One AECI,
for a better world

Summarised audited consolidated financial results, Board change and final cash dividend declaration

FOR THE YEAR ENDED 31 DECEMBER 2021

AECI®

good chemistry

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Performance summary

Revenue

+8% to **R26 053m**

Foreign & export revenue: 41% of total revenue

HEPS

+27% to **1 116c**

EBITDA

+5% to **R3 091m**

Cash generated from operating activities

R1 467m

Profit from operations

+124% to **R2 052m**

Gearing

24%

(1H21: 27%; FY20: 22%)

Final cash dividend of

505c declared

685c total dividend for '21

Net debt:EBITDA

<1

Best-ever safety performance

TRIR of **0,23**

('20: 0,42)

Independent auditor's report on summarised consolidated financial statements to the shareholders of AECI Limited

Opinion

The summarised consolidated financial statements of AECI Limited, as set out on pages 2 to 13, which comprise the summarised consolidated statement of financial position as at 31 December 2021, the summarised consolidated income statement, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of AECI Limited for the year ended 31 December 2021.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of AECI Limited, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other matter

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

Summarised consolidated financial statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of AECI Limited and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 1 March 2022. That report also includes the communication of a key audit matter as reported in the auditor's report of the audited consolidated financial statements.

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

The Listings Requirements require provisional reports to be 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 and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Deloitte & Touche
Registered Auditor

Per: MLE Tshabalala
Partner

1 March 2022

5 Magwa Crescent, Waterfall City, 2090
South Africa

Summarised consolidated income statement

R millions	Note	% change	2021 Audited	2020 Audited
Revenue	2	8	**26 053**	24 111
Net operating costs			**(24 001)**	(23 194)
Profit from operations		124	**2 052**	917
Loss on disposal of equity-accounted investees			**–**	(3)
Share of profit of equity-accounted investees, net of tax			**7**	27
Profit from operations and equity-accounted investees		119	**2 059**	941
Net finance costs			**(207)**	(278)
Interest expense			**(265)**	(365)
Interest received			**58**	87
Profit before tax			**1 852**	663
Tax expense			**(642)**	(503)
Profit for the year			**1 210**	160
Profit attributable to:				
– Ordinary shareholders			**1 187**	133
– Preference shareholders			**3**	4
– Non-controlling interest			**20**	23
			1 210	160
Per ordinary share (cents):				
Basic earnings		>100	**1 125**	127
Diluted basic earnings			**1 112**	121
Headline earnings		27	**1 116**	880
Diluted headline earnings			**1 103**	844
Ordinary dividends declared after the reporting date			**505**	470
Ordinary dividends paid			**650**	514
Headline earnings are derived from (R millions):				
Profit attributable to ordinary shareholders			**1 187**	133
Impairment of goodwill			**–**	863
Impairment of property, plant and equipment			**–**	27
Loss on disposal of equity-accounted investees			**–**	3
Profit on disposal of businesses and investment in subsidiaries			**–**	(102)
Gain on bargain purchase			**–**	(24)
Surplus on disposal of investment property and property, plant and equipment			**(13)**	(12)
Tax effects of the above items			**4**	40
Headline earnings			**1 178**	928

Summarised consolidated statement of comprehensive income

R millions	2021 Audited	2020 Audited
Profit for the year	**1 210**	160
Other comprehensive income net of tax		
Items that may be reclassified subsequently to profit or loss:		
— Foreign currency translation differences	**201**	230
— Effective portion of cash flow hedges	**6**	(4)
Items that may not be reclassified subsequently to profit or loss:		
— Remeasurement of defined-benefit and post-retirement medical aid obligations	**22**	6
— Remeasurement of equity securities at fair value through other comprehensive income	**100**	–
Total comprehensive income for the year	**1 539**	392
Total comprehensive income attributable to:		
— Ordinary shareholders	**1 509**	358
— Preference shareholders	**3**	4
— Non-controlling interest	**27**	30
	1 539	392

Summarised consolidated statement of changes in equity

R millions	2021 Audited	2020 Audited
Total comprehensive income for the year	**1 539**	392
Dividends paid	**(741)**	(604)
Share-based payment reserve movements	**(24)**	(63)
Non-controlling interest acquired	**–**	6
Equity at the beginning of the year	**10 815**	11 084
Equity at the end of the year	**11 589**	10 815
Made up as follows:		
Ordinary share capital	**110**	110
Reserves	**1 930**	1 636
— Foreign currency translation reserve	**1 593**	1 404
— Other reserves	**84**	(27)
— Share-based payment reserve	**253**	259
Retained earnings	**9 377**	8 895
Non-controlling interest	**166**	168
Preference share capital	**6**	6
	11 589	10 815

Reconciliation of weighted average number of shares

Millions	2021 Audited	2020 Audited
Weighted average number of ordinary shares at the beginning of the year	**120,0**	131,9
Weighted average number of shares held by a consolidated subsidiary cancelled during the year	**–**	(11,9)
Weighted average number of ordinary shares at the end of the year	**120,0**	120,0
Weighted average number of unlisted ordinary shares held by the consolidated EST	**(10,1)**	(10,1)
Weighted average number of contingently returnable ordinary shares held by the CEDT	**(4,4)**	(4,4)
Weighted average number of ordinary shares for basic earnings per share	**105,5**	105,5
Dilutive adjustment for potential ordinary shares	**1,2**	4,5
Weighted average number of ordinary shares for diluted earnings per share	**106,7**	110,0

