

One AECI,
for a better world

Summarised unaudited consolidated interim financial results and cash dividend declaration FOR THE HALF-YEAR ENDED 30 JUNE 2022



good chemistry

AECI[®]

aeciworld.com



Performance summary

Revenue

up 31% to **R 15 505m**

EBITDA

up 6% to **R 1 545m**

EBIT

up 11% to **R 1 056m**

HEPS

up 8% to **573c**

Growth capex

of **R 438m**

(59% of total R 748m capex)

Working capital

at **22% of revenue**

from 17% in H1 21

Gearing

44%

(27% in H1 21)

Interim

cash dividend

up 8% to **194 cps**

Best-ever safety performance

TRIR of 0.15

(0.23 at 31 December 2021)

Summarised consolidated income statement

R million	Note	% change	2022	2021	2021
			First half Unaudited	First half Unaudited	Year Audited
Revenue	2	31	15 505	11 802	26 053
Net operating costs			(14 449)	(10 854)	(24 001)
Profit from operations		11	1 056	948	2 052
Share of profit of equity-accounted investees, net of tax			3	5	7
Profit from operations and equity-accounted investees		11	1 059	953	2 059
Net finance costs			(124)	(104)	(207)
Interest expense			(148)	(131)	(265)
Interest received			24	27	58
Profit before tax			935	849	1 852
Tax expense			(309)	(272)	(642)
Profit for the period			626	577	1 210
Attributable to preference shareholders			(2)	(2)	(3)
Attributable to AECI minority shareholders			(19)	(15)	(20)
Attributable to AECI Group			605	560	1 187
Headline earnings are derived from:					
Profit attributable to AECI Group			605	560	1 187
Surplus on disposal of investment property and property, plant and equipment			—	(2)	(13)
Tax effects of the above items			—	1	4
Headline earnings			605	559	1 178
Per ordinary share (cents):					
Basic earnings		8	573	531	1 125
Diluted basic earnings			566	510	1 112
Headline earnings		8	573	529	1 116
Diluted headline earnings			566	509	1 103
Ordinary dividends declared		8	194	180	505
Ordinary dividends paid			505	470	650

Summarised consolidated statement of comprehensive income

R million	2022	2021	2021
	First half Unaudited	First half Unaudited	Year Audited
Profit for the period	626	577	1 210
Other comprehensive income net of tax			
Items that may be reclassified subsequently to profit or loss:			
– Foreign currency translation differences	(52)	(182)	201
– Effective portion of cash flow hedges	5	5	6
Items that may not be reclassified subsequently to profit or loss:			
– Remeasurement of defined-benefit and post-retirement medical aid obligations	–	–	22
– Remeasurement of equity securities at fair value through other comprehensive income (FVOCI)	(38)	–	100
Total comprehensive income for the period	541	400	1 539
Total comprehensive income attributable to:			
– Ordinary shareholders	536	386	1 509
– Preference shareholders	2	2	3
– Non-controlling interest	3	12	27
	541	400	1 539

Summarised consolidated statement of changes in equity

R million	2022	2021	2021
	First half Unaudited	First half Unaudited	Year Audited
Total comprehensive income for the period	541	400	1 539
Dividends paid	(544)	(522)	(741)
Share-based payment reserve	(48)	(13)	(24)
Equity at the beginning of the period	11 589	10 815	10 815
Equity at the end of the period	11 538	10 680	11 589
Made up as follows:			
Ordinary share capital	110	110	110
Reserves	1 854	1 467	1 930
– Foreign currency translation reserve	1 557	1 224	1 593
– Other reserves	51	(22)	84
– Share-based payment reserve	246	265	253
Retained earnings	9 408	8 929	9 377
Non-controlling interest	160	168	166
Preference share capital	6	6	6
	11 538	10 680	11 589

Reconciliation of weighted average number of shares

Million	2022	2021	2021
	First half Unaudited	First half Unaudited	Year Audited
Weighted average number of ordinary shares at the beginning of the period	120.0	120.0	120.0
Weighted average number of contingently returnable ordinary shares held by the AECI Community Education and Development Trust cancelled during the period	(4.4)	–	–
Weighted average number of ordinary shares at the end of the period	115.6	120.0	120.0
Weighted average number of unlisted ordinary shares held by the consolidated AECI Employees Share Trust	(10.1)	(10.1)	(10.1)
Weighted average number of contingently returnable ordinary shares held by the AECI Community Education and Development Trust	–	(4.4)	(4.4)
Weighted average number of ordinary shares for basic earnings per share	105.5	105.5	105.5
Dilutive adjustment for potential ordinary shares	1.4	4.3	1.2
Weighted average number of ordinary shares for diluted earnings per share	106.9	109.8	106.7

