



AECI LIMITED

(Incorporated in the Republic of South Africa)

(Registration Number 1924/002590/06)

Tax reference number: 9000008608

Share code: AFE ISIN: ZAE000000220

Hybrid code: AFEP ISIN: ZAE000000238

Bond company code: AECI

LEI: 3789008641F1D3D90E85

(AECI or the Company or the Group)

VOLUNTARY PRE-CLOSE PERIOD UPDATE FOR THE FIVE MONTHS ENDED 31 MAY 2023

Safety and sustainability statement

As at 31 May 2023, the Group's total recordable injury rate (TRIR) was 0.23. Safety is a priority and we are committed to our goal of Zero Harm. This means that employees and management fully support all Zero Harm initiatives and believe Zero is possible.

In 2022, we achieved our best-ever health and safety performance since we began tracking the related metrics. In 2023, however, there has been an increase in the number of recordable incidents including, and regrettably, two work-related fatalities. As part of our response we launched a safety improvement plan focusing on two of our Zero Harm fundamentals: accountable leadership; and our risk-based approach.

As a Board and the Executive Team, we extend our deepest condolences to the families, friends and co-workers of our deceased colleagues. It is imperative that we reverse this deterioration. These events are a sober reminder of the importance of being laser-focused on creating a safe working environment for all our people at all times.

Overview of the Group's performance for the five months to 31 May 2023

The Group recorded strong results in the first five months of the 2023 financial year (the current period). Group revenue, at R15 351 million, increased by 22% compared to the five months ended 31 May 2022 (the prior period). EBIT was 25% higher at R 1 008 million, notwithstanding the R 154 million loss (31 May 2022: R 57 million loss) incurred by AECI Schirm Germany. EBITDA and EBIT margins at 10% and 7%,



respectively, were in line with the prior period, demonstrating the Group's resilience in an operating environment characterised by ongoing volatility and change.

Net working capital spend for the year to 31 May 2023, at R 1 076 million, was in part driven by increased sales volumes in certain businesses. The higher than usual debtors, as well as elevated inventory levels necessary to support sales volume growth in some regions, also contributed to high working capital levels.

The net gearing ratio of 50% at 31 May 2023 (45% at 31 December 2022) was in line with previous guidance and driven by relatively higher net debt, which contributed to higher finance costs on the back of rising interest rates. The current levels of working capital also contributed to this increase. The Group's net debt to EBITDA at 31 May 2023 was 1.7 times, remaining well within the loan covenant threshold of 2.5 times. The reduction of net debt as well as net working capital remain key focus areas for management and the Board, with operational initiatives and programmes introduced targeted at restoring balance sheet strength.

The process to refinance the Group's long-term debt was initiated during the period, with a single coordinator appointed for all three phases of the refinancing. These include the refreshment of the existing Domestic Medium Term Note Programme targeted for Q3 2023. The loan market syndication is expected in Q4 2023.

Capital expenditure (capex) investment in the current period totalled R 511 million, in line with expectations. This included the organic growth spend related to AECI Schirm USA's expansion project as well as the AECI Mining Explosives solar project and MMU replacement programme.

Operational review for the five months to 31 May 2023

AECI MINING

AECI Mining maintained its pleasing momentum, with an improvement in overall sales volumes and margins. Revenue of R 8 354 million was up 35% compared to the prior period on the back of further market share gains in South Africa, Central Africa, East Africa and Asia Pacific. EBIT for the segment increased by 45% to R 809 million and an EBIT margin of 10% was achieved. Lower ammonia input prices during the period as well as the weaker ZAR/USD exchange rate at the end of the period also contributed to performance.



AECI WATER

Revenue at R 865 million was up 15% on the prior period as sales to public water customers grew further and demand from existing customers in the industrial sector improved. EBIT at R 99 million was significantly up from the R 44 million achieved in the prior period following the cost recovery lag experienced in 2022.

AECI AGRI HEALTH (AECI SCHIRM, AECI PLANT HEALTH AND AECI ANIMAL HEALTH)

Revenue at R 2 879 million was up 15% on the prior period, with improved sales in all businesses. EBIT posted a loss of R 43 million impacted by AECI Schirm Germany's performance. AECI Plant Health maintained the growth trend of in-house formulated product sales volumes (including bulk nutrition), which are at higher margins than those for third-party traded products.

Excluding AECI Schirm Germany, segmental revenue at R 1 993 million was 10% higher compared to the prior period and EBIT increased by 24% to R 110 million.

AECI SCHIRM

The revenue of R 1 194 million was up 31% on the prior period following sales volume growth in AECI Schirm USA. The EBIT loss of R118 million reflects AECI Schirm Germany's loss of R 154 million which included an R 89 million (EUR 4.3 million) in retrenchment costs. Overall, the EUR and USD exchange rate translation to a weaker ZAR at the end of the period boosted performance somewhat.

The Board approved comprehensive turnaround project for AECI Schirm Germany is ongoing and further updates will be provided when the Group announces the interim final results for the six months ending 30 June 2023.



AECI CHEMICALS

Revenue for the segment at R 3 237 million was in line with the prior period. This South Africa focused segment was affected by lower demand from customers impacted by loadshedding. Consequently, EBIT at R 151 million was 39% below the prior period due to margin pressures as well as foreign exchange losses related to product imports. EBIT margin was at 5% and cash generation by businesses in the segment remained strong.

Commitment to B-BBEE ownership goals

As previously communicated, the AECI Employees Share Trust (EST) implemented in 2012 vested on 9 February 2023 with no value and was wound up. The beneficiaries did benefit from receiving dividends over the prescribed period.

In an effort to preserve employee goodwill and ensure continued productivity, the Board and the Executive Team approved an ex gratia payment to all eligible employees to honour the spirit of the EST. The final details as well as the impact of this will be communicated in due course.

The Group remains unequivocally committed to furthering AECI's B-BBEE ownership goals and continues to look for meaningful ways that will enable this achievement. One option remains a relevant employee scheme that takes into consideration key learnings from the previous EST. In line with this, a new scheme to replace the EST is being considered. This new scheme will aim to deliver sustainable Black ownership shareholding in the Group and tangible empowerment for employees. Any proposal remains subject to approval by our Board and shareholders.

Conclusion

We expect to release the Group's interim final results for the six months ending 30 June 2023 on or about Wednesday, 26 July 2023.

Shareholders and noteholders are advised that the information contained in this voluntary announcement has not been audited, reviewed, or reported on by the Group's external auditor. This update does not constitute a forecast.



Management will host a conference call at 15:00 CAT today to answer any questions from investors.

29 June 2023

Equity and Debt Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)

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About AECI

AECI is a diversified chemicals solutions company employing 7 168 people at more than 100 sites. We have a presence in 22 countries on six continents. Founded in 1896 to service South Africa's burgeoning gold and diamond mining industries, the company was formally established in 1924. AECI was listed on the Johannesburg Stock Exchange in 1966. A mainstay of the economy in South Africa, over the years we have expanded our presence and evolved our product and service offering to a broad base of customers. Our products and services include mine-to-mineral solutions; water treatment solutions; chemical raw materials and related services; asphalt and bitumen for road construction; food and beverage ingredients and commodities; vitamin and mineral animal feed premixes; crop protection products and plant nutrients; as well as property leasing and the provision of utilities. Our operating businesses are structured into four key operating business segments – AECI Mining, AECI Water, AECI Agri Health and AECI Chemicals.