Summarised consolidated statement of financial position

R millions	Note	2021 At 31 Dec Audited	2020 At 31 Dec Audited
Assets			
Non-current assets		**10 977**	10 720
Property, plant and equipment		**5 656**	5 671
Right-of-use assets		**593**	404
Investment property		**226**	225
Intangible assets		**929**	999
Goodwill	4	**2 369**	2 363
Pension fund employer surplus accounts		**495**	584
Investments in joint ventures		**69**	52
Investments in associates		**122**	125
Loan to associate		**48**	–
Other investments		**255**	124
Deferred tax		**215**	173
Current assets		**13 201**	12 921
Inventories		**4 880**	3 761
Accounts receivable		**5 872**	5 129
Other investments		**381**	398
Tax receivable		**115**	76
Cash		**1 953**	3 557
Total assets		**24 178**	23 641
Equity and liabilities			
Equity		**11 589**	10 815
Ordinary share capital and reserves		**11 417**	10 641
Non-controlling interest		**166**	168
Preference share capital		**6**	6
Non-current liabilities		**4 712**	5 037
Deferred tax		**744**	590
Non-current borrowings		**2 873**	3 555
Lease liabilities		**475**	247
Put option liability		**18**	22
Non-current provisions and employee benefits		**602**	623
Current liabilities		**7 877**	7 789
Accounts payable		**6 153**	5 391
Current borrowings		**1 186**	1 865
Lease liabilities		**117**	150
Loans from joint ventures		**111**	98
Tax payable		**248**	162
Bank overdraft		**62**	123
Total equity and liabilities		**24 178**	23 641

Summarised consolidated statement of cash flows

R millions	2021 Audited	2020 Audited
Cash generated by operations	**3 289**	2 915
Dividends received	**2**	8
Interest paid	**(224)**	(326)
Interest received	**58**	87
Tax paid	**(528)**	(346)
Changes in working capital	**(1 093)**	913
Cash outflows relating to defined-benefit costs	**(21)**	(21)
Cash outflows relating to non-current provisions and employee benefits	**(16)**	(98)
Cash available from operating activities	**1 467**	3 132
Dividends paid	**(741)**	(604)
Cash flows generated from operating activities	**726**	2 528
Cash flows from investing activities	**(671)**	(534)
Acquisition of subsidiaries, net of cash acquired	**–**	(82)
Loans with joint ventures	**13**	36
Other net investment activities	**10**	(161)
Investment in associates	**–**	(10)
Proceeds from disposal of businesses and investment in subsidiaries	**–**	222
Proceeds from disposal of equity-accounted investees	**–**	26
Net capital expenditure	**(694)**	(565)
Net cash generated before financing activities	**55**	1 994
Cash flows from financing activities	**(1 706)**	(591)
Lease payments	**(198)**	(269)
Cash paid on buy-out of non-controlling interest	**–**	(6)
Settlement of performance shares	**(77)**	(102)
Current borrowings raised	**446**	–
Current portion of non-current borrowings repaid	**(1 877)**	(214)
Net (decrease)/increase in cash	**(1 651)**	1 403
Cash at the beginning of the year	**3 434**	1 978
Translation gain on cash	**108**	53
Cash at the end of the year[1]	**1 891**	3 434

1 Includes cash of R1 953 million and a bank overdraft of R62 million (2020: cash of R3 276 million, restricted cash of R281 million and a bank overdraft of R123 million).

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 Relationships; 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.

	2021	2020	**2021**	2020	**2021**	2020
R millions	**Audited**	Audited	**Audited**	Audited	**Audited**	Audited
	External revenue		**Inter-segment revenue**		**Total segment revenue**	
AECI Mining	**11 820**	11 035	**149**	154	**11 969**	11 189
AECI Water	**1 512**	1 421	**29**	26	**1 541**	1 447
AECI Agri Health	**5 959**	6 005	**61**	51	**6 020**	6 056
AECI Chemicals	**6 376**	5 304	**86**	123	**6 462**	5 427
AECI Property Services & Corporate	**386**	346	**149**	133	**535**	479
Inter-segment	**—**	—	**(474)**	(487)	**(474)**	(487)
	26 053	24 111	**—**	—	**26 053**	24 111
	Depreciation		**Amortisation**		**Impairments[1]**	
AECI Mining	**538**	613	**7**	7	**—**	—
AECI Water	**38**	33	**12**	15	**—**	—
AECI Agri Health	**176**	196	**29**	31	**—**	—
AECI Chemicals	**154**	154	**21**	23	**—**	890
AECI Property Services & Corporate	**66**	74	**6**	5	**—**	—
Inter-segment	**(15)**	(39)	**—**	—	**—**	—
	957	1 031	**75**	81	**—**	890

1 *Includes impairments of goodwill, property, plant and equipment.*

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

3 *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.*

4 *Non-IFRS measure (see note 8).*

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

Information relating to reportable segments continued

R millions	2021 Audited	2020 Audited	2021 Audited	2020 Audited	2021 Audited	2020 Audited
	Profit/(loss) from operations		EBITDA[2 4]		Capital expenditure	
AECI Mining	**1 277**	1 120	**1 813**	1 744	**476**	325
AECI Water	**212**	211	**262**	259	**31**	40
AECI Agri Health	**179**	290	**383**	518	**152**	166
AECI Chemicals	**586**	(531)	**778**	555	**83**	78
AECI Property Services & Corporate	**(190)**	(165)	**(118)**	(86)	**35**	23
Inter-segment	**(12)**	(8)	**(27)**	(47)	**–**	–
	2 052	917	**3 091**	2 943	**777**	632

R millions	2021 Audited	2020 Audited	2021 Audited	2020 Audited
	Operating assets[3 4]		Operating liabilities[3 4]	
AECI Mining	**7 985**	7 044	**2 504**	1 964
AECI Water	**1 232**	1 205	**264**	256
AECI Agri Health	**5 629**	5 113	**2 027**	1 857
AECI Chemicals	**5 205**	4 631	**1 780**	1 384
AECI Property Services & Corporate	**1 344**	1 082	**327**	319
Inter-segment	**(870)**	(523)	**(749)**	(389)
	20 525	18 552	**6 153**	5 391