Summarised consolidated statement of financial position

R million	Note	2022	2021	2021
		As at 30 Jun Unaudited	As at 30 Jun Unaudited	As at 31 Dec Audited
Assets				
Non-current assets				
		11 209	10 489	10 977
Property, plant and equipment		5 961	5 572	5 656
Right-of-use assets		536	386	593
Investment property		230	224	226
Intangible assets		879	941	929
Goodwill	4	2 327	2 334	2 369
Pension fund employer surplus accounts		452	550	495
Investments in joint ventures		25	61	69
Investments in associates		121	117	122
Loan to associates		109	–	48
Other investments		325	125	255
Deferred tax		244	179	215
Current assets				
		15 113	11 176	13 201
Inventories		6 518	4 188	4 880
Accounts receivable		6 425	4 657	5 872
Other investments		333	339	381
Loans to joint ventures		–	8	–
Tax receivable		101	73	115
Cash		1 736	1 911	1 953
Total assets				
		26 322	21 665	24 178
Equity and liabilities				
Equity				
		11 538	10 680	11 589
Ordinary share capital and reserves		11 372	10 506	11 417
Non-controlling interest		160	168	166
Preference share capital		6	6	6
Non-current liabilities				
		4 954	4 985	4 712
Deferred tax		784	591	744
Non-current debt		3 116	3 470	2 873
Lease liabilities		453	286	475
Put option liability		–	26	18
Non-current provisions and employee benefits		601	612	602
Current liabilities				
		9 830	6 000	7 877
Accounts payable		6 344	4 683	6 153
Current debt		3 151	869	1 186
Lease liabilities		93	91	117
Loans from joint ventures		112	94	111
Put option liability		18	–	–
Tax payable		83	166	248
Bank overdraft		29	97	62
Total equity and liabilities				
		26 322	21 665	24 178

Summarised consolidated statement of cash flows

R million	2022	2021	2021
	First half Unaudited	First half Unaudited	Year Audited
Cash generated from operations	1 720	1 573	3 289
Dividends received	50	1	2
Interest paid	(113)	(118)	(224)
Interest received	24	26	58
Tax paid	(412)	(269)	(528)
Changes in working capital	(2 165)	(749)	(1 093)
Cash outflows relating to defined-benefit and post-retirement medical aid obligations	(12)	(9)	(21)
Cash outflows relating to non-current provisions and employee benefits	(5)	(6)	(16)
Cash available from operating activities	(913)	449	1 467
Dividends paid	(543)	(522)	(741)
Cash (utilised in)/generated from operating activities	(1 456)	(73)	726
Cash flows from investing activities	(844)	(315)	(671)
Loans with equity-accounted investees	(93)	(13)	13
Other investment activities	(23)	55	10
Proceeds from disposal of a subsidiary	4	—	—
Acquisition of investments	—	(3)	—
Net capital expenditure	(732)	(354)	(694)
Net cash (utilised)/generated before financing activities	(2 300)	(388)	55
Cash flows from financing activities	2 087	(1 196)	(1 706)
Settlement of performance shares	(85)	(77)	(77)
Lease payments	(84)	(129)	(198)
Debt raised	2 256	110	446
Debt repaid	—	(1 100)	(1 877)
Net decrease in cash	(213)	(1 584)	(1 651)
Cash at the beginning of the period	1 891	3 434	3 434
Translation gain/(loss) on cash	29	(36)	108
Cash at the end of the period	1 707	1 814	1 891

Segmental analysis

Basis of segmentation

Businesses in each segment offer differing products and services and are managed separately because they require different technology and marketing strategies.

Reportable segments	Operations
AECI Mining	The businesses in this segment provide a mine-to-mineral solution for the mining sector internationally. The offering includes commercial explosives, initiating systems, blasting services and surfactants for explosives manufacture right through the value chain to chemicals for ore beneficiation and tailings treatment.
AECI Water	This business provides customers on the African continent with integrated water treatment solutions, process chemicals and equipment solutions for a diverse range of applications. These include, inter alia, public and industrial water, desalination and utilities.
AECI Agri Health	Businesses in this segment manufacture and distribute crop protection products, plant nutrients, animal premixes, specialty animal health products and fine chemicals on the African continent, in Europe and in the USA.
AECI Chemicals	Businesses in this segment supply raw materials and related services to a broad spectrum of customers in the food and beverage, manufacturing, road infrastructure and general industrial sectors. Their markets are mainly in South Africa and in other Southern African countries, except for AECI SANS Fibers which is based in the USA.
AECI Property Services & Corporate	Property Services relate mainly to property leasing and management in the office, industrial and retail sectors. Corporate covers centralised functions including, inter alia, the Treasury and Finance; Human Capital; Safety, Health and the Environment, Stakeholder Relations; Legal and Company Secretarial; Risk and Compliance; Information Technology and Strategy Execution.

