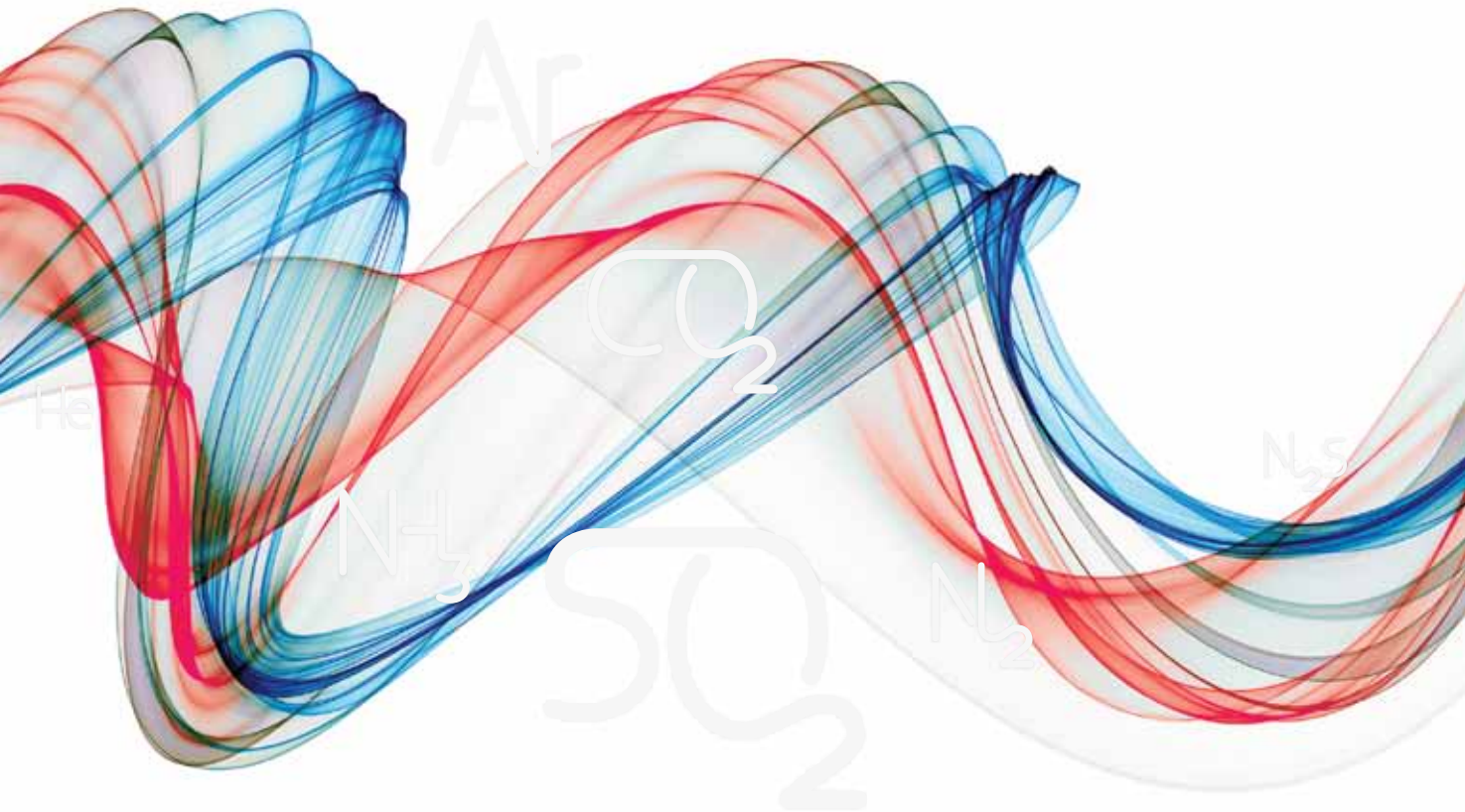
AFRICAN OXYGEN LIMITED

Integrated Report

2013



AFROX

A Member of The Linde Group

Responsibility for this integrated report

We are pleased to present to you the African Oxygen Limited (Afrox) 2013 integrated report.

This is our second integrated report and we have improved its structure as part of our integrated reporting journey. Whereas our previous annual report provided a review of business operations and support functions independently from the business strategy, our 2013 integrated report strives to provide a clearer link between performance and business strategy. Therefore, it is structured around how we performed against our strategic objectives, which are to:

- Achieve a step change in profitability and operating performance;
- Ensure sustainable growth while enhancing competitiveness;
- Embed advanced performance in the areas of safety, health, environment and quality (SHEQ); and
- Build a performance culture among our people, which will deliver superior customer service and competitiveness.

Reporting frameworks

In preparing this integrated report and related supplementary reports, we applied and complied with the following reporting frameworks and requirements: International Integrated Reporting Council (IIRC) International Integrated Reporting Framework, Companies Act 71 of 2008, the JSE Listings Requirements, the King Code of Governance for South Africa 2009 (King III) and the GRI G3 guidelines. The summarised consolidated financial information contained in this report was prepared in accordance with IAS 34 *Interim Financial Reporting*.

We hereby acknowledge the Board's responsibility to ensure the integrity of this integrated report. We have applied our collective mind to the preparation of the report and believe that the report has, in all material respects, been presented in accordance with the IIRC Integrated Reporting Framework.