1 *Includes impairments of goodwill, property, plant and equipment.*
2 *Earnings before interest, taxation, depreciation and amortisation (EBITDA) calculated as profit from operations and equity-accounted investees plus depreciation, amortisation and impairment. EBITDA is unaudited.*
3 *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.*
4 *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 millions	2021 Audited	2020 Audited
Capital expenditure	**777**	632
– expansion	**193**	201
– replacement	**584**	431
Capital commitments	**829**	544
– contracted for	**484**	239
– not contracted for	**345**	305
Future rentals on short-term and low value assets	**44**	50
– payable within one year	**37**	46
– payable thereafter	**7**	4
Net borrowings[1 4]	**2 760**	2 383
EBITDA[4]	**3 091**[3]	2 943[3]
Depreciation	**957**	1 031
Amortisation	**75**	81
Impairment	**–**	890
Gearing (%)[2 4]	**24**[3]	22[3]
Current assets to current liabilities[4]	**1,7**[3]	1,7[3]
Net asset value per ordinary share (cents)[4]	**10 384**	9 679
ZAR/€ closing exchange rate (rand)	**18,13**	17,97
ZAR/€ average exchange rate (rand)	**17,48**	18,78
ZAR/US$ closing exchange rate (rand)	**15,98**	14,65
ZAR/US$ average exchange rate (rand)	**14,78**	16,46

1 *Current and non-current borrowings, including finance lease liabilities and bank overdraft, less cash.*
2 *Net borrowings as a percentage of equity.*
3 *Unaudited.*
4 *Non-IFRS measure (see note 8).*

Notes

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

The summarised consolidated financial results are prepared in accordance with the requirements of the JSE Limited's Listings Requirements and Debt Listings Requirements (JSE and Listings Requirements) for provisional reports and the requirements of the Companies Act of South Africa applicable to summarised financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS); the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee; Financial Pronouncements as issued by the Financial Reporting Standards Council; and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the audited consolidated financial statements, from which these summarised consolidated financial results were derived, are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements.

The preparation of these summarised consolidated financial results and the consolidated and separate financial statements for the year ended 31 December 2021 was supervised by the Financial Director, Mr KM Kathan CA(SA) AMP (Harvard).

(1) (b) Financial statements preparation and external audit

These summarised consolidated financial statements for the year ended 31 December 2021 have been audited by Deloitte & Touche, which expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived. The auditor's report does not necessarily report on all the information contained in this announcement. Accordingly, shareholders and noteholders are advised that, to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information.

The auditor identified the impairment assessment of goodwill amounts that arose on the acquisition of Schirm GmbH and Much Asphalt (Pty) Ltd as a key audit matter. Details of the key audit matter, and how it was addressed in the audit of the consolidated financial statements for the year ended 31 December 2021, are contained in the auditor's report. The auditor does not report on any forward-looking statements.

A copy of the auditor's report on the summarised consolidated financial statements, the auditor's report on the consolidated financial statements and the auditor's key audit matter are available for inspection at the Company's registered office, together with the financial statements identified in the respective auditor's reports.

The Company's Directors take full responsibility for the preparation of this provisional report and for the financial information having been extracted correctly from the underlying financial statements.

The summarised consolidated 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 2021.

(2) **Disaggregation of revenue by nature**

	Group	
R millions	**2021**	2020
AECI Mining	**11 969**	11 189
Sale of goods	**10 519**	9 930
Sale of goods and related product application services	**1 450**	1 259
AECI Water	**1 541**	1 447
Sale of goods	**29**	26
Sale of goods and related product application services	**1 512**	1 421
AECI Agri Health	**6 020**	6 056
Sale of goods	**6 018**	6 054
Sale of goods and related product application services	**2**	2
AECI Chemicals	**6 462**	5 427
Sale of goods	**6 456**	5 394
Sale of goods and related product application services	**6**	33
AECI Property Services & Corporate	**422**	343
Sale of services	**422**	343
Revenue recognised at a point in time	**26 414**	24 462
AECI Property Services & Corporate	**113**	136
Rental income	**113**	136
Inter-segment	**(474)**	(487)
Total	**26 053**	24 111

Disaggregation of revenue by geographic end market

R millions	Group 2021	2020
SACU[1]	**16 288**	14 186
Rest of the African continent	**5 140**	4 953
Rest of the world	**4 625**	4 877
Sales to joint ventures and associates	**—**	95
Total	**26 053**	24 111

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

Revenue includes foreign and export revenue of R10 626 million (2020: R10 528 million).

Disaggregation of revenue by geographic end market by segment — 2021

R millions	SACU[1]	Rest of the African continent	Rest of the world	Inter-segment	Total segment revenue
AECI Mining	**5 261**	**4 396**	**2 163**	**149**	**11 969**
AECI Water	**1 146**	**326**	**40**	**29**	**1 541**
AECI Agri Health	**3 775**	**288**	**1 896**	**61**	**6 020**
AECI Chemicals	**5 720**	**130**	**526**	**86**	**6 462**
AECI Property Services & Corporate	**386**	**—**	**—**	**149**	**535**
Inter-segment	**—**	**—**	**—**	**(474)**	**(474)**
Total	**16 288**	**5 140**	**4 625**	**—**	**26 053**

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

(3) Cash and debt covenants

The Company's net borrowings at 31 December 2021 were R2 760 million (2020: R2 383 million), with undrawn finance facilities of R3 200 million (2020: R4 400 million). All covenant requirements were met in the current and prior year.

(4) Goodwill

Significant cash-generating units (CGUs)

AECI Much Asphalt

The recoverable amount of this CGU was based on the value-in-use, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant market sector and have been based on historical data from both external and internal sources.

	%
Post-tax discount rate[1]	13,1
Terminal value growth rate	4,5
Revenue growth rate	5,0

1 *Pre-tax discount rate of 16,5% (2020: 18,8%).*

Owing to the uncertainty relating to the South African government's fiscal priorities from the onset of the COVID-19 pandemic in 2020 and the uncertainty of the pace at which infrastructure projects would be executed in the medium term, management reduced the revenue growth and trading margin projections for the period 2021 to 2025 to account for this uncertainty. This resulted in goodwill of R821 million being impaired in 2020.

Although the business' year-on-year performance improved in 2021, delays in road infrastructure spend by government continued. In addition, operations in certain regions were hampered by the effects of excessive rainfall.