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 reportable 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 million	2022	2021	2022	2021	2022	2021
	First half Unaudited	First half Unaudited	First half Unaudited	First half Unaudited	First half Unaudited	First half Unaudited
	External revenue		Inter-segment revenue		Total segment revenue	
AECI Mining	7 649	5 530	100	41	7 749	5 571
AECI Water	965	744	14	17	979	761
AECI Agri Health	2 826	2 405	63	33	2 889	2 438
AECI Chemicals	3 864	2 935	57	35	3 921	2 970
AECI Property Services & Corporate	201	188	77	70	278	258
Inter-segment	–	–	(311)	(196)	(311)	(196)
	15 505	11 802	–	–	15 505	11 802
			Depreciation		Amortisation	
AECI Mining			262	258	4	3
AECI Water			16	18	6	6
AECI Agri Health			85	86	14	15
AECI Chemicals			78	75	11	11
AECI Property Services & Corporate			17	33	–	3
Inter-segment			(7)	(8)	–	–
			451	462	35	38

Information relating to reportable segments continued

R million	2022	2021	2022	2021	2022	2021
	First half Unaudited	First half Unaudited	First half Unaudited	First half Unaudited	First half Unaudited	First half Unaudited
	Profit/(loss) from operations		EBITDA^{1,3}		Capital expenditure	
AECI Mining	713	646	974	902	316	249
AECI Water	100	106	122	130	10	16
AECI Agri Health	11	29	110	130	293	44
AECI Chemicals	314	252	411	348	103	42
AECI Property Services & Corporate	(82)	(79)	(65)	(43)	26	14
Inter-segment	—	(6)	(7)	(14)	—	—
	1 056	948	1 545	1 453	748	365
			Operating assets^{2,3}		Operating liabilities^{2,3}	
AECI Mining			9 485	7 391	2 786	2 128
AECI Water			1 548	1 258	409	288
AECI Agri Health			5 373	4 431	1 478	1 160
AECI Chemicals			5 961	4 688	1 958	1 268
AECI Property Services & Corporate			1 318	1 064	423	239
Inter-segment			(809)	(530)	(710)	(400)
			22 876	18 302	6 344	4 683

1 Earnings before interest, taxation, depreciation and amortisation (EBITDA) calculated as profit from operations and equity-accounted investees plus depreciation, amortisation and impairment.

2 Operating assets comprise property, plant and equipment, right-of-use assets, investment property, intangible assets, goodwill, inventories and accounts receivable. Operating liabilities comprise accounts payable.

3 Non-IFRS measure (see note 8).

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

Other salient features

R million	2022	2021	2021
	First half Unaudited	First half Unaudited	Year Audited
Capital expenditure	748	365	777
— expansion	438	75	193
— replacement	310	290	584
Capital commitments	948	1 116	829
— contracted for	202	353	484
— not contracted for	746	763	345
Acquisitions authorised and contracted for	—	5	—
Future rentals on short-term and low value assets	59	38	44
— payable within one year	48	36	37
— payable thereafter	11	2	7
Net debt ^{1,4}	5 106	2 902	2 760
EBITDA ⁴	1 545	1 453	3 091 ³
Depreciation	451	462	957
Amortisation	35	38	75
Gearing (%) ^{2,4}	44	27	24 ³
Current assets to current liabilities ⁴	1.5	1.9	1.7 ³
Net asset value per ordinary share (cents) ⁴	10 343	9 556	10 384
ZAR/€ closing exchange rate (rand)	17.13	16.93	18.13
ZAR/€ average exchange rate (rand)	16.85	17.52	17.48
ZAR/US\$ closing exchange rate (rand)	16.39	14.27	15.98
ZAR/US\$ average exchange rate (rand)	15.41	14.54	14.78

1 Current and non-current debt, including finance lease liabilities and bank overdraft, less cash.

2 Net debt as a percentage of equity.

3 Unaudited.

4 Non-IFRS measure (see note 8).

Notes

(1) Basis of preparation and accounting policies

The summarised unaudited consolidated financial results are prepared in accordance with the requirements of the JSE Limited's Listings Requirements and Debt Listings Requirements (JSE Listings Requirements) for provisional reports and the requirements of the Companies Act of South Africa applicable to summarised unaudited financial statements. The interim report is prepared in accordance with and containing the information required by IAS 34: Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council. 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 unaudited consolidated financial results for the half-year ended 30 June 2022 was supervised by the Chief Financial Officer, Aarti Takoordeen CA(SA).

