised operations after relaxation of lockdown restrictions, cost saving initiatives and plant efficiency projects expected to be implemented in the current year.

Management undertook a preliminary assessment of the goodwill which arose on the acquisition of Much Asphalt and concluded that no impairment was indicated at 30 June. However, with the Board's agreement it was concluded that given the prevailing uncertainty in the trading environment, the annual assessment of the goodwill, performed later in the year, will be the primary driver of the final assessment of the fair value of this goodwill. At that time, there will be greater clarity on the business's medium-term prospects and related cash flows.

Schirm GmbH

The business in Germany benefited from contracts to supply sanitiser and disinfectants during the pandemic. Poor demand from the automotive sector in Europe and the USA partly offset the gains in the period. The sector is expected to normalise in 2021.

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

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

Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volumes and price growth for the next five years. It was assumed that sales would increase in line with the expectation that the new synthesis plant will continue to ramp up and registration of certain products over the next five years will materialise.

Other CGUs

Goodwill is tested for impairment by calculating the value-in-use of the CGU or CGUs to which the goodwill is allocated. The goodwill in the operating segments comprises individual CGUs, each of which has been tested for impairment.

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

- cash flows were projected based on actual operating results, the business plan for a period of at least five years, the impact of COVID-19 on the current year's results affecting future volumes and profitability, and using an average trading margin of between 7% and 12% over the five years;

- a pre-tax discount rate between 7% and 29% (2019: 7% and 29%) was applied in determining the recoverable amount of the CGU and the discount rate was estimated based on the Group's weighted average cost of capital, adjusted for the risk profile applicable to each CGU, and
- terminal value growth rates of between 1% and 5% (2019: 2% and 6%) were applied. These were based on sustainable earnings and a conservative growth model.

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

Other than impairments processed in the current year, as disclosed above, a reasonably possible change in the assumptions used to calculate the value-in-use is not likely to cause the recoverable amount to fall below the carrying value of the remaining CGUs.

(7.3) Deferred tax

The Group's short-term profitability was curtailed by COVID-19 effects. However, management remains confident of the Group's continued ability to generate future taxable income. Future taxable profits were estimated based on business plans which include estimates and assumptions regarding economic growth, interest and inflation rates and current pandemic-affected market conditions. Deferred tax assets of R280 million (2019: R378 million) were recognised to the extent that it is probable that taxable income will be available in future against which they can be utilised. These deferred tax assets do not expire.

(7.4) Trade receivables

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets, except for the assets at fair value through other comprehensive income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The Group recognises lifetime ECLs for accounts receivable and these are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions, including the time value of money where appropriate.

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

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

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

The following steps and considerations where taken by management as part of the forward-looking assessment to determine if the ECL was affected specifically by the impact of COVID-19:

- the expected loss rate (allowance for credit losses) was applied to the outstanding ageing categories to arrive at the amount provided for doubtful debt
- the trade receivables were assessed by analysing the industries in which the Group operates as well as reviewing media coverage to ascertain to what extent any individual Group customer or their industries were being adversely impacted by the prevailing trading conditions or COVID-19 at the reporting date. The Group also considered any specific communications from customers that would cause concern regarding their ability to meet their short-term obligations as at the reporting date. No such communications were received
- data and research also showed that an insignificant number of the Group's customers, especially key customers, had formally requested any extension of current terms. None were in business rescue, and
- management also considered the type of products and services the Group's businesses provide to their customers. A number of customers are classified as essential. This enabled them to generate income, albeit at reduced capacity in many instances.

(7.5) Inventories

Inventories of raw and packaging materials, products and intermediates and merchandise are measured at cost using the first-in first-out method or the weighted average cost method, depending on the nature of the inventories or their use to businesses in the Group.

The cost of finished goods and work in progress comprises raw and packaging materials, manufacturing costs, depreciation and an appropriate allocation of production overheads. Costs may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases.

In all cases inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses, taking into account obsolescence.

