

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 FOR THE HALF-YEAR ENDED 30 JUNE 2024

- Safety performance: TRIR of 0.28 (30 June 2023: 0.38^{*})
- Revenue down 4% to R17 580 million
- EBITDA¹ down 24% to R1 390 million
- Profit from operations² down 36% to R818 million
- HEPS down 57% to 260 cents
- EPS down 61% to 233 cents
- No interim dividend declared (30 June 2023: 100cps)

^{*} Restated to account for unrecorded numbers from AECI Schirm

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

EBITDA is unaudited.

² Earnings before interest and taxation is defined as profit before interest, taxation and share of profit of equity-accounted investees, net of taxation

2024, a year of transition for AECI

Our stated ambition as the AECI Group is to double profitability of our core businesses by 2026 and to attain a global market position in Mining of #3 by 2030.

In the first six months of this year, we made strides in investing in the capabilities required to execute on our strategy and have commenced delivering on the milestones set. This positions the businesses for improved operational efficiencies, overall performance and profitability in the short to medium term, as well as sustainable growth in the long term.

Pleasingly, we achieved the following key strategic milestones in the first half of 2024:

- New executive leadership is in place
- The restructure of the organisation in line with our new operating model to the third level below the Executive Committee
- A leadership compact, culture code and desired behaviours developed to foster a high-performance culture
- The sale of AECI Animal Health in line with our portfolio optimisation journey
- R400m EBITDA run rate delivered
- R800m organic mining and chemicals growth projects defined
- Enhanced mining digital platform for high-performance initiating systems and cutting-edge electronics technology is being launched
- Increased investment in maintenance to ensure the prolonged life of our existing asset base

Our strategic transition is progressing well. With the focus and investment we have dedicated in the first half of the year, we anticipate continued momentum and substantial value realisation in the second half of the year and the future.

Statement from the Group CEO

"I am proud of the results achieved by the Group during the period under review. Our business is resilient, supported by the strong underlying fundamentals of a world class team and leading technology, superior customer service and value-accretive growth opportunities. The execution of our strategy is progressing as planned and I am confident that we will deliver on our promises."

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

Our commitment to sustainability and creating enterprise value

We aim to achieve excellence in all aspects of our commitment to environmental stewardship, our role in society and our approach to leadership and governance (ESG). During the period under review, we reduced our potable water consumption by 8%, the water we discharged to sea or sewer by 15%, and our CO2 footprint by 5% compared with our performance in H1 2023. While we are pleased with the constant improvement in our key performance indicators, we are cognisant of the challenges that lie ahead as we pursue our 2050 Net Zero objective.

Safety

Our goal of achieving Zero Harm and managing and mitigating risks is anchored in the principles of accountable leadership, engaged and empowered employees, risk-based Safety, Health, Environment and Quality (SHEQ) management and continuous improvement. No fatalities were recorded in the period under review. The Group's 12-months rolling total recordable injury rate (TRIR) improved to 0.28 from 0.38 as at 30 June 2023 (restated). Our 2023 sustainability report noted that the 2022 TRIR measure was restated due to under-reporting in AECI Schirm. With this measure being on a 12-months rolling basis, the previously reported figure of 0.24 was also impacted and was consequently restated.

Segmental review

The restructuring of our reporting segments

Until 31 December 2023, our operating businesses were structured into four key segments: AECI Mining, AECI Water, AECI Agri Health and AECI Chemicals. In line with our strategy of optimising our portfolio to create a platform for growth, we have restructured our reporting segments to AECI Mining, AECI Chemicals, AECI Managed businesses and AECI Property Services and Corporate. As required by IFRS8: Operating Segments, the comparative numbers were restated.