Notwithstanding these challenges, AECI Much Asphalt improved its market position in some regions and maintained its position in others. The business remains well positioned to take advantage of any volume growth that would result from an acceleration in government's road infrastructure expenditure. AECI Much Asphalt has core capabilities which are not easily replicated. These capabilities include the strategic positioning of plants across the country, a strong brand, innovative technology and a skilled workforce, which underpin the business' competitive advantage in the market.

During the last quarter of 2021 there was an increase in tender awards and an improvement in both internal and external indicators supporting a volume recovery in 2022. At 31 December 2021, AECI Much Asphalt's revenue growth and trading margins were projected by its management team taking into account the average growth levels and market volumes over the past five years, with particular focus on data predating COVID-19's impact and the estimated sales volume and price growth for the next five years based on the factors above. The resultant cash flow forecast indicated a significant improvement in the value-in-use over the previous period.

However, for the impairment assessment, a more conservative approach was adopted at Group level and the forecast volumes and growth rates were moderated due to the ongoing uncertainty created by historical delays in infrastructure spend and the forecasting risk based on AECI Much Asphalt's prior performance. The moderated cash flow forecast still resulted in an improvement in the value-in-use which now exceeds the carrying amount of the CGU.

Management's assessment of the goodwill, prepared on the basis as described above, estimated that the recoverable amount of the CGU exceeded its carrying amount by approximately R223 million. The assessment is sensitive to changes in certain key assumptions. Management identified that the following changes in assumptions, individually, would result in the recoverable amount being equal to the carrying amount:

- *An increase in the post-tax discount rate of 1,2%*
- *A decrease of 1,8% in the terminal growth rate*
- *A decrease of 3% in the revenue growth rate from 2022 to 2026*
- *A decrease of 1,3% in the trading margin from 2022 to 2026*

A post-tax 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 a 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.

AECI Schirm

The recoverable amount of this CGU was based on the value-in-use, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant market sectors and have been based on historical data from both external and internal sources.

%	Germany	USA
Post-tax discount rate[1]	7,0	7,6
Terminal value growth rate	1,5	2,3
Revenue growth rate (average for the next five years)	6,0	5,0

1 Pre-tax discount rate of 8,5% in Germany (2020: 10,2%) and of 9,3% (2020: 9,7%) in the USA.

The business continued to be adversely affected by poor demand from the automotive sector in Europe, owing to shortages of components such as electronic chips, and raw material supply chain issues in the region. These challenges are a consequence of disruptions attributable to the effects of the COVID-19 pandemic. The extended impact of COVID-19 and slower than expected macro-economic recovery, including the German chemicals market, constrained overall production volumes and resulted in the delay of certain major tender award processes in 2021. At 30 June 2021, management had concluded that no impairment of the CGU's goodwill was required although in the worst-case scenario the estimated recoverable amount of the CGU was equal to its carrying amount.

In the second half of the year, AECI Schirm's management team was strengthened and the business finalised its growth strategy in alignment with AECI's organisational goals. The business was awarded the full volumes in one tender finalised by a major customer during 2021, it has secured additional volumes with key customers in the markets in which it operates and the management team has identified a healthy pipeline of opportunities in its current markets and in certain other emerging market sectors in Europe.

Germany's economic recovery is now accelerating. Demand for crop protection products is increasing and the automotive sector is returning to more normalised levels of activity. Supply chain reliability is being restored, benefiting from, inter alia, the relocation of production capabilities by customers to Germany from other countries further afield and fewer disruptions in supply from the Far East. The increase in volume demand will support AECI Schirm's cost recoveries. This, together with the optimisation of existing manufacturing capabilities and facilities, is expected to enable enhanced results going forward.

AECI Schirm's business in the USA achieved another strong result in 2021, with capital investments made in the prior year delivering above expectations. This assisted AECI Schirm's overall business performance to an extent. The business in the USA is anticipating continued growth to meet strong demand in the medium term.

At 31 December 2021 AECI Schirm's revenue growth was projected by its management team taking into account average growth levels over the past five years and the estimated sales volume and price growth for the next five years, based on the factors above.

However, for the impairment assessment, a more conservative approach was adopted at Group level and the forecast volumes and growth rates were moderated due to any supply chain risks that may persist in the German market and forecasting risk based on AECI Schirm's prior performance.

The assessment of the goodwill at 31 December 2021 using the moderated cash flows resulted in the estimated recoverable amount of the CGU exceeded its carrying amount by approximately R106 million (2020: nil). This improvement was as a result of the overall improvement in AECI Schirm's medium-term prospects, as described above.

The assessment is sensitive to changes in certain key assumptions. Management identified that a change in key assumptions could cause the carrying amount to exceed the recoverable amount. The following changes in assumptions, individually, would result in the recoverable amount being equal to the carrying amount:

- *An increase in the post-tax discount rate of 0,28%*
- *A decrease of 0,4% in the terminal growth rate*
- *A decrease of 1,3% in the revenue growth rate from 2022 to 2026*
- *A decrease of 0,3% in the trading margin from 2022 to 2026*

A post-tax 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% in both Germany and the USA. The discount rate is influenced by changes in the country risk-free rates, 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.

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 reporting segments comprises individual CGUs, each of which has been tested for impairment. The goodwill balances are aggregated per reportable segment due to no single CGU in each reportable segment being considered individually significant, other than the CGUs disclosed above.

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, approved budgets for three years and thereafter, the business plan for a period of at least two years, and using an average trading margin of between 9% and 11% (2020: 9% and 10%) over the five years*
- *A post-tax discount rate between 7% and 24% (2020: 7% and 26%) 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 (pre-tax discount rate between 9,3% and 31,5%)*
- *Terminal value growth rates of between 1,5% and 5% (2020: 2% and 5%) were applied. This was based on sustainable earnings and a conservative growth model*

For each of the sensitive inputs, management provided for the possible impact of decreased profitability on the goodwill valuation by testing multiple scenarios. Other than AECI Much Asphalt and AECI Schirm, 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.