(2) Disaggregation of revenue by nature

	Group		
	2022	2021	2021
R million	First half	First half	Year
AECI Mining	7 749	5 571	11 969
Sale of goods	6 894	4 906	10 519
Sale of goods and related product application services	855	665	1 450
AECI Water	979	761	1 541
Sale of goods	14	17	29
Sale of goods and related product application services	965	744	1 512
AECI Agri Health	2 889	2 438	6 020
Sale of goods	2 889	2 437	6 018
Sale of goods and related product application services	—	1	2
AECI Chemicals	3 921	2 970	6 462
Sale of goods	3 921	2 966	6 456
Sale of goods and related product application services	—	4	6
AECI Property Services & Corporate	222	201	422
Sale of services	222	201	422
Revenue recognised at a point in time	15 760	11 941	26 414
AECI Property Services & Corporate	56	57	113
Rental income	56	57	113
Inter-segment	(311)	(196)	(474)
Total	15 505	11 802	26 053

Disaggregation of revenue by geographic end market

	Group		
	2022	2021	2021
R million	First half	First half	Year
SACU ¹	9 337	7 125	16 288
Rest of the African continent	3 069	2 415	5 140
Rest of the world	3 099	2 262	4 625
Total	15 505	11 802	26 053

¹ Southern African Customs Union comprising South Africa, Botswana, Eswatini, Lesotho and Namibia.

Revenue includes foreign and export revenue of R 6 792 million (2021: R 5 031 million).

Disaggregation of revenue by geographic end market by segment

R million	SACU ¹	Rest of the African continent	Rest of the world	Inter-segment	Total segment revenue
AECI Mining	3 289	2 648	1 712	100	7 749
AECI Water	739	211	15	14	979
AECI Agri Health	1 600	157	1 069	63	2 889
AECI Chemicals	3 508	53	303	57	3 921
AECI Property Services & Corporate	201	—	—	77	278
Inter-segment	—	—	—	(311)	(311)
Total	9 337	3 069	3 099	—	15 505

¹ Southern African Customs Union comprising South Africa, Botswana, Eswatini, Lesotho and Namibia.

(3) Cash and debt covenants

The Company's net debt position at 30 June 2022 was R 5 106 million compared to R 2 902 million at 30 June 2021 and R 2 760 million at 31 December 2021, with undrawn finance facilities of R 1 100 million. All covenant requirements were comfortably met.

(4) **AECI Schirm – goodwill impairment assessment**

Since the last reporting date, the Russian invasion of the Ukraine in February 2022 has resulted in severe negative economic impact in addition to the difficult operating environment caused by COVID-19 in the German operations. Consequently, inflation and country risk-free rates used as inputs to assess the recoverable amount of AECI Schirm have increased. The calculation is sensitive to change in the discount rate as was disclosed in the previous reporting period.

Significant changes to external factors considered in the assessment of goodwill

The AECI Schirm business in the USA delivered to expectations in H1 2022 and capacity on key plants has been allocated to customers for the next 12 months.

In Germany, challenging conditions in the trading environment have been exacerbated by the Russia/Ukraine conflict which has had a negative impact on customer demand, especially in respect of crop protection products in the agricultural industry in the Ukraine. The conflict has also led to rapidly increasing costs, including energy and labour, which were not fully recovered from contractual customers in the period. The anticipated volumes from tenders won and realisation of healthy pipeline opportunities have also been delayed as a result of the conflict.

AECI Schirm as a whole reported an operating loss of R 66 million for the period (H1 2021: loss of R 20 million). This included the purchase price adjustment amortisation charge. The operating loss of R 86 million (H1 2021: loss of R 43 million) in the German business was offset by the results of the business in the USA, which delivered operating profit of R 36 million (H1 2021: R 40 million profit).

The above factors have increased the risk of impairment and an assessment of the goodwill was necessary.

Significant changes to internal factors considered in the assessment of goodwill

The recoverable amount of the CGU was estimated based on the value-in-use and an updated forecast using the most conservative forecast volumes and growth rates for the German operations plus reasonable forecasts related to the USA operations. Although an operating loss was reported in the period, EBITDA remained positive at R 20 million (H1 2021: R 68 million). The recoverable amount has been enhanced by significant improvements in the short and medium term projections of the USA business exceeding the negative macroeconomic related impacts included in the projections for Germany. To support the strong demand and growth opportunities in the USA going forward, and included in the forecast, a capital expenditure project of R 504 million (US\$ 31 million) is in progress. It will see the expansion of the existing facility in Ennis, Texas, and the construction of two further plants in Benton, Illinois. The latter site was acquired in 2021. Customers have committed to offtake from these new and expanded plants from 2023. This contributes significantly to the growth outlook for the USA business.

Based on the above, management believes that no impairment to goodwill exists at the reporting date.

- (5) The Group entered into various 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.