AECI Mining

During the period, we invested in four statutory shutdowns, two of the shutdowns were deferred from the previous year and two were planned for the period. We used this opportunity to also catch-up on other maintenance, setting up our operations for delivery in the second half of the current year and into the future. Our ammonia supply in South Africa improved significantly after the commissioning of 60 wagons, resulting from the memorandum of understanding signed for 120 refurbished wagons. The ramp-up to 120 wagons takes place at an agreed 20 wagons per month expected to be introduced to the supply network. We augmented the supply of ammonia by road transportation to further build resilience in our supply chain. To support the long-term sustainability of our operations we are actively exploring alternative supply of ammonia, including green ammonia.

The segment recorded revenue of R9 376 million compared to R10 004 million in H1 2023. This decrease is attributable to lower ammonia prices and lower sales volumes in the South African market. Profit from operations was down 12% to R909 million when compared with the same period in 2023 because of lower revenue, inflationary cost increases and the R204 million investment spend in the segment. Operating margins remained in line with the prior year at 10%, showing the effectiveness of our risk mitigation processes against the price of ammonia. If normalised for the investment spend, the mining segment's operating profit shows a flat year-on-year performance with stable margins.

The R204 million investment spend made during the period under review included the alternate sourcing of ammonium nitrate solution (ANS) at higher market prices coupled with expected manufacturing under-recoveries during the plant shutdowns. Elevated cost for ANS buy-ins could not be passed through contractually to our customers.

Our business continues to grow globally with new contract extensions in Asia Pacific where bulk explosives volumes were up 23% and electronics grew by 33% during the period. We continue to grow in Central Africa, where robust mining activity is driving growth. Following the increase in rail wagons, we have ramped up the Richards Bay storage to rail supply of ammonia. Regarding inland supply of ammonia, we have initiated road transportation as an additional means of supply, further securing the supply of the key raw material.

Sales volumes of mining chemicals are expected to improve on the back of an anticipated recovery in mining activity in South Africa.

AECI Chemicals

The segment's revenue of R4 363 million (H1 2023: R4 555 million) was down 4% due to the continued decline in the South African manufacturing and industrial sectors and over-supply of key products. A pleasing increase in profits from operations of 9% from R365 million, restated in H1 2023 to R395 million, is attributable to stringent cost management and increased operational efficiencies. The operating margin for the period was 9% (H1 2023: 8%).

AECI Managed businesses

Revenue in this segment at R3 731 million was down 2% compared to the prior period. The segment recorded a loss from operations of R3 million, an improvement from R87 million loss in H1 2023. The divestment process is proceeding as planned and we anticipate meeting our commitments.

AECI Property Services and Corporate

This segment recorded a loss of R484 million (H1 2023: R42 million loss) arising from necessary investment in strategy execution, including:

- R255 million in transformation costs
- R85 million in divestment costs
- R82 million in severance costs

This investment spend is essential for the implementation of our strategy and the delivery of the 2026 EBITDA value unlock.

Group major strategic growth projects

Delivering on our globalisation strategy

- Continued organic growth in Australia, leveraging our current market presence that grew 33% year-on-year
- Asia Pacific Growth, Papua New Guinea targeted growth in the region for mining explosives. Plant will be commissioned in Q4 2024
- In Latin America we are in the early stages of growth and gaining momentum through market share gains, exports, and expansion in Brazil, Chile and Peru
- Europe Wolfenbuttel plant in Germany, repurposed to produce and sell mining chemicals to the international market
- A non-disclosure agreement has been signed with a partner in South Africa for the potential long-term supply of green ammonia. The project is expected to be commissioned in 2027/2028
- Specialty chemical assets have been repurposed towards mining chemicals for exports into the continent

Group Financial Performance

Revenue for the Group was down 4% to R17 580 million (H1 2023: R18 404 million).

Basic earnings per share and headline earnings per share decreased by 61% and 57% to 233 cents and 260 cents, respectively, following lower profitability and an elevated effective tax rate.

Profit from operations decreased from R1 269 million in the prior period to R818 million, mainly because of:

- R450 million investment spend for strategy execution
- R204 million investment spend resulting mainly from statutory shutdowns

The Group's profit from operations margin declined to 5% (H1 2023: 7%).