Mike Huggon
Chairman

Brett Kimber
Managing Director

Nick Thomson
Financial Director

Johannesburg
27 February 2014

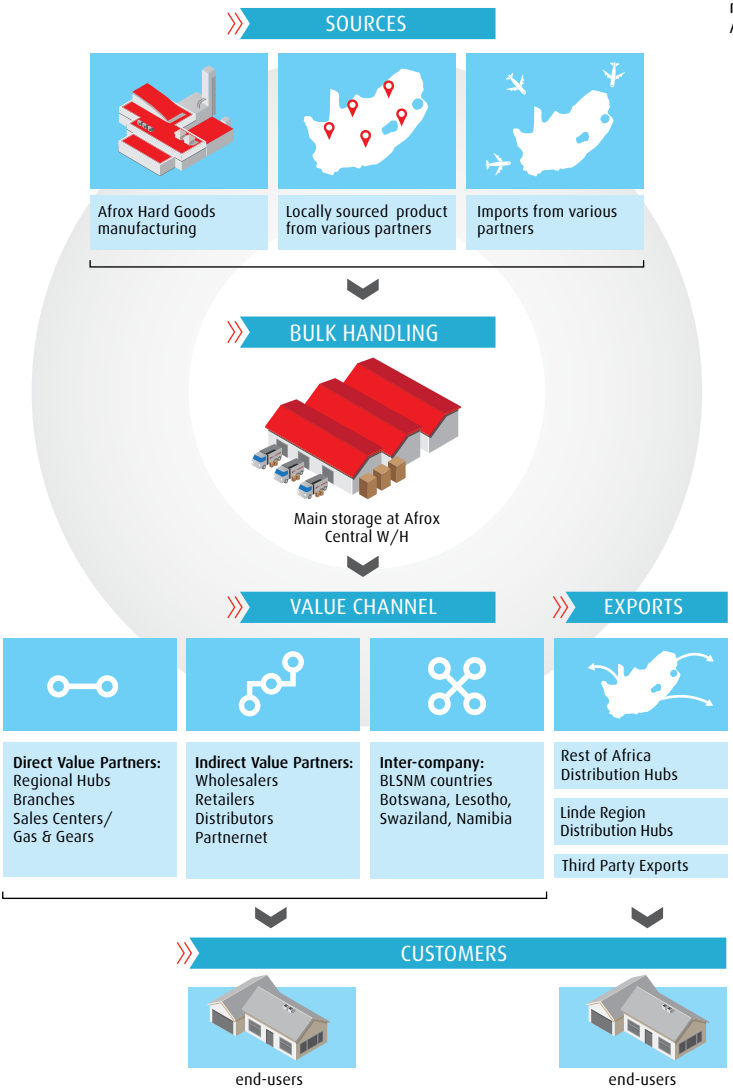
Our **business model**

Afrox Hard Goods Value Chain

Three supply streams are responsible for supporting the Hard Goods sector; manufacturing from our Afrox-owned facilities, procurement from local suppliers and imports from global suppliers.

These streams all come together at our National Warehouse from where the demand is supplied. Products are distributed to global customers through our Exports division, whilst national demand is distributed through our direct Afrox supplied offer or through strategically located indirect channels to end-users.

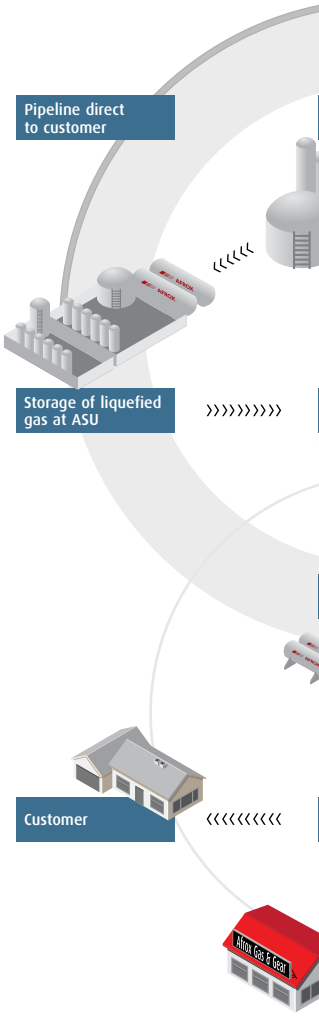
Our direct channel is supported by our national footprint of plants, Gas and Gear outlets and our sales force. Our indirect channel includes national retailers, distributors and partners conveniently situated close to the market.



Atmospheric G

Oxygen, nitrogen and argon are produced by cryogenic distillation of air at Afrox-owned Air Separation Units (ASUs). These products, in their gaseous form, are supplied via a direct pipeline to large industrial users. Part of the gas is liquefied and stored at the ASU for use in the event of a shortage.

Carbon dioxide is produced by combustion of hydrocarbons, fermentation of alcohol and by respiration of all living organisms. Depending on the concentration of CO_2 liberated by these processes, it becomes viable to Afrox to recover, purify and liquefy CO_2 through Afrox-owned production facilities.

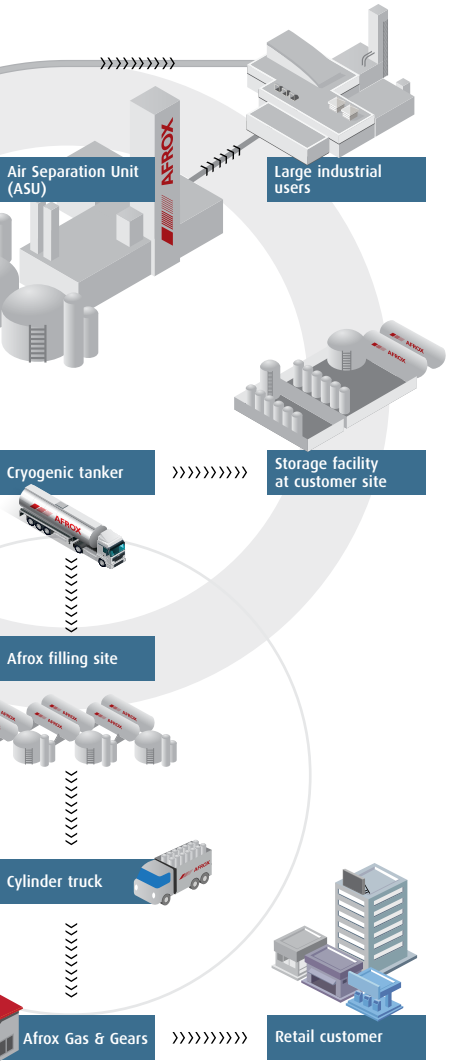


ases Value Chain

Liquefied oxygen, nitrogen, argon and CO_2 are transported in bulk via cryogenic tankers to storage facilities on customer premises. Product also gets transported to Afrox filling sites where it is stored and later compressed and filled into cylinders.

Following quality assurance, cylinders are dispatched either directly to the customer or to Afrox Gas & Gear outlets where product is sold directly to the end-user.

Empty cylinders are collected and/or returned to filling sites for maintenance and refilling.

