

OMNIA REMAINS STRATEGICALLY POSITIONED TO BENEFIT FROM CHANGING MARKET DYNAMICS



Reviewed provisional results

for the year ended 31 March 2010

Major features:

REVENUE DOWN 21% TO **R8,8 BILLION**

PROFIT FOR THE YEAR **R58 MILLION** (2009: PROFIT R491 MILLION)

BASIC EARNINGS PER SHARE **122,0 CENTS** (2009: 1 097,1 CENTS PER SHARE)

STRONG CASH GENERATION OF R1 BILLION (2009: R143 MILLION UTILISED)

PLANNED R1,4 BILLION INVESTMENT IN SECOND NITRIC ACID COMPLEX THROUGH EQUITY CAPITAL RAISING AND DEBT

Key drivers:

DOWNWARD VALUATION OF INVENTORY

NEGATIVE MARKET IMPACTS

23% STRENGTHENING OF THE RAND AGAINST US DOLLAR

SINCE MARCH 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2010

Rm	Reviewed 2010	%	Audited 2009
Continuing operations			
Revenue	8 827	(21)	11 111
Cost of sales	(7 438)	(18)	(9 045)
Gross profit	1 389	(33)	2 066
Other operating income	77	157	30
Administrative expenses	(487)	(11)	(546)
Distribution expenses	(674)	5	(639)
Other expenses	(26)	(24)	(34)
Operating profit	279	(68)	877
Finance cost	(217)	6	(205)
Finance income	44	8	41
Share of profit of associates	3		5
Profit before taxation	109	(85)	718
Taxation	(51)		(227)
Net profit for the year	58	(88)	491
Attributable to:			
Equity holders of the Company	56		491
Minority interest	2		–
	58		491
Basic earnings per share (cents)	122,0	(89)	1 097,1
Fully diluted basic earnings per share (cents)	121,7	(88)	1 052,7

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2010

Rm	Reviewed 2010	Audited 2009
Profit for the year	58	491
Other comprehensive income, net of tax		
Movement in foreign currency translation reserve	(228)	127
Movement in cash flow hedge	(8)	–
Total comprehensive (loss)/income for the period		
attributable to:	(178)	618
Equity holders of the Company	(180)	618
Minority interest	2	–
	(178)	618

CONDENSED CONSOLIDATED BALANCE SHEET

as at 31 March 2010

Rm	Reviewed 2010	%	Audited 2009
ASSETS			
Non-current assets	1 944	15	1 686
Property, plant and equipment	1 295	16	1 114
Intangible assets	537	4	517
Available-for-sale financial assets	19		1
Investments in associates	84	110	40
Deferred income tax assets	9	(36)	14
Current assets	3 243	(20)	4 071
Inventories	1 315	(45)	2 391
Trade and other receivables	1 365	(10)	1 521
Cash and cash equivalents	563	254	159
Total assets	5 187		5 757
EQUITY			
Equity attributable to owners of the company	1 973	(8)	2 139
Stated capital	318	58	201
Treasury shares	(8)		(11)
Other reserves	54	(81)	286
Retained earnings	1 609	(3)	1 663
Minority interest in equity	(2)		(2)
Total equity	1 971		2 137
Liabilities			
Non-current liabilities	885	12	789
Interest-bearing borrowings	804	20	670
Deferred income tax liabilities	80	(32)	118
Provisions	1		1
Current liabilities	2 331	(18)	2 831
Trade and other payables	2 166	(9)	2 370
Current portion of interest-bearing borrowings	108	59	68
Current income tax liabilities	2	(90)	20
Bank overdrafts	55	(85)	373
Total liabilities	3 216		3 620
Total equity and liabilities	5 187		5 757
Net interest-bearing debt	404		952
Net asset value per share (Rand)	42,40		47,69
Capital expenditure			
Depreciation	119		101
Amortisation	23		21
Incurred	385		258
Authorised and committed	9		9
Authorised but not contracted for	420		91

