AECI LIMITED
(Incorporated in the Republic of South Africa)
(Registration No. 1924/002590/06)
Share code: AFE ISIN: ZAE000000220
Hybrid code: AFEP ISIN: ZAE000000238
Bond company code: AECI
LEI: 3789008641F1D3D90E85
(AECI or the Company or the Group)

UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS AND CASH DIVIDEND DECLARATION FOR THE HALF-YEAR ENDED 30 JUNE 2023

- Revenue up 19% to R18 404 million
- EBITDA[1] up 18% to R1 826 million
- EBIT[2] up 20% to R1 269 million
- HEPS up 5% to 603 cents
- EPS up 5% to 600 cents
- Growth capex of R360 million (55% of total R652 million capex)
- Cash dividend down 48% to 100 cents per share

[1] Earnings before interest, taxation, depreciation and amortisation calculated as profit from operations and equity-accounted investees, plus depreciation, amortisation and impairments.
[2] Earnings before interest and taxation is defined as profit before interest, taxation and share of profit of equity-accounted investees, net of taxation.

SAFETY

The Group's Total Recordable Incident Rate (TRIR) at 30 June 2023 was 0.24 compared to 0.15 at 31 December 2022. During the first four months of this year, the Group had an unfortunate rise in recordable incidents, which regrettably included two work-related fatalities. A Safety Improvement Initiative was launched in May 2023 to re-ignite the focus on safety. It prioritises two of the Group's Zero Harm fundamentals, namely accountable leadership and risk-based safety with a clear expectation of leadership action and targeted attention on four major safety risks identified from the incidents. Early indicators have shown a reduction in both the severity and frequency of incidents and no significant incidents have occurred since April.

Management's focus remains steadfast on addressing the root causes and improving safety performance across AECI.

RESULTS OVERVIEW

The Group achieved strong results in the first six months of the 2023 financial year (the current period), with revenue reaching R18 404 million, up 19% compared to the six months ended 30 June 2022 (the prior period). EBIT of R1 269 million (H1 2022: R1 056 million) was 20%

higher, notwithstanding the R180 million loss (H1 2022: R86 million loss) incurred by AECI Schirm Germany. EBITDA and EBIT margins remained stable at 10% and 7%, respectively, demonstrating the resilience of the Group's core businesses in an operating environment characterised by ongoing volatility and change.

However, EPS of 600 cents (H1 2022: 573 cents) and HEPS of 603 cents (H1 2022: 573 cents) were up by only 5% due to higher finance costs and an effective tax rate increase as a result of the AECI Schirm Germany losses.

R million (unless stated otherwise)	**H1 2023**	H1 2022	% change
Revenue	**18 404**	15 505	19
EBITDA	**1 826**	1 545	18
EBITDA margin (%)	**10**	**10**	-
Depreciation and amortisation	**537**	486	10
EBIT	**1 269**	1 056	20
EBIT margin (%)	**7**	**7**	-
Net profit after taxation	**650**	626	4
Earnings per share (EPS) (cents)	**600**	573	5
Headline earnings per share (HEPS) (cents)	**603**	573	5
Cash generated from operations	**2 063**	1 720	20

The net gearing ratio of 47% (45% at 31 December 2022) was within the previously communicated guidance range of 40% - 60%. This level is considered high in the current interest rate cycle.

Net debt of R5 741 million (FY 2022: R5 345 million) was driven in part by net working capital spend for the period of R351 million (FY 2022: R2 570 million) to support increased sales volumes in certain businesses and counter potential supply chain interruptions (namely, potential work stoppages and ammonia supply challenges).

The net finance costs of R274 million (H1 2022: R124 million) were 121% higher due to:

- Debt related to AECI Schirm, which is loss making.
- Continued higher working capital levels.
- Higher interest rates.

The Group's net debt to EBITDA, as defined in covenant agreements, at 30 June 2023 was 1.6 times, remaining well within the loan covenant threshold of 2.5 times.

In view of the above, 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 to further strengthen the balance sheet.

The process to refinance the Group's long-term debt was initiated during the current period, with a single coordinator appointed across all the phases of the refinancing. These include a sustainability-linked framework, a refreshed Domestic Medium Term Note Programme and public auction targeted for Q3 2023. A loan market syndication is expected to follow in early Q4 2023.

Capital expenditure (capex) in the current period amounted to R652 million, in line with expectations. This included the organic growth spend related to AECI Schirm USA's expansion project as well as AECI Mining Explosives' solar projects and its mobile manufacturing units (MMUs) replacement programme.

The net asset value per share attributable to ordinary shareholders increased by 7% to 11 024 cents (H1 2022: 10 343 cents).

The Board declared an interim cash dividend of 100 cents per share (H1 2022: 194 cents per share).

SEGMENTAL REVIEW

AECI Mining's revenue was up 29% to R10 004 million (H1 2022: R7 749 million). This was driven primarily by strong volume growth in bulk explosives and initiating systems. The segment's total revenue generated outside of South Africa increased to 69% (H1 2022: 64%). EBIT of R1 038 million (H1 2022: R713 million) was up 46% and the EBIT margin strengthened to 10% compared to 9% in the prior period.