(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

	Carrying amount		Fair value	
R millions	**2021**	2020	**2021**	2020
Financial assets				
At fair value through other comprehensive income — equity instrument[1]	**244**	105	**244**	105
— Listed shares — Level 1	**216**	–	**216**	–
— Unlisted shares — Level 3	**28**	105	**28**	105
At fair value through profit or loss[2]	**405**	383	**405**	383
— Forward exchange contracts — Level 2	**77**	26	**77**	26
— Money market investment in collective investment scheme — Level 1	**194**	240	**194**	240
— Employer surplus accounts — Level 1	**134**	117	**134**	117
Amortised cost	**7 152**	8 137		
— Accounts receivable[3]	**5 081**	4 524		
— Cash[4]	**1 953**	3 557		
— Loans receivable[3]	**12**	–		
— Interest-bearing non-current loans to associates[4]	**48**	–		
— Loans and receivables relating to other investments[4]	**58**	56		
	7 801	8 625		

R millions	Carrying amount 2021	Carrying amount 2020	Fair value 2021	Fair value 2020
Financial liabilities				
Amortised cost	**(9 093)**	(9 744)		
— Accounts payable [3]	**(4 843)**	(4 103)		
— Bank overdraft [4]	**(62)**	(123)		
— Loans from joint ventures [4]	**(111)**	(98)		
— Borrowings [5]	**(4 059)**	(5 420)		
— Interest accrued	**(18)**	—		
At fair value through profit or loss	**(35)**	(133)	**(35)**	(133)
— Forward exchange contracts — Level 2	**(17)**	(111)	**(17)**	(111)
— Put option liability — Level 3 [6]	**(18)**	(22)	**(18)**	(22)
	(9 128)	(9 877)		

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 borrowings 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 of financial instruments

The carrying amounts of financial instruments are either at fair value based on methods and assumptions for determining the fair value, or at values which approximate fair value based on the nature or maturity period of the financial instrument.

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.

Except for the transfer of the investment in Origin Materials (Origin) as described below, there were no transfers between Levels 1, 2 or 3 of the fair value hierarchy during the year.

Change in fair value measurement level

AECI has invested a total of US$5,2 million (US$5,0 million in 2017 and an additional US$200 000 in 2021) in Origin, a start-up company based in California, USA, that has pioneered the development of bio-based chemicals. These chemicals can be processed into a large number of products for application in global markets. The fair value of the investment in Origin was categorised as a Level 3 asset in 2020 because the shares were not listed on an exchange and there were no recent observable arm's length transactions in the shares, other than the amount invested. However, during the current year the investment was converted to listed shares (NASDAQ: ORGN) and it is now categorised as a Level 1 asset. The shares were valued at the listed entity's share price of US$6,45 at the reporting date.

(7) Dispute in West Africa

Progress has been made in defending a Customs Administration claim against a subsidiary of the Group. In the prior year, an Administration of Customs claimed CFA 1 652 million (US$2,8 million) and penalties up to CFA 44 546 million (US$76,0 million). This claim was re-characterised in proceedings to a CFA 1 653 million (US$2,9 million) penalty. Based on legal advice from leading international counsel and the nature of the current finding, management remains confident in its legal position in defending this claim in its entirety. Subsidiaries in this region comply strictly with the Common External Tariff, and related administrative processes, adopted and applied by the West African Economic Monetary Union.

(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. These measures as disclosed above 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 chief operating decision-makers of the Group.

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

(10) The following changes to the Board and the Group Company Secretary were announced and took effect during the year:

- *Patricia Mishic O'Brien joined the Board on 1 July 2021 as an Independent Non-executive Director. She was appointed to further strengthen the Board's capacity in terms of knowledge and experience of the chemicals industry at an international level. Ms O'Brien joined the Social and Ethics Committee and the Integrated Chemicals Financial Review Committee on 1 August 2021.*
- *Cheryl Singh was appointed as Group Company Secretary with effect from 1 September 2021, filling a vacancy.*
- *Aarti Takoordeen was appointed as Chief Financial Officer and Executive Director, effective 20 May 2022. She succeeds Mark Kathan, who has served as CFO from 2008. Mr Kathan assumes leadership of AECI Mining, a key role in the Group. He succeeds the previous incumbent who retired from that position on 31 December 2021. Mr Kathan remains on the Group's Board of Directors.*

On 1 March 2022, Rams Ramashia advised the Board of his intention to step down as a Non-executive Director of the Company at the next AGM, on 31 May 2022. During his tenure as Non-executive Director, Rams served as a member of the Remuneration and Nomination Committees. He also chaired the Social and Ethics Committee prior to becoming Chairman of the Risk Committee. He has served the Board for a total of 12 years and the Board thanks him for his valuable contribution.

COMMENTARY

In 2021, AECI successfully navigated through three waves of COVID-19, overcoming significant global supply chain challenges and higher commodity prices to ensure the reliable supply of our diverse range of quality products and services to customers in various markets around the world. At the same time, we recorded our best-ever safety performance and made significant progress towards the achievement of our sustainability targets.

Amid high input costs, the impact of supply chain disruptions on working capital and a stronger average rand affecting hard currency earnings, we reported robust financial results, demonstrating the benefits of our diversification, agility and strategic pillar structure.

The Board of Directors formally reviewed and approved our strategy in October, clearly defining the Company's growth plans, targets and objectives to ensure we deliver on our purpose of "One AECI, for a Better World".

COVID-19

Across the world, COVID-19 continued to impact health and wellbeing, lives and livelihoods. Many of our people experienced bereavement among their families and friends. Tragically 12 of our colleagues succumbed to COVID-19-related illnesses. All were in South Africa and all passed away during the first three waves of the pandemic. The Board and management extend their sincere condolences to their families and to all employees who have lost loved ones. The fourth wave of COVID-19 is receding and thankfully no further deaths have occurred.