The following steps and considerations where taken by management as part of the forward-looking assessment to determine if inventories were affected specifically by the impact of COVID-19:

- the risk of inventory write-downs to net realisable value due to reduced movement in inventory, lower commodity prices, or inventory obsolescence due to lower than expected sales, and
- the risk of the extent to which overheads can be included in the cost of inventory due to reduced production.

(7.6) Going concern, cash and debt covenants

The Company's financial position in terms of liquidity has remained robust. Net borrowings at 30 June 2020 were R3 722 million compared to R5 298 million at 30 June 2019 and R4 030 million at 31 December 2019. Undrawn finance facilities were R4 100 million. All covenant requirements were met in the period. This positions AECI to remain well capitalised through these uncertain times.

The Board of Directors will continue to monitor the impact of the COVID-19 pandemic on the Company's operations and its financial position. AECI remains focused on disciplined cash management, specifically in the areas of working capital, capital expenditure and cost control.

(8) 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.

(9) The summarised 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 2019.

COMMENTARY

COVID-19

It is with great sadness that the Board and management report that we have lost three colleagues in South Africa to the coronavirus to date. We extend our sincere condolences to their families, friends and fellow team members.

The COVID-19 pandemic has had a profound effect on every aspect of daily life in countries across the world. The Board and management take this opportunity to thank all AECI's stakeholders for their support during this exceptionally challenging time. In particular, we wish to express our gratitude to our 7 600 employees in all 26 countries where the Group operates. Their continued efforts and diligence have been exemplary.

A comprehensive AECI COVID-19 Response Plan was developed in March 2020 and has been updated regularly to reflect the changing circumstances and requirements through the pandemic. Employees' health and movement are tracked and monitored daily in line with this plan.

More than 90% of all employees are performing their duties at this time. A total of 183 employees have tested positive for COVID-19 to date, with 89 of them having fully recovered. 90 positive cases are being actively tracked and one employee is receiving treatment in hospital.

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

In addition to implementation of the AECI COVID-19 Response Plan, which is available at https://www.aeciworld.com/covid-19.php, operational business continuity management plans have been adapted and applied in line with the Company's overall risk management framework. These measures have enabled continuity in operations and in the delivery of products and services to customers.

Business in South Africa, which accounts for the greatest portion of the Group's activities and where the highest number of employees are based, was the most severely affected in the reporting period. Certain businesses were deemed essential under national Alert Level 5 restrictions ("hard lockdown") declared by the South African government on 23 March 2020. Essential services included:

- the supply of products and services to the coal mining sector initially, and subsequently to the surface mining sector as a whole
- chemicals for the treatment of potable water, in particular
- raw materials for the manufacture of personal care and home care products
- inputs for the food industry, and
- agrochemicals and related services for the farming sector.

The effects on other sectors in which the Group's customers operate were significant. Key among them were mining, infrastructure and the balance of manufacturing-related industries.

Although most sectors resumed operations as lockdown restrictions eased, market demand has remained depressed and the operating environment has yet to normalise.

FINANCIAL PERFORMANCE

Revenue of R11 265 million was 6% lower (2019: R11 972 million), with declines recorded in all segments other than Plant & Animal Health. Of the total revenue, 48% was generated outside of South Africa and mostly in US dollars and Euros. The weaker rand exchange rate against these major currencies thus curbed the revenue decline.

EBITDA of R1 111 million was 18% lower than 2019's R1 361 million. The profit on disposal of the Group's paper chemicals business unit contributed R108 million to EBITDA.

Profit from operations in the half-year was 32% lower at R558 million (2019: R826 million). In addition to COVID-19, R64 million in retrenchment costs associated with restructuring of the Food & Beverage and Chemicals segments contributed to the year-on-year decrease. Impairments of R69 million were recognised. The Group's exit from its sauces business and closure of Industrial Oleochemical Products' tall oil distillation operations accounted for the majority of this amount. Annualised benefits of at least R100 million are anticipated from restructuring.