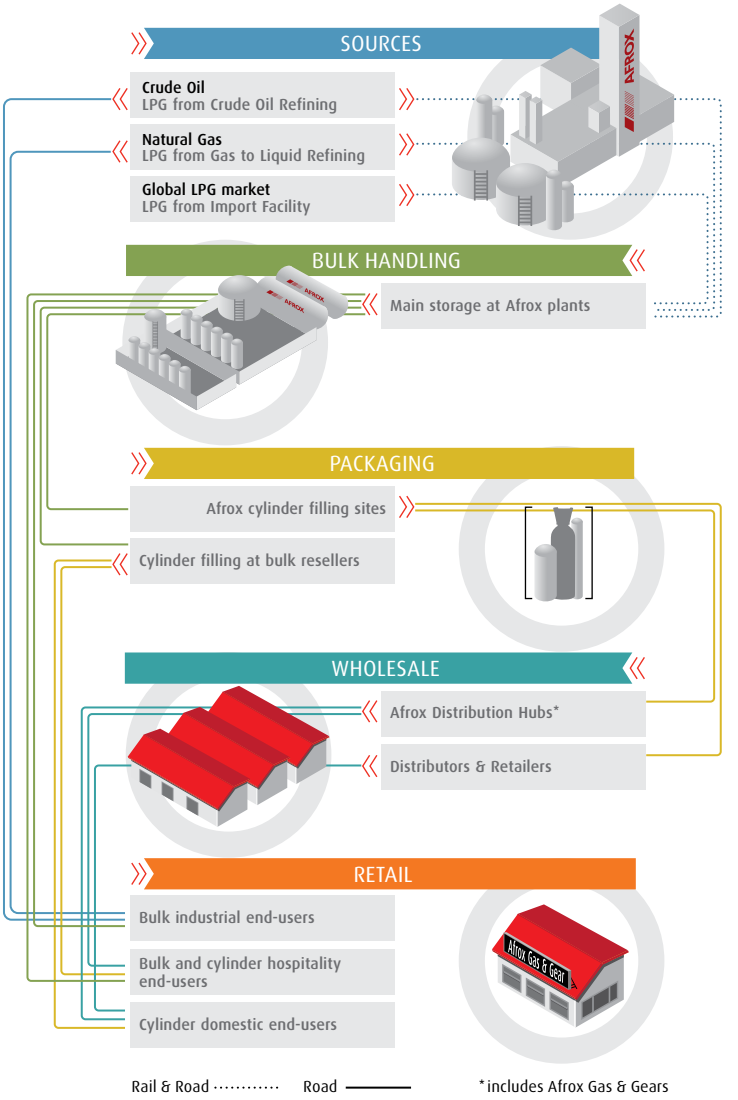


Afrox LPG Value Chain

Liquefied Petroleum Gas (LPG) is a mixture of hydrocarbons which are vapour at room temperature but can be liquefied by compressing them slightly. LPG is produced as a by-product from fuel refining processes. Afrox purchases LPG from refineries, and also sources seaborne product from global merchants.

Bulk LPG is collected from the source and transported in road tankers or via rail tank cars. The product can be delivered directly to bulk end-users, or to bulk storage tanks at the Afrox filling sites.

LPG is then packaged into 9kg, 19kg, 48kg and forklift cylinders at the filling sites. The cylinders are delivered by road to end-users and retail outlets. Empty cylinders are collected and returned to the filling sites for maintenance and re-filling.



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About **this** report

This report is the primary communication of our prospects and performance during the 2013 financial year. In the report, "Afrox", "us", "our" or "we" means the Afrox Group or its management.

This report contains summarised consolidated financial statements for 2013, which were prepared in line with the Companies Act 2008 and International Financial Reporting Standards (IFRS), in particular IAS 34 *Interim Financial Reporting*. The following documents are available online at www.afrox.com:

- Full set of the 2013 annual financial statements;
- Sustainability report;
- King Code of Governance for South Africa (King III) checklist; and
- Global Reporting Initiative (GRI) checklist.

Navigation icons

Indicates **further information** available online at **www.afrox.com**.

Indicates a **page reference** for further information available in this integrated report.

Indicates the **term** can be found in the **glossary section** of this integrated report.

Scope of the report

This report covers the performance of Afrox, our subsidiaries and our associate for the year ended 31 December 2013.

Materiality

This report focuses on topics material to the business. We considered a variety of factors in deciding on the material topics covered in this report, including concerns raised by our stakeholders, key issues reported in the media, which are relevant to our industry and business, as well as matters considered to be key to our strategy and business sustainability.

Assurance

We have used a combined assurance model to ensure the integrity of our integrated report. The combined assurance model employed a combination of assurance obtained from management, internal audit and our external assurance providers. In addition, we have undertaken a self-assessment as contained in the GRI (refer to the GRI checklist available on the Afrox website at www.afrox.com).

Audit opinion

The summarised consolidated financial statements contained in this report, and the full set of the audited consolidated financial statements available on the Afrox website at www.afrox.com. , have been independently audited by KPMG Inc.

Forward-looking statements disclaimer

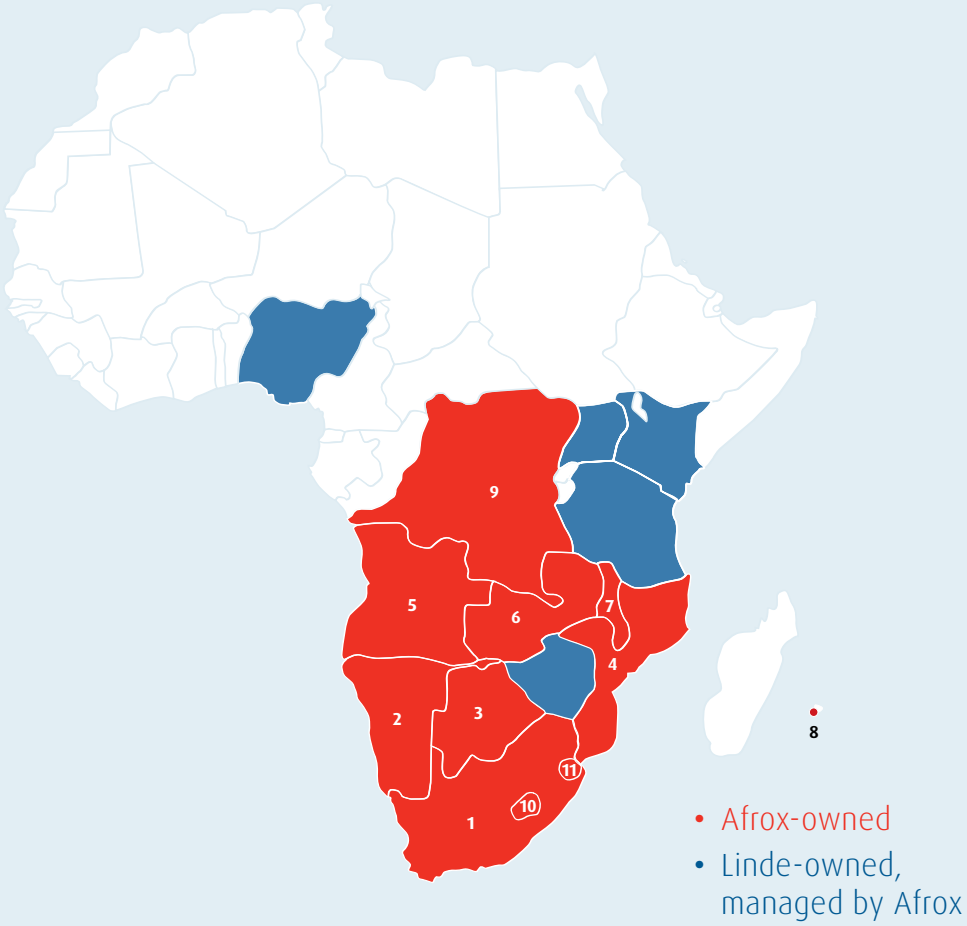
This report does contain statements related to our future performance. These include possible future events or developments that may constitute forward-looking statements. Such statements are based on current expectations and certain assumptions applied by management. The statements are, therefore, subject to certain risks and uncertainties. A variety of factors affect our operations, performance, business strategy and results. Many of these factors are beyond our control and have the potential to result in materially different actual future results, performance or achievements, than may be expressed or implied by such forward-looking statements. Some of these factors could also affect future results, performance or achievement anticipated on the basis of historical trends.