AECI Water's revenue at R1 061 million (H1 2022: R979 million) was up 8% following market expansion in the mining industry in Central and West Africa and increased sales in the industrial sector. EBIT for the segment at R126 million, was up 26% (H1 2022: R100 million) and the EBIT margin improved to 12% (H1 2022: 10%).

AECI Agri Health's revenue of R3 375 million (H1 2022: R2 889 million) was up 17%. An operating loss of R57 million was incurred (H1 2022: R11 million profit), inclusive of AECI Schirm Germany's loss. Excluding AECI Schirm, revenue for the segment of R1 939 million

(H1 2022: R1 826 million) was up 6%, EBIT of R79 million (H1 2022: R77 million) was up 3% and the EBIT margin was unchanged at 4%.

AECI Schirm's revenue of R1 436 million (H1 2022: R1 063 million) was up 35% following sales volume growth in AECI Schirm USA and higher selling prices in AECI Schirm Germany. The EBIT loss of R136 million (H1 2022: R66 million loss) reflects AECI Schirm Germany's loss of R180 million (H1 2022: R86 million loss) which included R89 million (EUR 4.3 million) in severance costs and R30 million in consulting fees. AECI Schirm USA's EBIT was R58 million (H1 2022: R36 million). The plant capacity upgrade at the Ennis, Texas, facility was completed and the plant in Benton, Illinois is expected to be fully operational by the end of July 2023.

The Board approved comprehensive turnaround project for AECI Schirm Germany is progressing well and is on track to deliver in line with previous guidance. Additional measures were also introduced in the current period, aimed at improving profitability further.

AECI Chemicals' revenue of R3 943 million (H1 2022: R3 921 million) was up 1%. EBIT was R209 million (H1 2022: R314 million) and the EBIT margin was under pressure, at 5% (H1 2022: 8%). Several factors contributed to this performance, including a decline in certain commodity chemical input prices and lower sales volumes in AECI Food & Beverage and AECI SANS Fibers.

AECI Much Asphalt's revenue of R1 154 million (H1 2022: R1 028 million) was up 12% and EBIT of R22 million (H1 2022: R61 million) was down 64% due to margin pressure. Sales volumes continue to improve.

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 net dividends of R35 million over the prescribed period.

In an effort to preserve employee goodwill and ensure continued productivity, the Board and the AECI Executive Committee approved an ex gratia payment totalling R106 million to all eligible employees.

AECI remains unequivocally committed to furthering the Company's B-BBEE Ownership goals and continues to look for meaningful ways to enable this. 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 Company and tangible empowerment for employees. Any proposal remains subject to approval by the Board and shareholders.

FUTURE FOCUS AND PROSPECTS

The priorities for the next six to 12 months include the following:

- Delivery of the AECI Schirm Germany turnaround project.
- Operational interventions and programmes aimed at further strengthening the balance sheet, expected to reduce working capital and gearing.
- Value unlock driven through continued focus on improving returns from existing businesses, organic growth as well as targeted portfolio optimisation. Clear policies and processes will drive decision making.

A process to revise the Group strategy has commenced and Board approval is expected towards the end of the year.

DIVIDEND

Declaration of interim ordinary cash dividend No. 179

Notice is hereby given that on Tuesday, 25 July 2023 the Directors of AECI declared a gross interim cash dividend of 100 cents per share in respect of the six months ended 30 June 2023. The dividend is payable on Monday, 4 September 2023 to holders of ordinary shares recorded in the register of the Company at the close of business on the record date, being Friday, 1 September 2023.

The last day to trade “cum” dividend will be Tuesday, 29 August 2023 and shares will commence trading “ex” dividend as from the commencement of business on Wednesday, 30 August 2023.

A South African dividend withholding tax of 20% will be applicable to all shareholders who are not either exempt or entitled to a reduction of the withholding tax rate in terms of a relevant Double Taxation Agreement, resulting in a net dividend of 80 cents per share 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, 29 August 2023.

The issued share capital of the Company at the declaration date is 105 517 780 listed 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, 29 August 2023.

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 August 2023 and Friday, 1 September 2023, both days inclusive.

By order of the Board
Cheryl Singh
Group Company Secretary
Woodmead, Sandton

AVAILABILITY OF THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS FOR THE HALF-YEAR ENDED 30 JUNE 2023

The unaudited consolidated interim financial results for the half-year ended 30 June 2023 are available at:

https://senspdf.jse.co.za/documents/2023/JSE/ISSE/AFE/Interim23.pdf

https://www.ftp.aeciworld-online.com/pdf/investors/interim-results/2023/interim-results-2023.pdf

Any investment decisions made by investors and/or shareholders and/or noteholders should be based on consideration of the unaudited consolidated interim financial results for the half-year ended 30 June 2023.

Directors:
KDK Mokhele (Chairman), H Riemensperger[1] (Group CE), ST Coetzer[2], SA Dawson[3], FFT De Buck, WH Dissinger[1], KM Kathan (Executive), P Mishic O'Brien[4], AM Roets, PG Sibiya

1 German 2 Canadian 3 Australian 4 American

Group Head Investor Relations: Z Salman

Group Company Secretary: C Singh

Board sign-off date: 25 July 2023

Results released on: 26 July 2023

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