It was pleasing to note that in the first quarter of the year profit from operations (before taking into account any restructuring costs) had improved by more than 20% on the corresponding period in the prior year. In the second quarter, however, the effects of the pandemic on markets and performance were acute.

The benefits of the strategic realignment projects undertaken in the prior year in the Explosives and Water & Process businesses were in line with expectations overall, albeit that the Explosives business was challenged by lower sales of initiating systems to underground mining customers as their operations were limited by lockdown due to COVID-19.

FINANCIAL IMPACT OF COVID-19

Each Group business estimated the impact of the COVID-19 pandemic on revenue, volumes and costs as accurately as it was possible to do so from March 2020 onwards. The Mining Solutions segment and Much Asphalt were the most seriously affected.

In South Africa, most mines were not operational in terms of hard lockdown restrictions. When the resumption of some activity was permitted, operations resumed slowly and their consistency was hampered by, inter alia, actions required to manage new cases of infection as they were confirmed.

Much Asphalt's customers serve mainly the road infrastructure sector. This sector was not deemed essential under Alert Level 5 and, consequently, Much Asphalt did not trade from 27 March and throughout April. The business resumed operations in the first week of May, with market demand returning slowly since then.

Conversely, the pandemic presented opportunities for ChemSystems, in the Chemicals segment, and Schirm in Germany. Both businesses entered the hand sanitiser and disinfectants markets to good effect and both are expected to continue to sustain sales in these markets for the duration of the pandemic and beyond.

Reported HEPS of 240 cents was 34% lower year-on-year (2019: 365 cents). Headline earnings decreased to R254 million from 2019's R385 million.

The estimated negative impact on the Group's performance in the half-year, was as follows:

• *revenue*	*R1 015 million*
• *profit from operations*	*R454 million*
• *headline earnings per share ("HEPS")*	*294 cents*

Having considered that the Company managed its cash resources very well in the period and that it remains in a solid financial position, notwithstanding the uncertainty and negative effects resulting from the COVID-19 pandemic, the Board decided to declare an interim cash dividend of 100 cents (2019: 156 cents).

It is intended that the deferred final cash dividend of 414 cents (No. 172) declared for the 2019 financial year be paid before the end of 2020. The record date for this dividend was 3 April 2020 and the payment date was 6 April 2020. The Board would prefer to retain this original Corporate Action Timetable and, accordingly, the Company has approached the Companies Tribunal for an exemption in this regard. The date of payment of the deferred dividend will be finalised once the Companies Tribunal's decision has been received.

SAFETY

A highlight in the period was further improvement in the Group's safety performance, expressed as the Total Recordable Incident Rate ("TRIR"). The TRIR measures the number of incidents per 200 000 hours worked. In June 2020, the TRIR was 0,36 (0,51 in June 2019 and 0,38 in December 2019). Also very pleasing were further significant improvement in performance at Schirm, in particular, and at Much Asphalt.

SEGMENTAL PERFORMANCE

MINING SOLUTIONS

This segment comprises Explosives (AEL Intelligent Blasting "AEL") and Mining Chemicals (Experse and Senmin)

Revenue decreased by 4% to R5 397 million (2019: R5 595 million). The weaker ZAR:US$ exchange rate offset the decline in overall volumes, most of which related to the effects of the pandemic. Of the segment's total revenue, 64% was generated outside of South Africa (2019: 59%).

EBITDA was R694 million, a 13% decrease (2019: R797 million). Lower profitability was attributable mainly to underutilisation of the segment's large production assets in South Africa during the hard lockdown. Because production levels were significantly lower, the fixed costs relating to these assets were not fully absorbed into manufactured finished goods. It is estimated that the COVID-19 impact was R560 million and R382 million on revenue and operating profit, respectively. As a consequence, profit from operations decreased by 21% to R393 million (2019: R499 million).