(6) Financial instruments and financial risk management

Categories of financial instruments and fair values

R million	Carrying amount		Fair value	
	2022	2021	2022	2021
	First half	First half	First half	First half
Financial assets				
At fair value through other comprehensive income – equity instruments ¹	206	105	206	105
– Listed shares – Level 1	178	–	178	–
– Unlisted shares – Level 3	28	105	28	105
At fair value through profit or loss ²	452	306	452	306
– Forward exchange contracts – Level 2	119	8	119	8
– Money market investment in collective investment scheme – Level 1	199	181	199	181
– Employer surplus accounts – Level 1	134	117	134	117
Amortised cost	7 613	5 902		
– Accounts receivable ³	5 660	3 935		
– Cash ⁴	1 736	1 911		
– Loans receivable ³	15	–		
– Interest-bearing non-current loans to associates ⁴	109	–		
– Loans and receivables relating to other investments ⁴	93	56		
	8 271	6 313		
Financial liabilities				
Amortised cost	(11 334)	(8 373)		
– Accounts payable ³	(4 891)	(3 826)		
– Bank overdraft ⁴	(29)	(97)		
– Loans from joint ventures ⁴	(112)	(94)		
– Debt ⁵	(6 267)	(4 339)		
– Interest accrued	(35)	(17)		
At fair value through profit or loss	(54)	(53)	(54)	(53)
– Forward exchange contracts – Level 2	(36)	(27)	(36)	(27)
– Put option liability – Level 3 ⁶	(18)	(26)	(18)	(26)
	(11 388)	(8 426)		

1 Designated at initial recognition to be carried at fair value through other comprehensive income.

2 Measured at fair value through profit or loss because the asset is not measured at either amortised cost nor at fair value through other comprehensive income.

3 The fair values for financial instruments such as short-term receivables and payables have not been disclosed because their carrying amounts are a reasonable approximation of their fair value.

4 The fair values would not be materially different from the carrying amounts.

5 The fair values of the interest-bearing debt have not been disclosed as they are not materially different from their carrying amounts.

6 Not measured at fair value and subject to estimation uncertainty.

Fair value measurements are classified into three levels, based on the observability and significance of the inputs used in making the measurement:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair values for forward exchange contracts are based on quotes from brokers. Similar contracts are traded in an active market and the quotes reflect the actual transactions on similar instruments. The fair values of the money market investment in a collective investment scheme and the employer surplus accounts are based on quoted market prices.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

There were no transfers between Levels 1, 2 or 3 of the fair value hierarchy during the year.

(7) Dispute in West Africa

Progress has been made in defending a Customs Administration penalty claim imposed in November 2021 of CFA 1 653 million (US\$ 2.8 million) against a subsidiary of the Group. Supported by legal advice from leading international counsel on the merits of defending the claim and the unfounded nature of the current finding, management remains confident of its legal position in defending this claim in its entirety. Subsidiaries in this region comply strictly with the Common External Tariff, and the related administrative processes, adopted and applied by the West African Economic Monetary Union.

Other contingent liabilities

The Group is involved in legal proceedings and is in consultation with its legal counsel, assessing the outcome of these proceedings, on an ongoing basis. As proceedings develop, the Group's management makes provision in respect of legal proceedings where appropriate. Litigations, current or pending, are not likely to have a material adverse effect on the Group.

(8) Non-IFRS measures

To provide a more meaningful assessment of the Group's performance, non-IFRS measures are included.

Non-IFRS measures are the responsibility of the Group's Directors. Because of their nature, the non-IFRS measures may not fairly present the Group's financial position, results of operations, changes in equity or cash flows for the period. These measures as disclosed in this announcement may not be comparable to other similarly titled measures of performance of other companies.

Non-IFRS measures are not an IFRS requirement nor a JSE Listings Requirement. They are measurements used by the AECI Executive Committee.

(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 audited financial statements for the year ended 31 December 2021.

(10) No reportable events occurred after the reporting date.

(11) Changes that were announced or took effect in the period were as follows:

- *Mark Dytor will formally retire as Chief Executive Officer and Executive Director effective, 31 July 2023*
- *Aarti Takoodeen was appointed as Chief Financial Officer and Executive Director, effective 20 May 2022*
- *Rams Ramashia retired from his position as a Non-executive Director of the Company on 31 May 2022*
- *Sam Coetzer was appointed to the Board as a Non-executive Director with effect from 1 July 2022. He is a global mining executive with over 30 years of international experience, operating in Canada, the USA, South America, Australia, Tanzania, Fiji and South Africa. This global mining experience and insight will provide an invaluable contribution in the execution of the Company's international growth strategy.*

Overview of results

AECI delivered record revenue, earnings before interest and tax (EBIT) and headline earnings per share in improved market conditions which saw customer demand progressively returning to pre-pandemic levels.

The Group's financial performance during the period reflects:

- Strong global commodity prices, which resulted in revenue growth of 31% to R 15 505 million (H1 2021: R 11 802 million)
- Pricing discipline benefits in new and existing contracts, which largely offset higher input costs and helped EBIT grow by 11% to R 1 056 million (H1 2021: R 948 million)
- Elevated levels of working capital which is reflective of higher raw material prices. This necessitated increased short-term debt and, consequently, increased net finance costs
- A stronger organic growth focus with 59% of the R 748 million capex spent allocated to growth investments (H1 2021: 21% of the R 365 million capex spent)
- Our commitment to returning value to shareholders, supported by the Board's declaration of an interim dividend of 194 cents per share (H1 2021: 180 cents per share), an 8% increase.