Feedback on this integrated report

We welcome your feedback on our integrated report. Please send it to Corporate Communications on **investor.relations@afrox.linde.com**. This will assist us in further enhancing future reports by making them more readable, engaging and informative.

2014 ONWARDS
GOOD TO GROW

Our business



About **Afrox**

Afrox is sub-Saharan Africa's market leader in atmospheric gases, welding and safety products and LPG.

The company was founded in 1927, listed on the JSE in 1963, and has prospered through constantly striving to meet the needs of all its customers, by developing solutions which add value to customer applications.

We operate in South Africa and in nine other African countries and employ approximately 3 000 people across the sub-Saharan region. We also manage operations in five African countries on behalf of our majority shareholder, The Linde Group (Linde), and have an associate investment in Mauritius.

Country	Did you know?
1 South Africa	South Africa has the continent's biggest economy, though this went into recession in May 2009 following a sharp slowdown in the mining and manufacturing sectors. South Africa is, along with China, Brazil, Russia and India, a member of the BRICS group of emerging economies. Our South African operations have a full service integrated gas business covering the full spectrum of atmospheric gases, LPG and Hard Goods.
2 Namibia	Deserts occupy much of the country, which also boasts game-rich grasslands and a semi-arid central plateau, large tracts of which are given over to livestock farming. Main trading partner is South Africa. Our business in Namibia focuses on bulk CO_2, packaged atmospheric gases and LPG.
3 Botswana	Botswana, one of Africa's most stable countries, is the continent's longest continuous multi-party democracy. Recent economic growth has been high by African standards. The government sees diversification out of diamonds as a priority. Our business is mainly in LPG and packaged atmospheric gases.
4 Mozambique	Mozambique was one of the world's poorest countries in 1975, but has emerged as one of the fastest growing economies. It is expected to become one of the world's largest exporters of coking and thermal coal, as well as liquefied natural gas. Our primary products are bulk CO_2 and packaged atmospheric gases.
5 Angola	One of Africa's leading oil producers, but most people still live on less than US$1 a day. Experiencing a post-war reconstruction boom. Our operations in Angola comprise a retail business concentrating on packaged atmospheric gases and on the sale of hard goods.
6 Zambia	Zambia is the continent's biggest copper producer and home to the Victoria Falls, one of the Seven Natural Wonders of the world. Our Zambian business is a full spectrum business supplying bulk and packaged atmospheric gases, CO_2, LPG and hard goods.
7 Malawi	More than half the population lives below the poverty line. Moves are under way to exploit uranium reserves to boost meagre export earnings, and there are plans to explore Lake Malawi for oil and gas. Our primary products are bulk CO_2, packaged LPG and atmospheric gases.

Country	Did you know?
8 Mauritius	Political stability and efforts to diversify have helped Mauritius become one of Africa's most prosperous economies. We have an associate company producing bulk and packaged atmospheric gases and hard goods.
9 DRC	A vast country with immense economic resources, the Democratic Republic of the Congo (DRC) has been dogged by civil war. This has left it in the grip of a humanitarian crisis. Our prime products distributed are packaged atmospheric gases and LPG.
10 Lesotho	Lesotho depends on South Africa as an employer, and as buyer of its main natural resource – water. Textile exports have been hurt by the erosion of trade concessions, but appear to be expanding again. Our Lesotho operations focus mainly on the LPG business.
11 Swaziland	The Kingdom of Swaziland is one of the world's last remaining absolute monarchies. Thousands have lost their jobs as garment and sugar export industries have lost trading concessions. Our Swaziland operations focus mainly on the LPG business.

The Linde Group

Linde is a global company focused on gases, engineering and technology solutions. It employs approximately 63 000 people in more than 100 countries. Linde's strategy is geared toward sustainable earnings-based growth, focused on the expansion of its international business through the development of customer-based products and services. Linde acts responsibly towards its shareholders, business partners, staff, society and the environment. In addition, Linde is committed to technologies and products which unite the goals of customer value and sustainable development. For more information, visit The Linde Group online at www.linde.com.

Business segments

Our business is managed in four segments (refer to page 79), namely:

- Atmospheric Gases;
- Liquefied Petroleum Gas (LPG);
- Hard Goods; and
- Rest of Africa.

For more information about our products, refer to our website, www.afrox.com.

Our leadership

Board of directors

Non-executive directors

Mike Huggon
(58) Chairman

Chairman of Afrox since May 2011. Mike is Managing Director of BOC UK, a wholly-owned subsidiary of The Linde Group. He is also CEO of The Linde Group's Region Africa and UK of which Afrox is part. He has held various senior positions within the former BOC Group, including Managing Director Industrial and Special Products Asia, Managing Director South Asia, Safety Director Asia and Managing Director Hong Kong Oxygen. He was also Director and General Manager, Permali Gloucester Limited, BTR. He holds a BSc (Hons) in Chemical Engineering from Brunel University and post-graduate qualifications in Corporate Strategy (INSEAD Singapore), Advanced Management (National University of Singapore), General Management (Sundridge Park) and in Marketing (Salford University).

Member of SHEQ and SET Committees and attends all other Board appointed committee meetings by invitation.

Richard Gearing
(52) Non-executive director

Appointed to the Board in September 2012. Richard is the Head of MPG Operations at BOC UK, a subsidiary of The Linde Group. He joined BOC in 1985 and has held various senior positions in the industrial and packaged gases business, including Business Director Industrial, General Manager North, Customer Services Manager North and Distribution Manager. He holds a BSc in Engineering Mathematics from Bristol University.