Explosives (AEL)

Overall bulk explosives volumes improved by 2,5% while those for initiating systems declined by 25%. The increase in bulk explosives volumes was driven by higher sales of traded products in Indonesia and Australia where the mining sector was unaffected by the pandemic. Volumes there grew by almost 20% in aggregate. The decline in initiating systems was the direct result of the underground mining sector in South Africa not operating during the hard lockdown. Local surface mining operations were also curtailed and have not yet returned to normal operations.

Tenders adjudicated in the period

As indicated in 2019, the adjudication of two key tenders was awaited. Both tenders were awarded in the period and the outcome was as follows:

- first tender: AEL was awarded 100% of the tendered volumes in the coal mining sector, for a five-year period. AEL will supply value-adding products and services required by the customer.
- second: volumes in surface mining were lost, primarily in the iron ore and platinum mining sectors. AEL will cease supply from 1 August 2020. The redeployment and/or reduction of resources that serviced the affected business has commenced.

A robust strategy has been developed to place the lost volumes elsewhere in the market. Approximately 40% of these volumes have already been replaced, with the balance expected to be placed by the first quarter of 2021.

AEL retained the supply contract for initiating systems as well as the supply of bulk explosives at mines where more technically advanced solutions are required.

The business in West Africa delivered another very good performance, supported by the strong gold price and minimal COVID-19 impact on activity in the region. Conversely, lower copper prices and the impact of the pandemic on customers in Central Africa had a significantly negative effect. A recovery is only anticipated at the end of 2020. Activity in South Africa's neighbouring countries also decreased although some recovery has been evident overall.

The socio-political environment in some African countries remains of concern. In certain instances existing challenges have been exacerbated by a significant reduction in the national revenue base, as a consequence of COVID-19. This has elevated the risk of hard currency shortages.

AECI Latam's acquisition of Dinacon, in Brazil, took effect on 1 March 2020. Historically, the business has mainly supplied the quarrying market. Going forward, the strategy is to expand the customer base through the delivery of a high quality service offering to the extensive Brazilian mining market. Plans in this regard have had to be delayed owing to the effects of COVID-19 on travel to and within that country.

Mining Chemicals

Volumes in South Africa declined, particularly for liquid xanthates. There were a number of pre-announced customer closures and the restrictions on underground mining, in particular, compounded challenges in an already difficult trading environment. Conversely, there was pleasing growth in exports, mainly solid xanthates on the African continent and South America.

The integration of this reporting segment is nearing completion. A common Enterprise Resource Planning system was implemented in the Mining Chemicals business from 1 July 2020.

WATER & PROCESS (ImproChem)

Revenue decreased by 4% to R676 million (2019: R707 million). Although the business was considered essential through Alert Level 5 in South Africa, the same was not true of some of key customers in the oil refining and mining sectors. The impact has been estimated at R33 million. Most of this revenue decrease was offset by good growth in the public water market and pleasing growth in exports to customers on the rest of the African continent.

EBITDA grew by 70% to R126 million (2019: R74 million). The increase in profitability is attributable to the cost savings and growth initiatives associated with the strategic realignment project executed in 2019. Profit from operations more than doubled to R100 million (2019: R49 million), notwithstanding an estimated R17 million COVID-19 impact and R7 million in costs incurred in Phase 2 of the business's realignment.

Good progress was made in Project Purpose, launched late last year. The strategic objectives of the Project are to:

- improve access to drinking water for all
- reduce the use of potable water for non-drinking purposes
- improve the quality of water/effluent discharged, and
- drive and enhance the associated environmental and societal benefits.

The strategy is underpinned by partnerships in the public sector (including local authorities) and the private sector. In the public sector, it is pleasing that partnerships have made a difference in the lives of needy schoolchildren and communities who had inadequate access to potable water. Access to this resource is critical for good personal hygiene and hence containment of COVID-19 infections.

PLANT & ANIMAL HEALTH (Nulandis and Schirm)

Revenue increased by 20% to R2 616 million (2019: R2 189 million) and EBITDA improved by 21% to R229 million (2019: R189 million). Consequently, profit from operations improved by 22% to R126 million (2019: R103 million).