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2010

Rm	Reviewed 2010	Audited 2009
Operating profit	279	877
Depreciation and amortisation	142	122
Adjustment for non-cash items	101	54
Generated/(utilised) by working capital	805	(744)
	1 327	309
Interest paid	(217)	(210)
Interest received	44	41
Taxation paid	(111)	(283)
Generated/(utilised) by operations	1 043	(143)
Cash outflow from investing activities	(464)	(257)
Cash inflow from financing activities	180	389
Dividends paid	(40)	(96)
Net increase/(decrease) in cash	719	(107)
Net overdraft at beginning of year	(214)	(103)
Effects of exchange rate movements	3	(4)
Net cash/(overdraft) at end of year	508	(214)

SEGMENTAL ANALYSIS

for the year ended 31 March 2010

Rm	Reviewed 2010	%	Audited 2009
Revenue, net of intersegmental sales	8 827	(21)	11 111
Chemicals	3 340	(26)	4 528
Mining	1 776	(16)	2 111
Agriculture	3 711	(17)	4 472
Operating profit	279	(68)	877
Chemicals	152	(23)	198
Mining	212	(21)	269
Agriculture	(85)	(121)	410

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

as at 31 March 2010

Rm	Ordinary shareholders' equity				Minority interest	Total
	Stated capital	Treasury shares	Other reserves	Retained earnings		
At 31 March 2008	201	(13)	127	1 268	(2)	1 581
Recognised income and expenses						
Net profit for the year ended 31 March 2009				491		491
Increase in foreign currency translation reserve			127			127
Share-based payment reserve			32			32
Transactions with shareholders						
Treasury shares sold		2				2
Ordinary dividends paid				(96)		(96)
At 31 March 2009	201	(11)	286	1 663	(2)	2 137
Recognised income and expenses						
Net profit for the year ended 31 March 2010				56	2	58
Decrease in foreign currency translation reserve			(228)			(228)
Share-based payment reserve			49			49
Cash flow hedge			(8)			(8)
Transactions with shareholders						
Ordinary shares issued in respect of 3rd partnership scheme with management	91		(45)	(44)	(2)	–
Capitalisation award	26			(26)		–
Treasury shares sold		3				3
Ordinary dividends paid				(40)		(40)
At 31 March 2010	318	(8)	54	1 609	(2)	1 971

OTHER RESERVES

Rm	2010	2009
Reserves comprise of:		
Share-based payment reserve	81	77
Foreign currency translation reserve	(22)	206
Cash flow hedge	(8)	–
Net discount arising on acquisition of shares of subsidiaries	3	3
	54	286

RECONCILIATION OF HEADLINE EARNINGS

Rm	Reviewed 2010	Audited 2009
Net profit for the year attributable to ordinary shareholders	56	491
Loss on disposal of fixed assets	1	–
Impairment of assets	–	3
Headline earnings	57	494

Headline earnings

Headline earnings are 124,2 cents per share (2009: 1 103,8 cents per share)

Diluted headline earnings are 123,8 cents per share (2009: 1 059,1 cents per share)

COMMENTARY

Notes

Accounting policies

The condensed consolidated financial statements for the year ended 31 March 2010 were prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 – Interim Financial Reporting, the AC500 standards as issued by the accounting practices board and in compliance with the Listings Requirements of the JSE Limited. The condensed consolidated financial statements do not include all of the information required by IFRS for full annual financial statements.

The principal policies used in the preparation of the results for the year ended 31 March 2010 are consistent with those applied for the year ended 31 March 2009, except for the adoption of IAS 1 Revised and IFRS 8 which have no impact on the results but require additional disclosure.

Dividends

A final dividend of 150 cents per share was declared on 18 June 2009 in respect of earnings of the previous financial year. This dividend is reflected in the current year to 31 March 2010.

Commitments

The future minimum lease payments under non-cancellable operating leases are R20 million (2009: R17 million) within one year and R79 million (2009: R22 million) between two and five years and R9 million (2009: R1 million) beyond five years, giving a total of R108 million (2009: R40 million).