Member of the SHEQ Committee.

David Lawrence
(62) Independent non-executive director

A director since December 2005. David's early career was spent as an economist at the Chamber of Mines, subsequently working for the office of the Economic Advisor to the Prime Minister. He joined Citibank in 1977 becoming Chairman and Managing Director. In 1987, First National Bank acquired Citibank's business and it became FirstCorp Merchant Bank where he held the position of Managing Director. He joined Investec in 1996 as Managing Director, Corporate and Investment Banking and is currently Deputy Chairman of Investec Bank Limited. He holds a number of directorships. He obtained a BA (Econ) (Hons) and MCom at Wits University.

David chairs the NGMR and is a member of the Audit Committee.

Dr Khotso Mokhele

(58) Lead independent non-executive director

Appointed in December 2005. Khotso was on the teaching and research staff of the universities of Fort Hare and Cape Town between 1986 and 1992. He was Vice-President and President of the Foundation for Research and Development from 1992 to 1999 and is President of the National Research Foundation. He has also served on the Council for Higher Education, the National Advisory Council on Innovation and the National Skills Authority, and was also the founder and President of the Academy of Science of South Africa. He is the recipient of six honorary doctorates from South African higher education institutions and one honorary doctorate from Rutgers University in New Jersey (USA). In addition, Khotso is a director of several South African listed companies and Chairman of Impala Platinum.

Khotso chairs the SET and SHEQ Committees. He is also a member of the NGMR.

Sipho Maseko

(45) Non-executive director

Joined the Afrox Board in November 2012. A lawyer by profession, Sipho left Werksmans, one of South Africa's premier law firms, to join the Financial Services Board before joining BP South Africa as a Legal and Tax Advisor. He rose through various assignments in BP and spent some time in London before being appointed CEO of BP Africa. He moved to the telecommunications industry in 2011, where he was appointed Managing Director and Chief Operating Officer of Vodacom SA. He holds a BA from Wits University and an LLB (Law) from the University of Natal. More recently, he was appointed Group Chief Executive of Telkom Limited in 2013.

Matthias von Plotho

(44) Non-executive director

Appointed to the Board in May 2011. Matthias is The Linde Group's Head of Finance for Europe; Middle East and Africa and Finance Director for Region Continental and Northern Europe (RCN). He joined The Linde Group in 2001, responsible for implementation of IFRS for Financial Instruments. Since then he has held a number of senior posts including Head of Mergers and Acquisitions. Prior to joining The Linde Group, he was with KPMG and AGIV AG in Germany. He holds a Masters Degree in Business Administration, University of Würzburg, Germany.

Matthias attends the Audit Committee meetings by invitation.

Chris Wells
(64) Independent non-executive director

Joined the Afrox Board in November 2012. Chris is Chief Executive Officer of Oakbrook Holdings (Pty) Ltd, a private investment company. He is a non-executive director of the Spar Group Limited where he chairs the Audit Committee and Risk Committee and is a member of its Social, Ethics and Transformation Committee. He gained extensive experience in the retail and manufacturing sectors both as CFO and CEO of various listed companies. He is a Chartered Accountant (SA).

Chris chairs the Audit Committee.

The following directors resigned from the Board in 2013

- Morongwe Malebye (August 2013);
- Jonathan Narayadoo (May 2013);
- Louis van Niekerk (May 2013); and
- Dynes Woodrow (August 2013).

Executive directors

Brett Kimber

(52) Managing director

Appointed Managing Director of Afrox in January 2012. Brett has held various senior positions in The Linde Group, Afrox's ultimate holding company, including Chief Executive of Linde Korea, Global Business Manager for former BOC Edwards' Bulk Gases Product Division in Singapore, Project Development Manager with Linde North America. Before the start of his international career, he held various senior posts in Afrox between 1990 and 1998, and before that he was Senior Research Geologist with Anglo American Research Laboratory. He holds a BSc (Hons) in Mineral Economics from the University of Johannesburg, and a BSc (Hons) in Geo-Chemistry from the University of Cape Town.

Member of the SHEQ and SET Committees and he attends all other Board appointed committee meetings by invitation.

Nick Thomson

(54) Financial director

Appointed Financial Director of Afrox in April 2012. Prior to joining Afrox, Nick was Chief Financial Officer at Transnet Freight Rail for six years and a partner at Ernst & Young for 18 years before that. He is a Chartered Accountant (SA).

Nick attends all Board appointed committee meetings, except the SHEQ Committee, by invitation.

Executive management

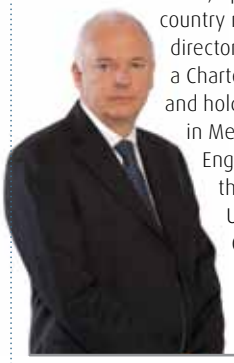
Brett Kimber
Managing director
See page 9 for CV.

Nick Thomson
Financial director
See page 9 for CV.

Business Segment: Atmospheric Gases

Dave Shaw
Head of MPG *(Identified as a prescribed officer in the Remuneration report)*

Prior to joining Afrox in April 2013, Dave spent 32 years working for BOC and The Linde Group in the UK, Asia and the Middle East holding a number of senior business, operational, country management and director roles. Dave is a Chartered Engineer and holds a Bachelor in Mechanical Engineering from the London City University and a Certified Diploma in Accounting & Finance from ACCA (UK).



MPG description

The MPG business delivers liquid gases to bulk users of gas and compresses it for sale to customers in cylinders. All aspects of our South African supply chain are managed from within the MPG business, including the warehousing and distribution of hard goods and the regional sales infrastructure.

Atmospheric Gases Revenue

R1 745 m
(2012: R1 817 m)

GPADE margin
35.0%
(2012: 31.3%)

Donal Mackinnon
Head of Tonnage

Donal has been with Afrox since 1986. He holds a BSc in Mechanical Engineering. He has contributed to the successful development of many of the current operational assets in Tonnage, Handigas and the MPG businesses.

Tonnage description

Using air separation technology, Tonnage produces bulk gaseous and liquid oxygen, nitrogen and argon as well as operating CO_2 recovery plants used to produce food and beverage grade CO_2. These gases are sold to bulk customers and to the Afrox MPG business.

Leading technology is also used within CO_2 plants and for the production of special gases through specialist facilities.

Lerato Mosiah
Head of Healthcare

Lerato qualified as a pharmacist from Wits and is registered with the South African Pharmaceutical Council. Prior to joining Afrox in November 2007, she spent 12 years in the pharmaceutical industry, where she obtained extensive knowledge in various product portfolios of local and multinational companies operating in South Africa. She holds a Science Diploma, a BSc (Hons), BPharm from Wits and an MBA from GIBS.