People everywhere became more accustomed to navigating the crisis, with changes in consumer patterns impacting supply chain dynamics. Supply chains and shipments slowed, causing shortages of certain raw and packaging materials, thus disrupting production. Although not unscathed, companies with local sources of supply and local production facilities were better able to meet their customers' requirements. For many companies the need to hold higher levels of more expensive inventory pushed up working capital. This was indeed the case for AECI.

Our COVID-19 Task Team continued to meet — virtually — every week, implementing our Response Plan. The plan focuses on mitigating the impact of the pandemic on our people, our operations and the supply of products and services to customers, as well as on the roll-out of vaccinations. Together with the Response Plan, the Group also continued to apply its business continuity plans at all operations globally.

Almost all AECI's people are now back at their places of work. The Board and management would like to thank all employees for their diligence and determination in response to the challenges of life under COVID-19. We are also grateful to our many other stakeholders for their support.

Safety

One of our three strategic platforms is "Zero Harm and Sustainability". The year 2021 was the most successful in AECI's history in terms of performance against all the occupational health and safety indicators that we measure.

The Total Recordable Incident Rate (TRIR) improved to 0,23 (2020: 0,42). The TRIR measures the number of recordable incidents per 200 000 hours worked. While COVID-19 continued to present numerous challenges to our employees, we learnt how to deal with the pandemic in the workplace and our people renewed their commitment to achieving Zero Harm by re-committing to our Safety Improvement Plan. A key part of this plan is the standardisation across the business of items such as safety, health and environment risk descriptors, processes and systems.

Financial performance

AECI's revenue increased by 8% to R26 053 million (2020: R24 111 million). AECI Mining and AECI Chemicals were the business pillars most affected by COVID-19 in 2020. The businesses in both segments recovered well in 2021, with AECI Mining benefiting as global mining activity returned to more normalised levels. AECI Chemicals further benefited from the strategic realignment process completed in 2020 which delivered in line with expectations. Also assisting was a level of overall improvement in South Africa's manufacturing, infrastructure and general industrial sectors, albeit from a low base.

Of the total Group revenue, 41% (2020: 44%) was generated outside of South Africa, with the stronger average rand exchange rate against these major currencies having an impact.

EBITDA of R3 091 million grew by 5% from 2020's R2 943 million. Profit from operations recovered strongly to R2 052 million, 124% up from 2020's R917 million. There were no impairments in the current year, compared to 2020 which had been negatively affected by impairments of certain property, plant and equipment and goodwill in the amount of R890 million, mostly relating to the goodwill on the acquisition of AECI Much Asphalt.

Reported headline earnings per share (HEPS) of 1 116 cents was 27% higher year-on-year (2020: 880 cents). Headline earnings increased to R1 178 million from 2020's R928 million.

The Company remains in a solid financial position and has repaid R1 877 million in term debt, while maintaining a robust net gearing ratio of 24% (2020: 22%). There has been an investment in inventory to ensure supply is available to meet increasing demand in an environment where supply chain timing has extended and disruptions have become frequent.

The Board, considering the solid performance and stable financial position, declared a final ordinary cash dividend of 505 cents (final ordinary dividend of 470 cents for the year ended 31 December 2020), a 7% increase.

The total ordinary dividend for 2021 was 685 cents, up from the 570 cents total dividend for 2020, a 20% increase.

Segmental performance

AECI Mining (AECI Mining Explosives and AECI Mining Chemicals)

The sustained strength in mineral commodity prices enabled a recovery in the global mining sector's performance. As a consequence, AECI Mining reported stronger overall results. Revenue increased by 7% to R11 969 million (2020: R11 189 million), supported by an outstanding performance from AECI Mining Chemicals and increased sales of initiating systems. Revenue was negatively impacted by the decline in bulk explosives sales volumes, offset by the pass through of higher ammonia prices. Despite the resilient average rand exchange rate, foreign revenue remained at 61% of total revenue year-on-year.

EBITDA increased by 4% to R1 813 million (2020: R1 744 million) and profit from operations improved by 14% to R1 277 million (2020: R1 120 million) on the back of strong demand for mining chemicals, particularly extractive chemicals.

AECI Mining Explosives

Overall **bulk explosives** volumes declined by 6%, impacted by the loss in 2020 of sales to iron ore and platinum surface mining customers in South Africa. By year-end, we had recovered 60% of these lost volumes. Bulk explosives volumes were affected by lower offtake from South Africa's coal mining sector — owing to logistics challenges, the consequences of heavy summer rainfall and reduced demand for thermal coal, together with weaker demand in some other African territories and weather-related challenges in Indonesia early in the year.

Sales volumes of **initiating systems** rose by 15%, as sustained higher gold and platinum prices and a relaxation of COVID-19 restrictions on mining activity boosted demand from underground mining customers in South Africa. We were pleased to be able to provide a continuous supply of our locally manufactured initiating systems to our customers.

On the **rest of the African continent**, strong copper, nickel and gold prices, as well as new contracts secured, supported overall demand. However, mining activity was curtailed by socio-political instability in some of our Francophone West African markets. Strong competitor activity in the region increased pressure on operating margins.

In **Asia Pacific**, AECI Australia recorded excellent growth on good demand for coking coal and new business secured. We have built a new bulk explosives plant to service a new contract awarded in the Hunter Valley region, New South Wales. The supply of explosives from this plant commenced on 1 March 2022. There was a solid performance in Indonesia, notwithstanding the disruption of extreme weather events, machine breakdowns experienced by a mining contractor and free digging (mining that does not require explosives) by customers. The newly-acquired ammonium nitrate granulator is being installed at the Black Bear Resources Indonesia (BBRI) operation and will be commissioned towards the end of 2022. The granulator will enable us to enhance our market reach in the region and also improve the utilisation of BBRI's ammonium nitrate production facility.

In **South America**, the roll-out of growth plans at our Brazilian operations remained slow, affected by continued disruptions to international travel and in-country restrictions to mitigate the spread of COVID-19. We remain focused on expanding our customer base in Brazil's mining sector over time. Site plans for the construction of a bulk explosives production facility in Chile have been approved. It is anticipated that this project will be completed early in 2023.

