

CHIEF EXECUTIVE OFFICER'S REPORT



**VISION 2020
VISION DURING
A TURBULENT
YEAR**

“When the world is in the midst of change, when adversity and opportunity are almost indistinguishable, this is the time for visionary leadership and a time when leaders need to look beyond the survival needs of those they’re serving.”

– Chip Conley

SEEING CLEARLY WITH OUR 2020 VISION

Over the past year, the international communities and markets have had significant challenges from an economic and geopolitical perspective. I don't believe that any of the nations globally could avoid all the challenges facing the globe from a macro-economic point of view.

Over the next few decades, I believe that international trade, globalisation, innovation and, now more specifically, both disruptive technology and the fourth industrial revolution will affect everyone's life, become more transformed and change the world into a more prosperous one. The combination of these, together with political change and stability, will create unprecedented opportunities that we can only imagine, and we need to prepare to take advantage of these opportunities.

AEEI is a business built on excellence and everything we do is by design rather than by chance. Our values and our Vision 2020 Vision strategy determine our actions and our goals. Our guiding principle of custodianship requires that we integrate social, governance and environmental priorities alongside the financial performance of the Group.

Because of the new challenges and growth expectations over the next decade, 'Fearless but responsible leadership' will be required. Fearless but responsible leadership is for leaders who want to lead economic and political transformation from the inside out. It works with emotional transparency balanced by courageous action; anchoring personal values and governance to organisational goals. It also means leading an organisation with authenticity and welcoming challenges from other members of management and staff, as well as their support in an open and conscientious way.

In the words of Theodore Roosevelt, we must be "the man who ... at the worst, if he fails, at least fails while daring greatly" – which is why I've adopted the characteristics of a 'fearless but responsible leader'.

We believe that fearless leadership involves implementing strategies, listening and developing the traits that can make one truly exceptional. AEEI exists because of our employees who come to work each day to add value to our business and in turn meet both our stakeholders' needs and the demands of the market.

I am grateful for our employees' ongoing commitment to embracing change, ensuring that the Group meets its goals as set out in our Vision 2020 Vision strategy,

while living a strongly ethical culture. This is in many ways, thanks to the exceptional teams that we work with across the Group – as we are a Company founded on putting our employees first.

This intrinsic principle is yielding sustainable results in the marketplace, in the business, for our shareholders, stakeholders and in our communities, towards building our nation. Therefore, it seems fitting for me to begin my report by acknowledging each one of the AEEI employees, and thanking them for their concerted efforts to ensure that AEEI continues to grow in strength, positively influencing our stakeholders and shareholders, both locally and internationally.

During this financial year, we have exceeded our set expectations for the year to date in terms of our Vision 2020 Vision strategy and the goals we had set. We are enthusiastic about the next exciting phase in our growth cycle; our team has already started thinking strategically toward formalising our future strategy towards 2025 and 2030.

Notwithstanding the challenging market conditions, I am delighted to report that AEEI has more than risen to the challenges and delivered outstanding results across the board due to admirable returns and growth from its operational and strategic investments. This attests to the underlying resilience of our business and our determination to continue to provide shareholders with world-class investments and an increase in shareholder value.

AEEI is identified as a Group that is innovative in its thinking, pushing beyond established norms to advance progress on all levels. In addition to this, our communication and ongoing engagement with our stakeholders and other business leaders are geared to promoting economic inclusion and optimal growth for all parties.

Our contribution to the South African 2030 National Development Plan is significant because it has been plotted as part of our 'business as usual' business model and projected approach which we believe will begin to filter through our strategy to all our business units and assist with building communities and the nation.

In the context of our business, we cannot afford to become complacent and there is no space for mediocrity. We need to keep our market competitive advantages and build on what sets us apart to consistently achieving our set goals:

- B-BBEE Level 1 with 73.72% black ownership and 38.29% black female ownership.