Healthcare description

This is the channel to market for healthcare products such as medical oxygen. However, all cylinders are filled and distributed through MPG operations and all bulk customers are serviced via MPG.

Business Segment: LPG

Mark Radford

Head of LPG

(Identified as a prescribed officer in the Remuneration report)

Mark has been with Afrox for 13 years and has held various senior positions in the business. Prior to taking on his current role as Head of LPG in January 2013, he was General Sales Manager for the KwaZulu-Natal region. He holds a BCom from University of Port Elizabeth and BCom (Hons) from Unisa.

LPG description

Procures bulk supplies of LPG from both national refineries and international traders. Supplied to market through our MPG operations, LPG is sold in bulk to all major sectors of the South African market. Packaged LPG, under the brand name Handigas, is supplied in cylinders to users requiring smaller volumes. The purchase price of LPG from refineries is regulated by the Department of Energy (DoE), which controls all energy matters in South Africa, including the control of certain selling prices that affect the retail consumer, in particular 9kg cylinders.

Revenue

R2 132 m

(2012: R2 018 m)

GPADE margin

14.6%

(2012: 17.9%)

Business Segment: Hard Goods

Nazmi Adams

Head of Hard Goods and Exports

(Identified as a prescribed officer in the Remuneration report)

Appointed Head of Hard Goods in May 2013. Prior to joining Afrox, he was Global Marketing Director and Head of the Consumables business for ESAB Holdings based in London. He gained valuable experience in business transformation in the global arena and developing and launching leading technology products into global markets. He has a degree in Chemical Engineering from UCT and an MBA from the Wits Business School.

Hard Goods description

Manufactures and distributes a comprehensive range of gas control equipment, welding consumables and machines, automation equipment and safety products, including mine safety devices. Products are sold through the Afrox regional sales infrastructure as well as exported throughout sub-Saharan Africa. Nearly 50% of the gas control equipment is sold as premium performance products in Europe and Australia. Its resurgent Research and Development department has a healthy pipeline of high-tech gas control and medical devices.

Revenue

R993 m

(2012: R874 m)

GPADE margin

33.9%

(2012: 30.4%)

Business Segment: Rest of Africa

Willie Coetzee

Head of Region Emerging Africa

(Identified as a prescribed officer in the Remuneration report)

Appointed General Manager, Region Emerging Africa, in 2008, Willie has 20 years of experience in the industrial gases and welding industry, with BOC/Linde in the USA, Thailand and South Africa. Willie holds BSc Industrial Engineering and MBA degrees.

Rest of Africa description

Comprises the central management support structure for Afrox subsidiaries and Linde-owned, Afrox managed, businesses outside of South Africa. These subsidiaries supply the full range of Afrox products. Afrox's key African subsidiaries include:

- Zambia (70%)
- Botswana (100%)
- Namibia (100%)
- Lesotho (100%)
- Swaziland (100%)
- Malawi (79%)

Revenue

R955 m

(2012: R849 m)

GPADE margin

33.7%

(2012: 37.0%)

Silvia Schollenberger
Head of Strategy and Risk

Silvia holds a BSc (Chem Eng) from Wits and BCom (Hons) in Financial Management from Unisa. Silvia joined Afrox in 2003 from Unilever and has since gained experience in various roles, including Performance Improvement Manager and Major Account Executive for Anglo American. She is responsible for strategy and planning, as well as risk management and insurance.

Cheryl Singh
Company Secretary and General Counsel

Prior to joining Afrox in December 2013, Cheryl was the Group Company Secretary and Legal Counsel at ArcelorMittal and Pebble Bed Modular Reactor and held governance and company secretarial roles at Absa. She is a member of the Corporate Governance Network (CGN) at the Institute of Directors since 2009 and holds a BProc LLB from the University of KwaZulu-Natal and an MBA from the Gordon Institute of Business Science.

Xolile Sizani
Head of High Performance Organisation (HPO)

Prior to becoming Head of HPO in January 2012, Xolile held various management roles, including Senior Programme Manager in the Linde Global HPO office in Munich. He has a Government Certificate of Competency and is a registered Professional Engineer, having gained experience at Sasol and Nestle SA before joining Afrox in 2006. He has an MSc in Mechanical Engineering, MBL and completed an executive education programme with Oxford University, focusing on Strategy, Finance and Leadership.

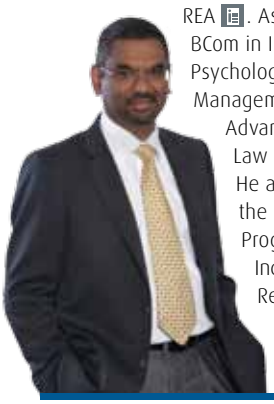
» AFROX BELIEVES IN OPEN AND HONEST COMMUNICATION AND FAIR TREATMENT. THE COMPANY SUPPORTS THE FUNDAMENTAL PRINCIPLES OF **HUMAN RIGHTS** AND STRIVES FOR A WORKFORCE COMPOSITION THAT REFLECTS THE DEMOGRAPHICS OF SOUTH AFRICA.

Johann Cilliers
Head of Communications

Johann was appointed Afrox Retail Business Manager in June 2003 and promoted to Head of Communications in 2007. Prior to joining Afrox, Johann was a Senior Business Consultant with Affinity Logic. Before that he gained valuable business experience at Massmart, where he held a Senior Buyer position. He holds an MBA from The Open University, UK.

Ashley Soupen
Head of Human Resources

Ashley rejoined Afrox in October 2013 from Sidra in Qatar, where he was the Chief HR Officer and, before that, HR Director for various Honeywell regions. Previously with Afrox between 1987 and 2005 in various HR roles, including Strategic HR Business Partner for REA. Ashley has a BCom in Industrial Psychology, Business Management and Advanced Labour Law from Unisa. He also attended the Certificate Programme in Industrial Relations at Wits and MDP at UCT.



Stephen Moran
Head of SHEQ

Stephen joined Afrox in July 2012 from BOC Gases in Ireland and the UK, where he was a member of the senior SHEQ Leadership team with experience in safety system auditing and sharing best practice across other European countries. Stephen has over 30 years' experience in the chemical industry, including 19 years in gases. He has a Diploma in Applied Science and an Honours degree in Chemistry with chartered status from the Institute of Technology in Dublin.