AECI Mining Chemicals

A robust recovery in demand for **metallurgical chemicals** in the platinum mining sector underpinned an excellent performance in the year. Due to the current global supply climate, we were better placed to service the demand of our South African customers. Overall exports were lower due to certain of our customers not resuming their operations after being on care and maintenance due to COVID-19 challenges.

All our production facilities are running optimally and exports for 2022 look very promising.

AECI Water

AECI Water reported a 7% increase in revenue to R1 541 million (2020: R1 447 million). EBITDA and profit from operations remained in line with 2020 at R262 million and R212 million, respectively.

The lower margin public water business in South Africa grew sharply in the year, accounting for 35% of total revenue (2020: 20%). Revenue in the oil and refining sector was subdued as a result of refinery closures and operational disruptions over the past few years. Numerous customers in the industrial sector were impacted by low demand and others closed permanently as a result of the pandemic. Conversely, good growth was achieved in the mining sector following successful tender processes. The annualised positive impact of this will be delivered in 2022.

Supply chain disruptions led to a shortage of some key raw materials and a subsequent steep increase in these costs as well as the need to hold higher inventory. This affected margins, as we were not able to fully pass these price increases on to our customers, particularly public water customers.

Better Water is one of the focus areas of AECI's sustainability strategy and commitment to "a better world". Key elements here are enabling access to potable water, limiting the use of this resource for non-domestic purposes and improving re-use. In this regard we made good progress in our work within the AECI Group and externally, aligned with our Project Purpose. Phase 1 of the potable water replacement project at AECI Mining Explosives, Modderfontein, was completed with annualised potable water savings in the region of 250 000m^3. Improvement projects are underway at other Group sites in South Africa that will, collectively, result in lower outflows for the Company in future.

AECI Agri Health (AECI Plant Health and AECI Schirm)

The weaker performance of AECI Schirm in Germany negated excellent results from AECI Plant Health in South Africa and AECI Schirm in the United States. The segment's revenue of R6 020 million was slightly lower than 2020's R6 056 million. EBITDA declined significantly to R383 million (2020: R518 million). Profit from operations decreased to R179 million (2020: R290 million).

AECI Plant Health

AECI Plant Health's revenue grew by 13% and profit from operations increased by 24% on the back of highly favourable climatic conditions across all areas and crops in South Africa, which resulted in strong demand for AECI Plant Health's products and services. The business' performance was also supported by higher commodity prices and increased sales of in-house formulated and registered crop protection products. It is anticipated that the positive momentum will be sustained and thus capacity has been expanded at the synthesis plant in Gauteng. The Biocult expansion, in the Western Cape, to increase biostimulant production capacity will start up in March 2022. Significant effort has been invested in building the pipeline of new products for registration locally and internationally, in support of future growth.

AECI Schirm

In **Germany**, AECI Schirm's performance in the year was negatively impacted by the non-recurrence of the 2020 sale of large volumes of hand sanitiser to the Department of Interior, the effects of the stronger rand/euro exchange rate, the impact of COVID-19-related supply chain disruptions, raw material and packaging shortages in Europe and poor demand for sugar beet herbicide. The German business incurred an operating loss for the year.

On the positive side, several new tenders were secured in the latter part of the year for supply of agricultural crop protection products and fine chemicals. Together with the return of demand for sugar beet herbicide and automotive chemicals, this will support a more robust performance by AECI Schirm in Germany in future.

In contrast to Germany, demand for AECI Schirm's products in the **United States** was strong. The business outperformed expectations, recording very pleasing growth and benefiting from the start-up of a new super-concentrates herbicide production facility in Ennis, Texas.

The market in the United States remains buoyant and, from the third quarter of 2022, we expect to realise benefits from our recent investment in new production capacity in Illinois.

AECI Schirm's goodwill on acquisition was assessed and it was concluded that no impairment was required.

AECI Chemicals (AECI Specialty Chemicals, AECI Industrial Chemicals, AECI Food & Beverage, AECI SANS Fibers and AECI Much Asphalt)

AECI Chemicals reported a sharp turnaround in the current year. Revenue grew by 19% to R6 462 million (2020: R5 427 million) and the segment reported a profit of R586 million compared to a loss of R531 million in 2020. EBITDA was 40,2% higher at R788 million (2020: R555 million). All businesses in the segment improved year-on-year. Key contributors to the improvement were:

- *The strategic realignment project's annualised benefits in line with expectations*
- *A level of recovery in the South African manufacturing sector*
- *Significant enhancement in the quality of earnings*

The strong overall performance was driven by focused and innovative management teams who found solutions to supply chain challenges and entered new markets to sustain and grow their businesses. Excluding AECI Much Asphalt, the portfolio's revenue increased by 17% and operating profit was up more than 50%, with an operating margin of 10%. **AECI Much Asphalt** recovered from the severe COVID-19 effects of 2020, improving revenue by 36% and delivering an operating profit for the year. In 2021, a level of recovery in volumes for road infrastructure projects was evident. We are encouraged by the recommencement of the award of contracts by some national and local government departments. The closure of refineries has curtailed the supply of bitumen. However, AECI Much Asphalt has the infrastructure in place to continue supplying the market with asphalt.

AECI Much Asphalt's goodwill on acquisition was assessed and it was concluded that no further impairment was required.

Property & Corporate

Net property and corporate costs increased in the year to R190 million (2020: R165 million) owing to numerous strategic projects — including those related to the implementation of SAP.

Cash utilisation

Throughout the pandemic, management has focused on preserving liquidity. In 2021, the Group's EBITDA increased by 5% to R3 091 million (2020: R2 943 million) and cash generated from operations increased by 13% to R3 289 million (2020: R2 915 million). Cash was utilised mainly in working capital as global supply chain disruptions required increased inventory holdings to ensure that we could continue to meet customer demand. This resulted in a cash outflow of R1 093 million and, consequently, the working capital to revenue ratio moved to 17,6% (2020: 14,5%).