Goodwill

An annual impairment test on the balance of goodwill has been performed at 30 September 2009. No impairment loss has occurred.

Review opinion

The Group's auditors, PricewaterhouseCoopers Inc., have reviewed the condensed consolidated financial information for the year ended 31 March 2010 contained in this report. The review opinion is available for inspection at the Group's registered office during normal business hours.

ADDITIONAL INFORMATION

Rm	Reviewed 2010	Audited 2009
Final dividend paid per share (cents) in respect of prior year*	150	117
Interim dividend declared per share (cents) in respect of current year	–	100
Weighted average number of shares in issue ('000)	45 904	44 755
Weighted average number of fully diluted shares in issue('000)	46 027	46 643
Number of shares in issue ('000)	46 491	44 809

* Included a capitalisation award of 150 cents as a final dividend for the year. Shareholders could elect to receive a cash dividend of 145 cents instead of the capitalisation award.

Introduction

Omnia is a diversified, specialist chemical services provider with business interests balanced across chemical, mining and agricultural markets. The Group's business model, which leverages its intellectual capital and technology, differentiates it from commodity chemical companies.

The Group's three business clusters (chemical, mining and agriculture) continue to provide valued, customised solutions built on a continually expanding knowledge base. Omnia's business model places it at the forefront of the chemical services industry and involves uniquely matching customer needs to product innovation and application expertise to add extraordinary value to its customer's businesses.

Market conditions

Omnia's year end results announcement in June 2009 and the interim results announcement in November 2009, indicated the sensitivity of the Group's earnings to declining commodity prices and the strengthening of the rand.

In the previous financial year, as a consequence of the buying pattern changes which brought abnormally high demand from agriculture in the first six months, the second half of the previous financial year saw significantly reduced sales levels. The Group was thus left holding substantial fertilizer stocks at the March 2009 year end. The decline in commodity prices which started during the latter part of the 2009 financial year continued into the current year and, combined with the effect of further rand strength, necessitated a R350 million write down in the value of fertilizer inventory by the September interim stage. Commodity prices continued their downward spiral into the second half of the year, when the peak fertilizer season normally occurs, while the rand also continued to strengthen.

The combined effect of the decline in commodity prices, rand strength and lower levels of economic activity arising from conditions of global recession, led to all three divisions facing challenges from a combination of softer volumes, pricing pressures and weaker export prices. The inevitable reduction in earnings that came about is amplified by the comparison with the unprecedented buoyant market conditions that prevailed in the previous 2009 financial year.

The continuing strong rand remains one of the major contributors to the weaker financial performance of the Group in the short term, impacting negatively on each of the three business divisions – chemicals, mining and agriculture. This rand strength is also having a negative impact on the Group's customers, particularly those in the Chemical Division, who find themselves in turn uncompetitive in export markets and having to compete with cheap imported finished goods in the domestic market.

Although there has been an improvement in volume sales in the second half of the 2010 financial year, the persistent strength of the rand, the stock write-downs and a share based payment charge of R41 million relating mainly to the two new share participation plans implemented in January 2010 has resulted in Group earnings for the year reaching only R58 million (2009: R491 million).

Financial review

Revenue for the year fell by 21% to R8,8 billion (2009: R11,1 billion) and, after the initial downward stock adjustment of R350 million and further downward price movements, net profit for the year declined by 88% to R58 million (2009: R491 million). Included in revenue is an amount of R50 million from the sale of the first tranche of 400 000 Carbon Credits. Net production costs for these carbon credits amounted to R7 million.

A loss of profits claim in respect of a plant failure in the prior year amounting to R32 million is included in the R77 million Other Operating Income.

Administrative expenses reduced by 11% to R487 million (2009: R546 million) while selling and distribution expenses increased by 5% to R674 million (2009: R639 million).