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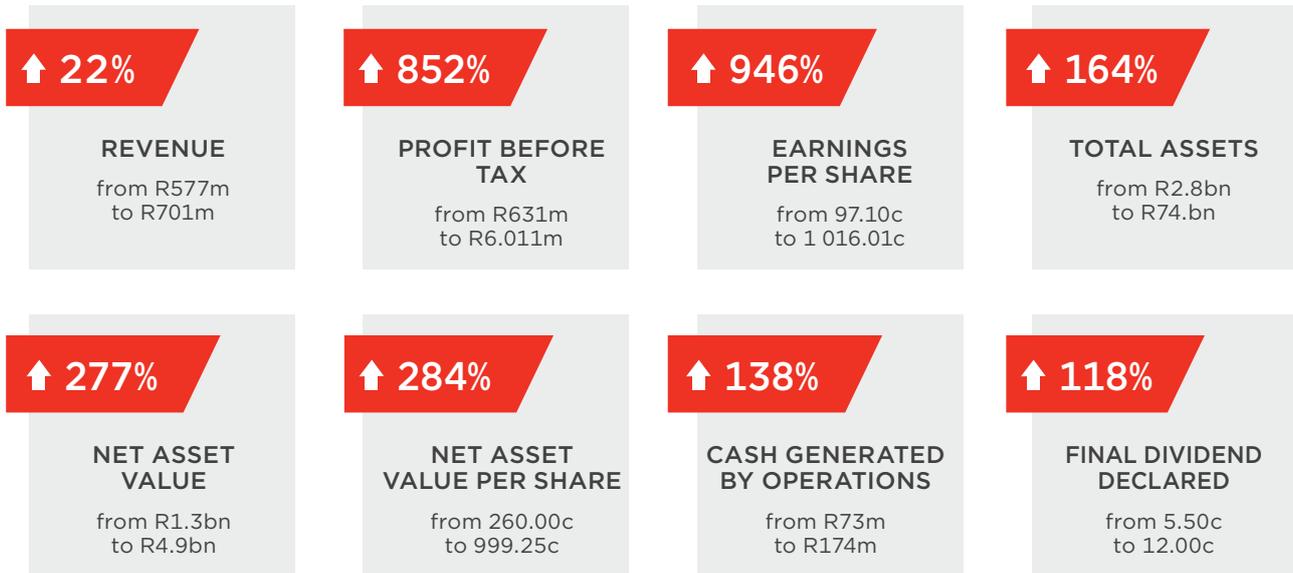
- We are a B-BBEE-partner of choice, with solid empowerment ownership credentials.
- We carry a diversified business portfolio, with a hands-on approach in our business development strategy to deliver consistent growth and results for our stakeholders.
- AEEI has the ability to make informed decisions within acceptable time frames; hence, we are able to move forward swiftly.
- We have an excellent track record and business reputation for a high standard of corporate governance and ethical conduct across the Group, adhering to the latest principles of King IV™.

- A strong management team is in place, with experienced executives leading all business units.
- There is a committed and stable employee complement across our Group companies who enjoy what they do, which is reflected in employee retention and Company outcomes.
- We remain focused on delivering our Vision 2020 Vision strategy with clear short, medium and long-term plans that yield the desired results.

Like any business, we face several risks and uncertainties. Right from the onset of decision-making, we manage what we can control, and mitigate those factors that we are unable to control.

BY THE NUMBERS

These financial indicators are all very significant achievements, setting new records for the Group and raising the bar for future growth.



SUSTAINABILITY

“The sustainability revolution has started, and the way to make your fortune in the future will be in ways that are sustainable for our world.” – Jason J Drew

For AEEI, this has mostly been a year of consolidation after the successful listing of our subsidiary AYO Technology Solutions Limited (AYO) which has since become an associate, has unlocked a fair amount of value and has positioned the Group well to expand its footprint, strengthen its balance sheet and improve the corporate pipeline to fund further growth plans to improve shareholder value in a more sustainable way.

Refer to the CFO's report on pages 64 to 69 for further information.

AEEI is able to show a strong balance sheet due to its growth track record over the past few years.

REVIEW OF OUR INVESTMENTS

FISHING AND BRANDS DIVISION

“Never give up, because that is just the place and time that the tide will turn.” – Harriet Beecher Stowie

While Premier Fishing and Brands Limited (Premier) only listed on the JSE in March 2017, it has met the challenges in the face of these industry vagaries and realised its results in line with its prelisting profit promises, but the real X-factor lies in its ability to hook into fishing opportunities as the tides in the South African fishing industry changes.

High fuel and electricity costs, regulatory challenges, inclement weather, fickle fishing patterns and the declining total allowable catches can create chaos with catch rates. Additionally, there is also the effect of inevitable currency swings on the revenue line.

The fishing and brands division performed as expected with total revenue increasing by more than 20% from R411m to R491m for the year, which includes the acquisition of Talhado Fishing Enterprises (Pty) Ltd.