Capital expenditure was R777 million (2020: R632 million), of which R584 million was sustenance capital expenditure and R193 million was for expansion projects. The most significant sustenance capital projects were the statutory shutdown of AECI Mining Explosives' No. 11 Nitric Acid plant at Modderfontein, as well as the completion of the air emissions abatement projects at that site. Growth capital expenditure included the expansion of the AECI Plant Health synthesis plant, the Biocult expansion and three bulk emulsion plants for AECI Mining Explosives, one of which was built for the Hunter Valley contract.

Cash interest cover was 18,6 times (2020: 8,5 times). Net borrowings of R2 760 million were R377 million higher than 2020's R2 383 million. The Group's net gearing was 24% (2020: 22%) and its most stringent loan covenant, viz. net debt to EBITDA, was less than 1 (covenant: net debt less than 2,5).

In the year, US$25 million (2020: US$20 million) in dividends, net of withholding taxes, was extracted from the Group's foreign subsidiaries and a further US$6 million (2020: US$2 million) from AECI SANS Fibers in the USA.

Directorate and Group Company Secretary

Changes that were announced and took effect in the year, as well as those that take effect in 2022, were as follows:

- *Patricia Mishic O'Brien joined the Board on 1 July 2021 as an Independent Non-executive Director. She was appointed to further strengthen the Board's capacity in terms of knowledge and experience of the chemicals industry at an international level. Ms O'Brien joined the Social and Ethics Committee and the Integrated Chemicals Financial Review Committee on 1 August 2021.*
- *Cheryl Singh was appointed as Group Company Secretary with effect from 1 September 2021, filling a vacancy.*
- *Aarti Takoordeen was appointed as Chief Financial Officer and Executive Director, effective 20 May 2022. She succeeds Mark Kathan, who has served as CFO from 2008. Mr Kathan assumes leadership of AECI Mining, a key role in the Group. He succeeds the previous incumbent who retired from that position on 31 December 2021. Mr Kathan remains on the Group's Board of Directors.*

On 1 March 2022, Rams Ramashia advised the Board of his intention to step down as a Non-executive Director of the Company at the next AGM, on 31 May 2022. During his tenure as Non-executive Director, Rams served as a member of the Remuneration and Nomination Committees. He also chaired the Social and Ethics Committee prior to becoming Chairman of the Risk Committee. He has served the Board for a total of 12 years and the Board thanks him for his valuable contribution.

Outlook

It is encouraging that demand for products and services in the key markets where our customers operate is returning to pre-COVID-19 levels. Although not uniform across the globe and market sectors, economic growth trends are being re-established.

The sustained increase in commodity prices is likely to provide a boost to the mining sector, with more mines re-opening or expanding their activities.

A level of uncertainty remains nonetheless. The impact of the pandemic is still being felt by people and businesses, with the timing and severity of potential future waves of the virus unknown and the roll-outs of mass vaccination programmes not uniform across the world.

The consequences of international political and socio-political strife compound the uncertainty.

The impact of the events in Eastern Europe is not fully understood and could influence global growth and commodity pricing. Raw material shortages, high prices and slow but expensive shipments are likely to continue in 2022.

In South Africa, the reliability of electricity supply remains of concern as does both the availability and efficiency of infrastructure such as rail transport, water and ports. Unacceptably high levels of unemployment and inequality require urgent solutions.

Focus

Notwithstanding the challenges to be faced, the AECI Group is well placed to maximise opportunities in 2022 and future years and mitigate key risks. We have a very clear growth strategy and related execution plans in place for all our business pillars. An Investor Day will be held before 30 June 2022 to share in-depth details in this regard.

In the coming year we expect to leverage recently secured contracts, 2021's market share gains as well as new prospects in the pipeline. Our diverse presence across multiple geographies and markets — including the advantages of local manufacture for customers in many jurisdictions — will support our performance, mitigating some of the impact of potential disruptions to supply chains.

The diligent management of cash, working capital and costs will continue to be a key focus area. At the same time, we will continue to invest prudently in further capital expansion in support of growth aligned with our strategic objectives. Ongoing expansion of our geographic footprint remains on the agenda for our robust future positioning, as are potential bolt-on acquisitions.

The sustainability agenda presents many more opportunities. Water and food security remain global challenges and consumer demand for end products which are gentler on people and the environment is accelerating. Our sustainability goals are well aligned with these imperatives. In addition to our existing offering, our businesses and the centralised Growth Office continue to identify and assess new products and business models that can contribute to "a better world" for all stakeholders.

As always, the health and safety of our employees and contractors is our immovable priority. We were pleased with the improvement in our safety performance in 2021 and we are committed to sustaining the good momentum gained, making Zero Harm a reality for AECI and for all our people.

Khotso Mokhele
Chairman

Mark Dytor
Chief Executive

1 March 2022

Directors: KDK Mokhele (Chairman), SA Dawson*, FFT De Buck, WH Dissinger**, MA Dytor (Chief Executive), G Gomwe†, KM Kathan (Executive), PM Mishic O'Brien‡, R Ramashia, AM Roets, PG Sibiya * Australian ** German † Zimbabwean ‡ American

Group Company Secretary: C Singh

Declaration of final ordinary cash dividend No. 176

Notice is hereby given that on Tuesday, 1 March 2022 the Directors of AECI declared a gross final cash dividend of 505 cents per share in respect of the financial year ended 31 December 2021. The dividend is payable on Monday, 11 April 2022 to holders of ordinary shares recorded in the register of the Company at the close of business on the record date, being Friday, 8 April 2022.

The last day to trade "cum" dividend will be Tuesday, 5 April 2022 and shares will commence trading "ex" dividend as from the commencement of business on Wednesday, 6 April 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 404 cents per share payable 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, 5 April 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, 5 April 2022.

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 April 2022 and Friday, 8 April 2022, both days inclusive.

By order of the Board

Cheryl Singh
Group Company Secretary

Woodmead, Sandton
1 March 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

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)