Finance costs of R217 million (2009: R205 million) comprise interest paid, foreign exchange gains or losses and forward cover costs. A combination of lower interest rates and lower values of working capital needing to be funded resulted in interest charges reducing by 12% to R185 million (2009: R210 million) while exchange rate losses on foreign bank accounts of R23 million occurred (2009: R5 million gain).

Profits were impacted by non-deductible tax items comprising amongst other things mainly non-cash share based payments of R41 million, and a further R32 million incurred in non-tax deductible interest from funding the acquisition of shares in Zetachem, which resulted in the effective charge for taxation to be high at 47%.

Stated Capital increased by R117 million to R318 million following the issue of shares to management in terms of the third partnership with management scheme, the five year target to financial year end 2009 having been achieved, as well as the capitalisation award that took place during the year. With the strengthening of the rand the Foreign Currency Translation Reserve needed to be adjusted negatively by R228 million, this being the main reason for the reduction in Other Reserves to R54 million (2009: R286 million) and thus also the main reason for the R166 million reduction in Total Equity to R1 971 million (2009: R2 137 million).

Intangible assets increased by R20 million following the acquisition of Petroleum Fine Products, a producer of basic personal care ingredients, petroleum jelly and technical oil, and the capitalisation of ERP implementation costs. Mainly as a result of entering into a joint venture with Nalco, a world leader in water treatment activities, as announced on 28 January 2010, investments in associates grew by R44 million to R84 million (2009: R40 million).

Resulting from the reduction in commodity prices and the relatively high carryover inventory from the previous year, net working capital reduced by 67% to R514 million (2009: R1 542 million) contributing significantly to the cash generation from operations of R1 043 million (2009: R143 million utilised) as reflected in the cash flow statement.

Cash outflow from investing activities increased by 81% to R464 million (2009: R257 million) of which R309 million represents the net investment in Property Plant and Equipment with the balance being mainly corporate activity from the acquisition of Petroleum Fine Products and Protea Polymers Eastern Africa, and the JV with Nalco.

Arising from the excellent cash generation, net interest bearing debt has reduced to R404 million (2009: R952 million) resulting in a debt:equity ratio of 20% compared to the 45% that prevailed at the end of the prior year.

Non-current interest bearing borrowings have increased by a net R134 million to R804 million (2009: R670 million) with the injection of term loans following the ExecCo (Nanotron) and

Sakhile II transactions relating to management and staff participation plans that were approved by shareholders on 11 December 2009.

Operational review

Chemicals

Protea Chemicals is the leading distributor of speciality, functional and effect chemicals in southern Africa with an established presence in every sector of the chemical distribution market.

The Chemical Division was impacted by the global financial crisis and, as in the case of the Agriculture Division, was impacted by both a drop in product prices as well as the strength of the rand. These phenomena were already evident towards the end of the 2009 financial year and continued more acutely into the current year causing an R18 million negative stock adjustment to be made in the year under review. The strength of the rand also had a negative impact on Protea Chemicals' customers who became uncompetitive in the production of their goods with the consequence that volumes sold to these customers in the 2010 financial year were some 16% below those of the previous year.

Revenue contracted by 26% to R3,3 billion (2009 : R4,5 billion) with a concomitant reduction in operating profit of 23% to R152 million (2009: R198 million). The operating profit margin has however been maintained at 4.5%.

Mining

The global financial crisis also impacted on the Mining Division which saw the price of explosives – the main ingredient of which is ammonium nitrate – rise in the first half of FY2009 and then drop dramatically in the latter half of that year, back to levels that prevailed some two years ago. As mentioned the strength of the rand also impacted mining negatively.

Revenue reduced by 16% to R1,8 billion (2009: R2,1 billion) the main driver being the reduction in prices compared to those that prevailed during the previous financial year. Volumes declined only marginally.

Operating profit, at R212 million (2009: R269 million), is 21% below that of the extraordinary 2009 year with the operating margin declining marginally from 12.7% for the year ended March 2009 to 11,9% for the year under review.