Nulandis and Schirm were essential services in South Africa and Germany, respectively, and hence their operations were not negatively affected by the pandemic. Schirm's business in the USA was also unaffected and delivered another strong performance.

Nulandis

Nulandis sustained the momentum noted in the second half of 2019. Further growth of 18% in volumes of own registration in-house products had a positive effect on margins. A turnaround in performance from Farmers Organisation, in Malawi, also contributed.

Good progress was made in executing a revised strategy in respect of registrations for Biocult globally.

Also in terms of its strategy to offer the agricultural market a holistic plant and soil health solution, Nulandis continued the roll-out of SupPlant on selected commercial farms. This connected intelligent farming technology autonomously provides growth-based watering for crops, particularly fruit trees. In another innovative development, Nulandis has invested in and partnered with Khula. Khula is a digital platform that connects emerging farmers directly to commercial off-takers.

Schirm

Schirm delivered a significantly improved performance. The weaker ZAR:EUR exchange rate assisted.

In Germany, the sugar beet herbicide project for a blue chip customer was completed during the period. Manufacture was transferred from the older leased site to the new synthesis plant in Schönebeck. Registrations for the products were secured by the customer for all targeted markets in Europe and output has ramped up fully to meet growing market demand. The leased site has been closed and this will have cost reduction benefits going forward.

The formulation, filling and packing of agrochemicals for another blue chip customer is also being ramped up. Schirm was awarded this contract in 2019. Further, a blender is being installed to service a fine chemicals market in personal care and other industrial applications.

Schirm's business in the USA was unaffected by COVID-19 and delivered another very pleasing performance. A suspension concentrate plant, for herbicides, is being installed. It will be completed and commissioned in time to service the agricultural sector in the US market's 2020/21 season.

Schirm rapidly deployed the manufacture of hand sanitiser and disinfectants to address the need for such products in efforts to control the spread of the coronavirus. Initially, a supply contract was concluded with the German Department of Interior. Thereafter, Schirm launched its own product range for the German market and sales in other Eurozone countries will potentially follow.

Demand for fine chemicals by the automotive sector declined sharply year-on-year, with a recovery only expected in 2021.

The project pipeline is robust. Schirm is tendering for several new projects as customers realign their supply chains to mitigate risks associated with potential future pandemics. Should these tenders be awarded to Schirm, the benefits will be realised in 2021.

FOOD & BEVERAGE (Lake Foods and Southern Canned Products)

Revenue declined by 13% to R563 million (2019: R644 million) and the segment reported a loss of R31 million (2019: profit of R27 million). Included in these results are restructuring costs of R32m and goodwill impairments of R12 million. The sauces business, which reported an operating loss, will be exited. All associated closure costs have been provided for.

Both businesses in this segment were essential services during hard lockdown. However, businesses in the segment were unable to supply customers in the alcoholic beverage market owing to restrictions on the sale, transport and consumption thereof. The estimated negative effect of COVID-19 on the segment as a whole was R85 million in revenue and R18 million in operating profit terms.

CHEMICALS (Chemfit, Chemical Initiatives, ChemSystems, Industrial Oleochemical Products, Much Asphalt, SANS Technical Fibers)

Revenue decreased by 30% to R1 969 million (2019: R2 832 million). COVID-19 caused further deterioration in what was already an extremely difficult trading environment. During Alert Level 5, only some businesses in the segment were permitted to operate, depending on their customers' operating sectors and requirements. EBITDA declined to R137 million (2019: R325 million) and, consequently, profit from operations decreased to R53 million (2019: R234 million).

Most businesses in this segment serve mainly the manufacturing and general industrial sectors in South Africa, where trading conditions have deteriorated over a number of years. To enhance the sustainability of its related businesses in this unfavourable environment, AECI indicated in February 2020 that the segment would be restructured. This process was completed in the period. It included the full integration of Lake Foods and Southern Canned Products to form one division (AECI Food & Beverage). Further to this, four Chemicals businesses (Chemfit, ChemSystems, Chemical Initiatives and Industrial Oleochemical Products) were integrated to form two divisions (AECI Specialty Chemicals and AECI Industrial Chemicals).