R million (unless stated otherwise)	H1 2022	H1 2021	% change
Revenue	15 505	11 802	31
EBITDA	1 545	1 453	6
EBITDA margin (%)	10	12	(2)
Depreciation and amortisation	486	500	(3)
EBIT	1 056	948	11
EBIT margin (%)	7	8	(1)
Net profit after tax	626	577	9
Earnings per share (EPS) (cents)	573	531	8
Headline earnings per share (HEPS) (cents)	573	529	8
Cash generated from operations	1 720	1 573	9

EPS and HEPS increased by 8%, to 573 cents, our highest recorded HEPS in a first half. The Group generated cash from operations of R 1 720 million (H1 2021: R 1 573 million).

The increase in inventory to R 6 518 million (H1 2021: R 4 188 million), primarily due to the raw material price impact, was matched by an increase of R 2 256 million in short-term debt and resulted in a net gearing ratio of 44% (H1 2021: 27%). The Group remains confident of the timing and certainty related to the conversion of working capital to cash. Long-term covenants remain well within the target cover range of 2.5 times earnings before interest, tax, depreciation and amortisation (EBITDA), at 1.6 times EBITDA (H1 2021: 0.9 times EBITDA). AECI maintained its credit rating at A+(za) with an upgraded outlook from neutral to positive from GCR Ratings, a South African credit rating agency.

Business review

Safety and sustainability

Zero Harm to people and the environment is always our top priority. This is underpinned by our values and a deeply embedded culture of safety. We were pleased that further progress in this regard was evident in another record-low Total Recordable Incident Rate (TRIR) of 0.15 (0.23 at 31 December 2021). The TRIR measures the number of recordable incidents per 200 000 hours worked. Our good performance trend on all the occupational health and safety indicators that we measure was also sustained. We are on track to achieve our sustainability targets by 2025.

AECI Mining

The 39% increase in revenue to R 7 749 million (H1 2021: R 5 571 million) was driven by elevated commodity prices. Most of this revenue growth was attributable to the ammonia price which increased by 83% in the period. Volume growth in bulk explosives and mining chemicals also benefitted the result. Aligned to the AECI Mining strategy of becoming a leading global player, 64% of the segment's total revenue was generated outside of South Africa (H1 2021: 62%).

The EBIT growth of 10% to R 713 million (H1 2021: R 646 million) was underpinned by excellent demand for metallurgical chemicals from platinum mining sector customers in South Africa. The contribution of new business gained in AECI Mining Explosives also assisted, as did sustained cost-saving and efficiency benefits flowing from the strategic realignment project in this business, completed in 2020. The EBIT margin of 9% (H1 2021: 12%) deteriorated primarily as a consequence of the significant increase in the ammonia price.

Growth capex of R 138 million (H1 2021: R 28 million) was spent to further expand geographic presence.

AECI Mining Explosives

Overall bulk explosives volumes grew by 6% while initiating systems volumes were 12% lower in an environment where the global mining industry was adversely affected by significant supply-chain challenges. In South Africa, power supply interruptions compounded the challenge.

In Southern Africa, bulk explosives volumes grew by 5%. Sales of initiating systems, which are applied mainly in the underground mining sector, were 14% lower as a consequence of the protracted strike action at a customer in the gold mining sector. The high rainfall experienced in the eMalahleni coal mining region also negatively impacted volumes. Pleasingly, some of the business lost in 2020 was regained at an iron ore mining customer in the Northern Cape. The new contract gained in Botswana started up in March and is delivering to expectations.

On the rest of the African continent, bulk explosives volumes declined by 5%, primarily as a result of mine closures due to geo-political instability in some Francophone West African countries. The results of the business in Central Africa were negatively impacted by the loss of a significant contract last year. However, two new contracts were gained recently and will offset the loss going forward. Market share was also gained in Ghana, where a significant gold mining sector contract was gained.

In the Asia Pacific region, bulk explosives volumes increased by 15%. This growth was underpinned by the new contract gained in the Hunter Valley area in New South Wales, Australia. Volumes at other coal mining customers also grew on the back of good momentum in coal exports from Australia in the context of the current global energy crisis. Conversely, in Indonesia volumes were restricted after the Indonesian government issued a directive in January 2022 to suspend exports of coal to boost in-country availability. The directive was lifted a month later.

In line with the explosives business' strategy to continue building on its global presence, an emulsion plant is being established in Chile with completion anticipated in Q1 2023.