James Poulter
Head of Information Services

James entered The Linde Group through BOC Edwards UK in 2001 as an internal SAP consultant. He has since performed various Group IT roles across Europe, the United States and South America. He was appointed Afrox Head of Information Services in November 2010. He is a Chartered Management Accountant (UK) and gained valuable business experience with IBM UK and The Hay Group in the UK. James holds a BA joint honours degree in Mathematics and Economics from the University of Liverpool.

Our stakeholders

We recognise that the success of our business is for the benefit of various stakeholders and engaging effectively with this influential group is, therefore, of great importance to us.

The table below outlines the different methods of stakeholder engagement employed, as well as the oversight responsibility for each area of stakeholder engagement.

	How we engage with our stakeholders	Material issues raised	Our response
Shareholders, lenders and market analysts	• Distribution of our results to the shareholders via the integrated report, the full set of our annual financial statements and our sustainability report; • Formal presentation of the results to shareholders and market analysts at half-year and year-end; • SENS announcements on the JSE; • Supplementary media releases covering developments within the company; • Ongoing interactions with our funders; • Annual rating agency assessment of the creditworthiness of the company; and • Regular opportunities for one-on-one meetings between shareholders, analysts and our executive directors.	• Earnings per share expectations, including improvements in operating margins in order to return to a 20% EBITDA margin in the medium term; • Exploiting the potential in the rest of Africa; • Transparency; • Sustainable financial returns and investment profile, wherein reputational risk is managed; and • Transformation, including B-BBEE requirements and succession planning.	• Our capital investment programme of R1.5 billion is being rolled out to improve and stabilise our capacity; • Our strategy is aimed at returning to an EBITDA margin of 20% in the medium term; • The rest of Africa strategy, including investment plans, was formulated and approved by both the Afrox and Linde Boards in the last quarter of 2013; • We are addressing shareholder requirements for meeting transformation, including B-BBEE requirements and succession planning; and • We are looking at innovative ways of improving our B-BBEE scores through our channel and partnership strategies as well as our contribution to the broader community in this regard.

	How we engage with our stakeholders	Material issues raised	Our response
Customers and business partners	• Product brochures, a comprehensive product manual and CDs for electronically enabled customers are supplied through Afrox's website www.afrox.com; • Specialist media publications are used to promote products emanating from the company; • Our sales force is in constant contact with our current and prospective customers; and • Our Managing Director, together with other members of executive management, have ongoing interactions with our key customers.	• Reliability of supply; • Rationale behind price increases; • Service levels; • Safety requirements; • Innovative solutions and product expertise; and • Incorporation of B-BBEE requirements into supply chain and procurement processes.	• ASU reliability has significantly improved over the last three years due to, firstly, the connection to our remote operating centres in the UK and the USA, which allow plants to be monitored on a continuous basis and, secondly, as a consequence of our preventative maintenance programme reinvigorated over the last two years; • Historical reliability challenge in the Pretoria liquefier, due to turbine issues, was successfully resolved in the last quarter of 2013; • We are actively working towards an attitude of partnership with our customers and business partners. We strive to meet the high levels of customer service required, including delivering the right quality, right quantities and understanding hazards and product stewardship; • We are also sensitive to the needs of the community, ensuring that pollution is minimised and providing public health and safety; and • The unreliability of the Western Cape CO_2 source led to poor plant utilisation over the last 18 months. This is the subject of an ongoing engineering analysis in order to resolve the issue.

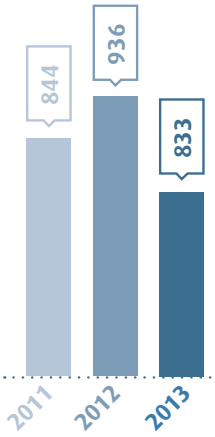
	How we engage with our stakeholders	Material issues raised	Our response
Employees and unions	• Regular shop floor talks, team briefings and management briefings; • Internal newsletters and publications, as well as a DVD news programme; • E-mail communications from executives; and • Regular meetings with unions representing employees.	• Transparency, especially during a time of change; • Fair pay and incentive structures; • Employee empowerment and career progression; • Job certainty; • The control of driver hours in our distribution fleet to reduce fatigue and increase safety; and • Compliance with B-BBEE and employment equity requirements.	• We deliver on our employees' need for safety and access to adequate health and occupational services; • Enhanced performance management helps to motivate and appropriately reward performance; and • Progress on employment equity has not been satisfactory and is now the subject of renewed focus.
Government and regulators	• Regular meetings with the Department of Mineral Resources, Department of Energy and the Department of Health.	• Compliance with B-BBEE legislation and attainment of a higher rating; • Appropriate service levels to state hospitals; and • Compliance with sector charters.	• We are developing various strategies with regard to channels to market, which will ensure we meet the requirements of B-BBEE legislation and the Energy Sector Charter; and • Service levels at state hospitals are carefully monitored to ensure that shortages of critical gases are avoided.
Communities and NGOs	• Corporate social investment programme. Additional information can be accessed on Afrox's website, www.afrox.com.	• Responsible citizenship, especially with regards to safety; and • Employment opportunities in communities where Afrox operates.	• We are developing welding schools to help address skills shortages in the economy and to assist in alleviating the under-employment of previously disadvantaged people.

AFROX ACHIEVED A **64%** REDUCTION IN MAJOR SAFETY INCIDENTS.

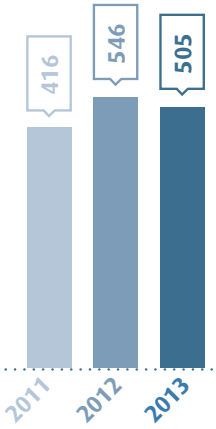
Performance overview

Our performance at a glance

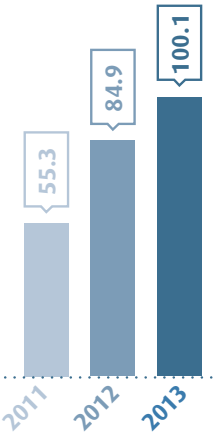
Cash generated from operations (Rm)



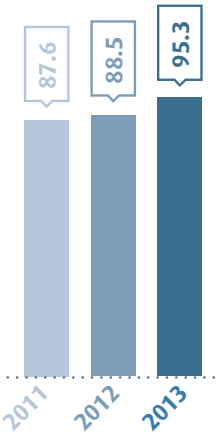
Tangible capital expenditure (Rm)



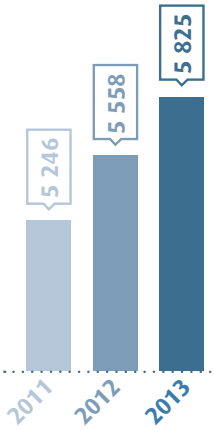
EPS (cents)