Under the circumstances the Mining Division has performed well.

Agriculture

As expected volumes improved notably in the South African domestic market by 23%, over those of the comparable prior year period when an abnormal and subdued buying pattern developed amongst the Group's farming customers, as a consequence of the exceptionally high fertilizer prices that prevailed during the first half of the prior financial year. However the subsequent significant 35% reduction in average fertilizer selling prices caused revenue in this division to fall by 17% to R3,7 billion (2009: R4,5 billion).

The inventory write down of R350 million prior to the September interim period was the main cause for the Division to show an operating loss of R85 million for the period (2009: R410 million profit). However commodity prices continued to fall beyond the September half year and into the peak summer season, while the rand also continued to strengthen necessitating a further R16 million adjustment to inventories. The increase in sales volumes of the high priced carry-over stocks was not sufficient to overcome the combination of falling prices and rand strength. The result is that as occurred in 2009 the second half year has again not reflected the traditionally higher earnings within the Fertilizer Division when compared with the first half.

Some seven years from its inception there is still nothing further to report on the investigation by the Competition Commission into alleged collusive practices in the fertilizer industry. Rebuttal of the alleged conduct made against Omnia has not only brought with it significant legal costs but has also occupied an enormous amount of Group management time.

Prospects

Commodity prices have settled at realistic levels, gradually increasing in the light of continued supply and demand dynamics.

A prolonged 14 month period of negative manufacturing output came to an end in July 2009 with positive statistics evident since then. This augurs well for the Chemicals Division in particular although a persistently strong rand will negate much of the benefit that should otherwise flow from the upturn in manufacturing.

The Mining Division has shown steadily improved results in the last few months of the current financial year as demand for platinum, copper, iron ore and other commodities increased while coal continued to be in high demand. Although the start has been slow, uranium mining activity is also set to increase. Management is confident of achieving growth in this Division in the forthcoming year.

The current agricultural environment, with its focus on biofuels, should continue to favour the fertilizer industry and the Group. As previously indicated, by increasing "Nitrophos" production the Agriculture Division will be provided with the opportunity of further optimising raw material costs with the benefit of increasing the division's operating margins. In addition, the Agriculture Division's strong position in Africa bodes well for future growth and the prospect of increased tonnage being sold.

Shareholders were originally informed on 23 October 2008 that the board was examining the possibility of Omnia erecting a second nitric acid complex to alleviate the growing shortage of raw materials, particularly for its growing mining division. Feasibility studies were undertaken and the board has approved a R1,4 billion investment and a R1 billion equity raising program in the form of a specific issue of shares for cash and a claw back and rights offer.

This is a milestone investment for the Group and in the development of South African capacity to produce nitric acid and ammonium nitrate by bringing world class technology to local shores. It is one of Omnia's biggest investment to date in South Africa and demonstrates the Group's commitment to South Africa's agriculture and mining sectors, as well as its conviction about the strength of the growth opportunities in these businesses. While the investment will create a critical growth path, it is also a major step in ensuring security and continuity of uninterrupted supply for the Group's explosives and fertilizer businesses.

The nitric acid complex is to be developed adjacent to Omnia's existing plant, which for some time has operated at capacity and will produce some 1,000 tons per day, which equates to 140% of the existing plant's capacity. It is estimated that it will generate internal cost savings of approximately R280 million per annum (operating at 60% capacity level).

The R1 billion fully subscribed equity capital raising, which is a clear vote of confidence by Omnia shareholders, will be complimented by a combination of internally generated funds and project finance. This structure leaves Omnia with a strong balance sheet to finance suitable growth opportunities as they arise whilst also safeguarding against further volatility in world financial markets, thereby significantly reducing the financial risks associated with embarking on a project of this nature.

Dividends

Given the need to raise capital for the abovementioned expansion the board has decided not to propose a dividend for the year.



NJ CROSSE
Chairman

Bryanston

9 June 2010



RB HUMPHRIS
Managing Director