AECI Mining Chemicals

Excellent growth in AECI Mining Chemicals results followed strong demand from South African customers in the platinum mining sector, in a difficult global supply climate. Overall metallurgical chemical volumes grew by 8%, supported by good growth in exports to other African countries. Export volumes further afield were curtailed by the shortage of shipping capacity from South Africa's major ports.

AECI Water

AECI Water recorded strong revenue growth of 29% to R 979 million (H1 2021: R 761 million). Most of this growth was attributable to pleasing market share gains both in South Africa and in the rest of the African continent. Higher selling prices, which reflected surges in raw material input costs, accounted for the remaining revenue growth.

Input costs could not be passed on to customers in full in all instances, which strained margins. Additionally, EBIT was affected by the product sales mix.

It was very pleasing that growth in business related to water sustainability projects (Project Purpose) was achieved.

Looking ahead, AECI Water has a strong project pipeline in the public and private sectors in South Africa and on the continent, positioning the segment well for future growth.

AECI Agri Health

AECI Schirm

Revenue increased by 10% to R 1 063 million (H1 2021: R 965 million) but, disappointingly, the business reported a total operating loss of R 66 million for the period (H1 2021: R 20 million operating loss). This included the purchase price allocation amortisation charge. EBITDA remained positive at R 20 million (H1 2021: R 68 million). The operating loss of R 86 million (H1 2021: loss of R 43 million) in the German business was offset by the results of the business in the USA, which delivered operating profit of R 36 million (H1 2021: R 40 million profit). The performance in the USA was to expectations and capacity on key plants has been allocated to customers for the next 12 months. To support the strong demand and growth opportunities in the USA going forward, a capital expenditure project of R 504 million (US\$ 31 million) is in progress. It will see the expansion of the existing facility in Ennis, Texas, and the construction of two further plants in Benton, Illinois. The latter site was acquired in 2021. Customers have committed to offtake from these new and expanded plants from 2023.

In Germany, challenging conditions in the trading environment have been exacerbated by the Russia/Ukraine conflict which has had a negative impact on customer demand, especially in respect of crop protection products in the agricultural industry in the Ukraine. The conflict has also led to rapidly increasing costs, including energy and labour, which were not fully recovered from contractual customers in the period. The anticipated volumes from tenders won and realisation of healthy pipeline opportunities have also been delayed as a result of the conflict.

AECI Plant Health

Revenue increased by 23% and EBIT by 38% to R 1 593 million and R 70 million, respectively, due mainly to favourable climatic conditions across all regions and crops in Southern Africa which drove demand from the agricultural sector. In line with strategy, AECI Plant Health grew its reach, and hence market share, through the appointment of new agents in South Africa. Profitability benefited from the continued focus on sales mix, with sales of in-house formulated products, which typically attract higher margins than traded third-party products, increasing to 36% of total sales volumes in the period (H1 2021: 32%), enabled by the capacity expansion of the synthesis plant in Gauteng, South Africa, completed last year. The expanded Biocult facility in the Western Cape is on track to supply product for the upcoming summer growing season. Additional registrations for biostimulants were secured in North America and small commercial quantities of product have been supplied to selected potential customers, for trials. This will be followed by commercialisation of these "green", more environmentally friendly and sustainable offerings over time.

AECI Chemicals

The segment delivered an excellent performance in a South African manufacturing environment which remained subdued overall and certain raw materials were still in short supply, requiring higher investment to maintain strategic inventory levels. Revenue grew by 32% to R 3 921 million (H1 2021: R 2 970 million) and EBIT of R 314 million represented a 25% increase from R 252 million in the first half of last year. The structural and sustainable annualised benefits of the business realignment project completed in 2020 continued to be realised. The operating margin was at 8% (8.5% in H1 2021), impacted by the effects of high prices for commodity raw materials, especially bitumen, sulphur and yellow phosphorous.

All businesses in the segment recorded year-on-year growth, with commodity prices being the key driver. This was particularly evident in AECI Industrial Chemicals. AECI Specialty Chemicals' results demonstrated the advantages of supply-chain security as the ability to continue meeting customer needs with an increasingly comprehensive and diversified product range and service offering enabled market share gains in South Africa.

The continued strong recovery in demand and prices in the USA post the pandemic underpinned the good performance of AECI SANS Fibers. Local sourcing requirements in that country also remain supportive. Capital investment of US\$ 3.5 million has been approved to increase the capacity of polyester manufacture to meet growing demand.

At AECI Much Asphalt, we continue to focus on ensuring that the financial performance of this business aligns to the original investment case. We are encouraged by the return, albeit slow, of contracts being let and awarded in South Africa's road infrastructure sector. AECI Much Asphalt remains well positioned in the market and will benefit from further normalisation of demand going forward.