Excluding the investments spend during the period, the Group delivered flat year-on-year earnings before interest and tax. This demonstrates the resilience of our underlying businesses. This performance was delivered in a challenging trading environment marked by declining commodity prices, ongoing geopolitical conflicts, high interest rates, inflation, supply chain disruptions and a slowdown in the South African macroeconomic environment and the mining industry.

Depreciation and amortisation were slightly ahead of the prior period at R550 million (H1 2023: R537 million). A goodwill assessment in the period resulted in an impairment of R22 million (H1 2023: nil). There was a property, plant and equipment (PPE) impairment indicator, leading to a detailed impairment assessment of PPE at AECI Schirm. Based on the results of the impairment assessment, no significant impairment was triggered for PPE.

Net finance costs increased to R292 million (H1 2023: R274 million) after considering an interest of R35 million paid as part of a transfer pricing audit assessment.

The Tax expense of R287 million for the period represents an effective tax rate of 54.5%, up from 36% in H1 2023. The elevated effective tax rate resulted from higher non-deductible expenses and foreign withholding taxes from improved dividends received from the foreign subsidiaries.

Net debt increased to R5 096 million (31 December 2023: R4 338 million, 30 June 2023: R5 741 million) based on investment in working capital due to seasonality and strategy execution investment spend during the period. Gearing for the current period increased to 41% (31 December 2023: 35%, 30 June 2023: 47%) which marginally falls outside our guided range of 20%-40%. Inventories, trade and other receivables decreased by R239 million and R506 million, respectively, from 31 December 2023. Trade and other payables decreased by R1 453 million.

Management remains committed to reducing debt, applying stringent net working capital management and driving operational and strategic free cash flow initiatives to strengthen the balance sheet. On 30 June 2024, the Group's net debt to EBITDA, as defined in covenant agreements, was 1.6 times, remaining well within the loan covenant threshold of 2.5 times.

Capex for the period was R591 million, of which R429 million was for maintenance, and R162 million was for expansion. AECI Mining accounted for R407 million of the total spend which included R100 million on new contract wins in Australia.

The Board and executive management of AECI have applied the dividend policy and will not declare a dividend at this time due to negative free cash flow. This decision reflects our focus to prudent capital management as we look forward to achieving a significantly improved performance in the latter half of the year.

Net asset value per share attributable to ordinary shareholders of 11 657 cents remained in line with the prior year (31 December 2023: 11 137 cents).

2024 Outlook

As a company headquartered in South Africa, we are pleased to see that the recent South African elections concluded with a sense of optimism for economic growth and stability. The markets responded positively, reflecting an improved investor confidence and a general positive sentiment.

The performance of our underlying businesses remains strong and our Group performance outlook for the full year 2024 remains positive supported by:

- A stronger second half expected at AECI Mining and AECI Chemicals following investments made during the first half, market share gains and new contracts
- Continued momentum in the delivery of our strategic initiatives

Our focus on building a resilient business, leveraging our diverse footprint and commodity portfolio, for the future as well as the globalisation of our mining and chemicals businesses will continue to create value for our stakeholders, positioning us for future growth and success.

AVAILABILITY OF THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS FOR THE HALF-YEAR ENDED 30 JUNE 2024

The unaudited consolidated interim financial results for the half-year ended 30 June 2024 are available through the JSE cloud link at:

<https://senspdf.jse.co.za/documents/2024/JSE/ISSE/AFE/Interim24.pdf>

and on the Company's website at:

<https://investor.aeciworld.com/results-reports-presentations.php#results>

Any investment decisions by shareholders and/or investors should be based on a consideration of the unaudited consolidated interim

financial results as a whole and shareholders and/or investors are encouraged to review the unaudited consolidated interim financial results, which is available for viewing on the links set out above, as this announcement does not provide all the details.

Directors:

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Board sign-off date: 30 July 2024

Results released on: 31 July 2024

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