The abalone division continued to focus on increasing its spat production and stock holding in preparation for the farm's expansion. Additional animal rearing capacity has been added to date while construction for the expansion of the abalone farm is on track and in line with the expansion plans. This division has produced results in line with management's expectations. The focus has been on their expansion plans, with increased performance expected to be achieved during the 2019/2020 financial year when the expansion of the abalone farm will be completed, and the pipeline fully secured. The well-known brand is in great demand from customers abroad, and since Premier's philosophy is based on pleasing its clients, the request for larger sized abalone can now be accommodated with the new hatchery.

Another key focus area for Premier is its deep dive into the issue of sustainable fishing, with an awareness of the over-exploitation and depletion of fish stocks and the heightened increase in the poaching of rare and fish species.

In addition to creating awareness of poachers and increasing the perimeter of security in and around the abalone farm, Premier continues to benefit from

recirculating aquaculture systems at its farm – by recycling water and using water for agricultural purposes, these systems can lower seafood's carbon footprint by up to 50 percent. For us to make an impact on biologically sustainable fishing we are encouraging local and international collaboration, which is a tall ask, meaning catch levels are not adhered to.

TECHNOLOGY DIVISION

“The best way to create value in the 21st century is to connect creativity with technology.”
– Steve Jobs

I am also happy to report that the Group successfully listed its technology division – now trading as AYO Technology Solutions Ltd (AYO) – on the main board of the JSE on 21 December 2017.

Since its listing, the deemed disposal of this subsidiary meant that the AEEI Group relinquished control of AYO, resulting in the division becoming an associate with increased corporate governance and additional policies in place. AEEI now owns 49.36% of AYO, without Board control.

AYO delivered satisfactory organic revenue and profit growth as a result of the strong contributions from all its underlying operations and investment activities for the year under our control. AYO's revenue increased by 33% from R478m to R638m compared to the prior year, with all divisions benefiting from the Group's synergies, empowerment credentials and excellent management expertise, as well as gaining significant clients in various sectors.

EVENTS AND TOURISM

AEEI increased its investment in espAfrika (Pty) Ltd (espAfrika) by purchasing an additional 24.5% shares by exercising its pre-emptive rights. This year, espAfrika managed to deliver yet another successful and profitable 19th Cape Town International Jazz Festival and funded its operations out of existing profits. espAfrika contributed positively to its stakeholders and, with its projected growth plan, will continue to strengthen its sustainability and returns to all stakeholders. The company's contribution to the Group's revenue amounted to R57m for the financial year.

CHIEF EXECUTIVE OFFICER'S REPORT – continued

The radio station, Magic 828 (Pty) Ltd (Magic828), now in existence for 36 months, contributed to the Group's gross revenue of R9m for the period under review and increased its listenership in the Western Cape to approximately 187 000 listeners since its launch three years ago.

Tripes Travel (Pty) Ltd (Tripes) engaged in its turnaround strategy since 2016 and this is now bearing fruit. The strategy led to revenue increasing by 21% from R53m to R64m for the year under review. Tripes now has two distinct operating divisions: Travel Management Services and Inbound Tours and Events. They provide a service in both the corporate and leisure markets.

HEALTH AND BEAUTY

This division also shows promise for the medium to long term and has undergone a shift, moving away from being referred to as the health and biotherapeutics division to incorporating 'beauty'. This is to take account of a more consumer-focused approach in the booming wellness sector.

The acquisition of Orleans Cosmetics (Pty) Ltd (Orleans Cosmetics) in the prior year combined with the existing business has led to revenue increasing by 256% from R9.7m to R34.5m. Operating profit excluding the gain on bargain purchase increased from a loss of R0.65m to a profit of R1.9m. Orleans Cosmetics is the exclusive South African and Southern African distributors of imported, high-end cosmetics brands such as Gatineau, NUXE, RVB SKINLAB/diego dalla palma professional and Sothys.

AfriNat (Pty) Ltd, previously known as Wynberg Pharmaceuticals (Pty) Ltd rebranded during the year. As a result of marketing the brand and improved volume movements, revenue increased by 138% from R5.2m to R12.4m and operating profit increased from a loss of R1.1m to a profit of R2.7m.

BIOTHERAPEUTICS

Genius Biotherapeutics (Genius), made progress with its research and development activities as it completed the construction of a clean room facility.

The dendritic cell vaccine project obtained final approval from the Medicines Control Council to commence with phase 1 clinical trials on breast cancer, provided that the human clinical trials are performed in a validated clean room facility. The feasibility of the granulocyte-colony stimulating factor technology is being investigated with an international partner.