Future focus and prospects

Our long-term strategic objectives are to pursue further international growth where we have competitive advantage. In this regard, we are well positioned through our existing international presence, our diversity in terms of our product and service offering, and the agility and resilience in meeting our customers' needs.

At the same time, we are engaged in active portfolio management and resource allocation to maximise value creation. Ongoing review of underperforming businesses and clear targets for measuring delivery in this regard are top priorities for management.

The growth capital invested in the period and the planned investment in H2 2022 will begin to deliver returns in 2023. There are strong pipelines of opportunities across our businesses and we look forward to this conversion in H2 2022 and beyond. All our activities remain underpinned by our ESG commitments and targets, as we continue our strategic journey to deliver "a better world" as One AECI.

Dr Khotso Mokhele, AECI Chairman notes: "The Board joins me in thanking Mark Dytor for his long tenure and diligent service to the Group. Mark's quality leadership is evident in the expansive international story that is the AECI Group. We appreciate the tremendous contribution he has made in building a strong and resilient business."

The board has initiated a comprehensive internal and external search process to identify a permanent CEO. The process will be led by the Chairman of the Board supported by the Chairman of the Remuneration and Human Capital Committee.

Changes to the Board

During the period under review, and as previously announced, the following changes were made to the Board of Directors of AECI:

- Mark Dytor will formally retire as Chief Executive Officer and Executive Director effective, 31 July 2023
- Aarti Takoordeen was appointed as Chief Financial Officer and Executive Director, effective 20 May 2022
- Rams Ramashia retired from his position as a Non-executive Director of the Company on 31 May 2022
- Sam Coetzer was appointed to the Board as a Non-executive Director of the Company with effect from 1 July 2022. He is a global mining executive with over 30 years of international experience, operating in Canada, the USA, South America, Australia, Tanzania, Fiji and South Africa. This global mining experience and insight will provide an invaluable contribution in the execution of the Company's international growth strategy.

The Board remains well diversified, with an appropriate mix of skilled and experienced individuals.

Directors' responsibility statement

The Directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards; IAS 34 – Interim Financial Reporting; the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee; the Financial Pronouncements as issued by the Financial Reporting Standards Council; and the requirements of the Companies Act of South Africa.

The Directors are also responsible for such internal controls as the Directors determine to be necessary to enable the preparation of interim financial statements that are free from material misstatement, whether owing to fraud or error.

Preparation of interim results announcement

This announcement covers the unaudited condensed consolidated interim financial statements of the Group based on International Financial Reporting Standards for the six months ended 30 June 2022. The preparation of these condensed consolidated interim financial statements was supervised by the Chief Financial Officer, Aarti Takoordeen CA(SA), in terms of section 29(1)(e) of the Companies Act, 2008, as amended.

Approval of financial statements

The unaudited reviewed condensed consolidated interim financial statements were approved by the Board of Directors of AECI on 26 July 2022 and signed by:

KDK Mokhele

Chairman

MA Dytor

Chief Executive

Directors: KDK Mokhele (Chairman), ST Coetzer¹, SA Dawson², FFT De Buck, WH Dissinger³, MA Dytor (Chief Executive), G Gomwe⁴, KM Kathan (Executive), PM O'Brien⁵, PG Sibiyah, A Takoordeen (Executive) ¹Canadian ²Australian ³German ⁴Zimbabwean ⁵American

Group Company Secretary: C Singh

Declaration of interim ordinary cash dividend No. 177

NOTICE IS HEREBY GIVEN that on Tuesday, 26 July 2022, the Directors of AECI declared a gross interim cash dividend of 194.00 cents per share, in respect of the six-month period ended 30 June 2022. The dividend is payable on Monday, 5 September 2022 to holders of ordinary shares recorded in the register of the Company at the close of business on the record date, Friday, 2 September 2022.

The last day to trade 'cum' dividend will be Tuesday, 30 August 2022 and shares will commence ex-dividend dividend from the commencement of business on Wednesday, 31 August 2022.

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 155.20 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, 30 August 2022.

The issued share capital of the Company at the declaration date is 105 517 780 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, 30 August 2022.

Share certificates may not be dematerialised or rematerialised from Wednesday, 31 August 2022 to Friday, 2 September 2022, both days inclusive.

By order of the Board

Cheryl Singh
Group Company Secretary

Woodmead, Sandton
26 July 2022

Transfer Secretaries

Computershare Investor Services (Pty) Ltd

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
and

Computershare Investor Services PLC

PO Box 82, The Pavilions, Bridgwater Road, Bristol BS 99 7NH, England

Registered Office

First floor, AECI Place, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton

Equity and Debt 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)

(Registration No. 1924/002590/06)

Tax reference No. 9000008608

Share code: AFE ISIN: ZAE000000220

Hybrid code: AFEP ISIN: ZAE000000238

Bond company code: AECI

LEI: 3789008641F1D3D90E85

(AECI or the Company or the Group)