The integration and restructuring of the two segments will enable cost reductions, improve efficiencies (including the benefits of a Financial Shared Service Centre), optimise synergies and enhance the business' agility responding effectively to market changes. It will also enhance their ability to collaborate and innovate in focused market segments to their benefit and that of their customers.

Excluded from the restructuring project were Much Asphalt and SANS Technical Fibers in the USA.

During the period, the sale of the Group's paper chemical business to Solenis Technologies South Africa Proprietary Limited was concluded. The disposal proceeds of R208 million realised a profit on disposal of R108 million. The transaction took effect on 1 June 2020 and the consideration was received in cash on that date.

Much Asphalt's operating results were severely impacted under Alert Level 5 restrictions in South Africa. As already indicated, the sectors in which the business's customers operate were not considered essential during hard lockdown. Operations resumed in May and slow but steady improvement has been noted in demand since late May, primarily relating to projects for the Department of Transport and metropolitan authorities.

The South African Presidency has announced the establishment of an Infrastructure Fund which has the potential to drive investment in, among others, road infrastructure and enable the acceleration of an economic recovery. This would bode well for Much Asphalt.

Management undertook a preliminary assessment of the goodwill which arose on the acquisition of Much Asphalt and concluded that no impairment was indicated at 30 June. However, with the Board's agreement it was concluded that given the prevailing uncertainty in the trading environment, the annual assessment of the goodwill, performed later in the year, will be the primary driver of the final assessment of the fair value of this goodwill. At that time, there will be greater clarity on the business's medium-term prospects and related cash flows.

It is estimated that COVID-19 had a negative effect of R584 million on revenue in the segment as a whole and a R127 million effect on operating profit. It is estimated that more than 50% of these effects related to Much Asphalt.

PROPERTY & CORPORATE

Net property and corporate costs were R79 million (2019: R82 million). The emphasis to year-end will be on cost savings and a number of initiatives to enable this have been implemented.

CASH UTILISATION

The disciplined management of cash resources was imperative in the half-year. It is pleasing that the Group remained profitable and generated positive EBITDA throughout the pandemic-affected second quarter.

The objective was to remain at least cash neutral during this period of unprecedented uncertainty. Cash inflow of R599 million (2019: R446 million outflow) was generated, before financing activities. This inflow was assisted by deferring payment in the amount of R448 million of the final cash dividend declared for the 2019 financial year. Lower sales volumes negatively impacted revenue. This, together with focused working capital control resulted in cash inflow from working capital of R145 million (2019: R772 million outflow). Of the R322 million invested in fixed assets (2019: R358 million), R117 million was for expansion projects and the balance of R205 million was sustenance capital expenditure. The most significant expansion projects were the installation of a blender at Schirm's Bar-Ebenhausen site in Germany and the investment in a suspension concentrate plant at its Ennis site, in the USA. The planned statutory shutdown of Nitric Acid plant No. 11, at Modderfontein, and associated capital expenditure were postponed to the first quarter of 2021.

Cash interest cover was 6,7 times. Net borrowings improved by R308 million to R3 722 million (December 2019: R4 030 million). The net gearing ratio improved to 32% (December 2019: 36%). All loan covenants were met in the half-year.

US$9 million (2019: US$8 million) in dividends, net of withholding taxes, was repatriated from the Group's foreign subsidiaries.

DIRECTORATE

Allen Morgan retired from the AECI Board at the Annual General Meeting of the Company's shareholders held on 26 May 2020. He had served as an Independent Non-executive Director since 2010. The Board thanks Allen most sincerely for his valued input during his almost 10-year tenure. On 1 June 2020 Marna Roets was appointed as an Independent Non-executive Director of the Company. She also joined the Audit Committee and the Remuneration Committee on that date. The Board welcomes her and looks forward to her contribution.