STRATEGIC INVESTMENTS

The Group's strategic investments consist of minority equity stakes in Pioneer Foods Group Ltd (Pioneer), Sygnia Ltd (Sygnia), Saab Grintek Defence (Pty) Ltd (SGD) and BT Communication Services South Africa (Pty) Ltd, which is now managed and reported under the technology division and accounted for as an associate since the prior year.

These investments have shown improvements in its investment value since the date of the acquisitions. Consistent growth in earnings and regular dividends are received from all the strategic investments.

“Every economic threat also represents an inspiring challenge to those who are bold and creative enough to rise to it. Investment in the technologies and products and the new energy infrastructure that will shape the low carbon future offers a huge opportunity to businesses large and small around the world.”

– Nancy Skinner

Although South Africa, as well as global markets, have faced an economic downturn, AEEI has fortunately remained positive and focused on delivering sustainable and positive shareholder value with single-minded determination. This has been achieved through a combination of sound strategic decisions and prudent control of working capital and capital allocation, without compromising long-term benefits, while also investing in safety and risk management, all of which are non-negotiable.

We are satisfied that our Vision 2020 Vision strategy, underpinned by our resilient business model, high performance culture and steadfast focus on the fundamentals of our businesses and business model, will continue to serve us well.

While the latest Apps, mobile devices, digital gadgets, iCloud and everything in-between are simplifying things, so too are digital devices and technologically advanced machines enabling nefarious cyber activity. This has prompted us to install and upgrade to even more stringent security measures to safeguard our online assets, our intellectual property and confidential information.

Corporate governance, ethics and regulatory and policy developments remain an important challenge for all. The Group adopted all the latest governance essentials and continue to do so as further stringent measures are put into place to eliminate fraud and to ensure that business is conducted in an ethical manner at all times. Refer to our online Corporate Governance Report.

AEEI remains positively capitalised to pursue value-enhancing acquisitions – based on cash-generative quality assets, shifting towards continuously bolstering our standing as a credible stakeholder and partner of choice with ongoing improvements in all business operations. We will continue to maintain a long-term view and a partnership approach to our underlying investments.

Fearless leaders don't overthink and over-analyse or let fear conquer adequate decision-making. I must emphasise that a lack of decisiveness in all the 'noise' could create missed opportunities. It is for this very reason that I encourage my executive teams to gather enough information that is available, decide and move forward.

We will continue to pursue opportunities to leverage the business model by exploring synergistic and value-adding acquisitions. Other future developments for the Group will include further acquisitions and diversification. We will continue to expand our sphere of operations across Africa, and towards the rest of the globe, and embrace strategic partnerships to further diversify our portfolio of investments. All in all, the future is shaping up to be an extremely exciting period for AEEI.

During the financial year, we made inroads into several new international markets through operational entities in fishing and brands, technology, events and tourism, health and beauty and through our partners and associates. Our footprint has expanded to include Asia, Europe, Dubai, Saudi Arabia, Spain, the United Kingdom, the United States of America, Ghana, Uganda, Zambia, Cameroon, Tanzania, Nigeria, Namibia, Kenya, Zimbabwe, Botswana, Ethiopia, Lesotho, Swaziland, Mozambique, Madagascar, Malawi and Mauritius.

CONCLUSION

“Never doubt that a small group of committed people can change the world. Indeed, it is the only thing that ever has.”

– Margaret Mead

At the start of my report, I expressed my thanks to all those who have shared our vision and helped us deliver on it. I would like to end off my report by reminding everyone that investment into human capital is a prerequisite for laying the foundations of a great business and nation.

AEEI is successful because of its employees.

The country may have entered uncertain times, but if we continue to look to one another, support one another and share our successes and our failures and learn from both, as an AEEI community, we can achieve that which we all dream of – prosperity.

I would like to thank our Board, including my fellow executive directors, non-executive directors, executive teams, management and employees for all their contributions to the success of AEEI. I am confident that AEEI is well positioned to meet and exceed the expectations of our stakeholders and shareholders and continue to make good on its philosophy and promise.

WE ARE READY FOR 2019

Next year will be another challenging year; perhaps, challenges of a new kind will face us – but whatever comes our way, I am confident that AEEI and the team are prepared and ready.

Here's to another fabulous year of empowering people through profits!



Khalid Abdulla
Group chief executive officer