OUTLOOK

The COVID-19 pandemic has compounded pre-existing challenges and uncertainty globally. Some countries in which the Group operates have been more severely affected than others and the estimated rates of recovery vary across the globe. It appears unlikely that pre-pandemic levels of normality in markets and many other aspects of daily life will be re-established before the end of 2020.

For the AECI Group, the prospects for its four segments are as follows:

Mining Solutions: a strong performance is expected to continue in Indonesia and Australia and in West Africa's gold mining sector. In Central Africa, a gradual recovery in mining activity is anticipated to year-end. The sector in neighbouring countries is also in the process of resuming more normalised operations. The industry in South Africa, and the underground mining sector in particular, will remain under pressure as a result of the effects of the pandemic could lead to periodic interruptions in operations.

In **Water & Process**, the momentum established in the first half-year will be sustained by continued leveraging the benefits of the business' realignment, good prospects for further exports and further roll-out of Project Purpose initiatives.

Plant & Animal Health is also expected to maintain the positive trend achieved, with good rainfall in the Western Cape in the winter season boding well for Nulandis.

The performance of the Chemicals segment should improve as the benefits of restructuring begin to be realised. However, no meaningful improvement in South Africa's manufacturing sector is anticipated in the short term. The timing in delivery of the South African government's plans to invest in infrastructure development will determine Much Asphalt's performance.

Focus

With support and oversight from the Board, management will sustain the focus on containing and mitigating as far as possible the effects of COVID-19 on people and the business and on progressing business-enhancing matters over which the Company has control. These include:

- continuing to apply and update, as required, the COVID-19 Response Plan, appropriate business continuity plans and other risk management measures
- improving safety performance further and continuing to implement the Zero Harm strategy
- progressing the achievement of the investment case objectives of Schirm and Much Asphalt
- ensuring delivery of expected annualised benefits from 2019's strategic realignment projects in Mining Solutions and Water & Process, and those from the 2020 restructuring project
- continuing to explore and pursue growth opportunities in strategic business segments, including potential acquisitions and opportunities identified through AECI's Growth and Innovation office, and
- the management of cash. This will remain the priority to year-end so as to safeguard the Company's solid liquidity position. In addition to realising the benefits of business realignment and restructuring, the focus in this regard will be on controlling costs, working capital levels and maintaining diligence in capital expenditure.

Khotso Mokhele
Chairman

Mark Dytor
Chief Executive

29 July 2020

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

Group Company Secretary: EN Rapoo

DECLARATION OF INTERIM ORDINARY CASH DIVIDEND NO. 173

NOTICE IS HEREBY GIVEN that on Tuesday, 28 July 2020, the Directors of AECI declared a gross interim cash dividend of 100 cents per share, in respect of the six-month period ended 30 June 2020. The dividend is payable on Monday, 7 September 2020 to holders of ordinary shares recorded in the register of the Company at the close of business on the record date, being Friday, 4 September 2020.

The last day to trade "cum" dividend will be Tuesday, 1 September 2020 and shares will commence trading "ex" dividend as from the commencement of business on Wednesday, 2 September 2020.

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 80 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, 1 September 2020.

The issued share capital at the declaration date is 109 944 384 listed ordinary shares, 10 117 951 unlisted redeemable convertible B ordinary shares and 3 000 000 listed cumulative preference shares. The dividend has been declared from the income reserves of the Company.

Any change of address or dividend instruction must be received on or before Tuesday, 1 September 2020.

Share certificates may not be dematerialised or rematerialised from Wednesday, 2 September 2020 to Friday, 4 September 2020, both days inclusive.

By order of the Board

EN Rapoo
Group Company Secretary

Woodmead, Sandton
29 July 2020

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
and
Computershare Investor Services PLC
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REGISTERED OFFICE

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SPONSOR

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Tax reference number 9000008608
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Hybrid code: AFEP   ISIN: ZAE000000238
Bond company code: AECI
LEI: 3789008641F1D3D90E85
("AECI" or "the Company" or "the Group")