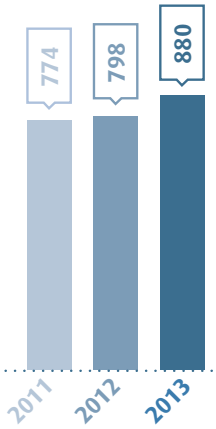
HEPS (cents)



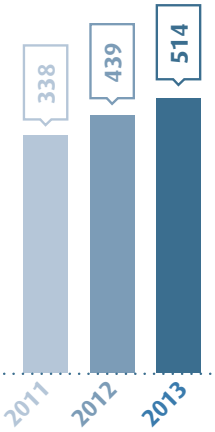
Revenue (Rm)



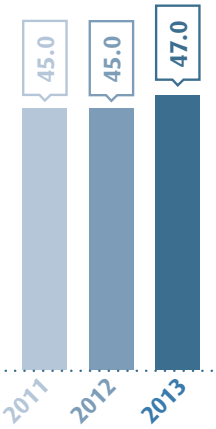
EBITDA (Rm)



EBIT (Rm)



DPS (cents)



» R5 825 million

Revenue up 4.8%

» R880 million

EBITDA up 10.3%

Employees » 2 959*

* Includes 29 short-term employees and contractors

	2013	2012*	% change
FINANCIAL PERFORMANCE			
Revenue (Rm)	**5 825**	5 558	4.8
EBITDA E (Rm)	**880**	798	10.3
Profit for the year (Rm)	**324**	275	17.8
EBITDA margin (%)	**15.1**	14.4	4.9
Return on net assets (%)	**13.7**	12.4	10.5
Headline earnings per share (cents)	**95.3**	88.5	7.7
Dividend per share (cents)	**47.0**	45.0	4.4
Dividend cover on HEPS (cents)	**2.0**	2.0	–
Tangible capital expenditure (Rm)	**505**	546	(7.5)
Gearing (%)	**14.6**	15.5	(5.8)
Interest cover (times)	**10.9**	12.5	(12.8)
WEALTH DISTRIBUTED TO			
Employees (Rm)	**2 959**	3 258	(9.2)
Providers of capital (Rm)	**246**	269	(8.6)
Government (Rm)	**144**	133	8.3
NON-FINANCIAL PERFORMANCE			
POLT E (%)	**98**	98	–
DIFOT E – Industrial Gases (%)	**92**	92	–
DIFOT – Hard Goods (%)	**78**	84	(7.1)
B-BBEE E level	**3**	3	–
Number of major incidents reported	**8**	22	(63.6)
Lost-time injury days	**150**	1 020	(85.3)
Number of truck avoidable accidents	**2**	4	(50)
Number of passenger car avoidable accidents	**2**	4	(50)
Electricity consumption (MWh)	**460 558**	574 530	(19.8)
Water consumption (m^3)	**979 665**	1 237 170	(20.8)

* *Restated for the revised IAS19 Employee Benefits (refer note 5 of the summarised consolidated financial statements).*

Chairman's statement

In 2012, under our new Managing Director, Brett Kimber, we developed a "Back to Basics" turnaround strategy aimed at delivering a platform for sustainable future growth. The strategy resulted in a stabilisation of profitability in 2012 and a 10% improvement in EBITDA in 2013, despite tough trading circumstances.

Economic review

Afrox supplies essential products to mining, manufacturing and industrial companies and is, therefore, affected by declines in demand for products consumed in these sectors. In South Africa, 2013 was another year of economic turmoil. The national motor and mineworker strikes had a major negative impact on the economy. Increased labour pressure, and the unfortunate violence associated with it, contributed to the downward pressure applied to South Africa's international financial ratings, all resulting in a lack of local business confidence. Slow growth in key export markets suppressed export opportunities. These two factors combined to reduce demand for our products.

The significant devaluation of the Rand in the period under review, especially in the final quarter, also had significant consequences for the economy and industry as a whole. Inevitably, the increasing costs of our capital inputs and the imported elements of our production costs, combined with substantial increases in regulated prices, such as electricity, resulted in unavoidable price increases to our customers.

Strategic thrust

We refocused our strategy in response to the prevailing low growth conditions in South Africa, our primary market, which conditions we expect to persist for the next few years. The strategy has the following objectives:

- Achieve a step change in profitability and operating performance;
- Ensure sustainable growth while enhancing competitiveness;
- Embed advanced performance in the areas of safety, health, environment and quality (SHEQ); and
- Build a performance culture among our people, which will deliver superior customer service and competitiveness.

The improved financial results achieved by our South African operations in 2013 were driven by the introduction of a new management structure focused on integrated business lines. The new structure concentrated on enhancing customer service, safety, asset efficiency and optimising costs, in line with Linde's core ethos that driving and enhancing customer service and delivery are the essential elements for growth.

We now have in place the right leadership with the appropriate expertise and experience (refer to page 6) to match our revised strategies and business imperatives. These measures have laid a solid foundation for the future and position us for growth.

The results from our operations outside of South Africa continue to reflect the favourable economic conditions in these countries and our focus on customer service.

In the rest of Africa, a strategy identifying growth opportunities, and the necessary investments to realise this growth, was developed and approved by the Board in the last quarter of 2013. This strategy recognises that there are significant opportunities in this region, supported by our market leader position in many of the countries where we currently operate. The increasing per capita income and rising population, together with infrastructure requirements in these countries, create opportunities to sell our full range of products. We are seeking to do this in ways that are cost-effective, innovative and competitive.

Investment programme

Investment in our infrastructure in South Africa and the rest of Africa continues. The current capital plan, announced in 2012, amounts to R1.5 billion. Of this, R350 million is being

Plans to capitalise on growth opportunities in the rest of Africa have been approved by the Board.

Mike Huggon

invested in a new 150-tonnes-per-day ASU in the Eastern Cape, the epicentre of South Africa's motoring industry. This project is progressing well, with all governance permissions and environmental impact assessments in place. Production from this ASU is expected to commence early 2015.

Our state-of-the-art R400 million KwaZulu-Natal (KZN) filling hub, with associated engineering services, also announced last year, is well into its planning phase. Due to current economic uncertainties surrounding our markets in KZN, we took the decision to ease the roll-out of this new hub and completion is now earmarked for late 2016, by which time we expect to see an upswing in economic activity. Both these major projects will lead to improved access to our products and services and, as a result, reduced operating costs and elevated levels of customer satisfaction.

The balance of the capital plan will be invested in delivering our rest of Africa strategy and in meeting our maintenance, distribution equipment and cylinder stock requirements.

Our strategic roadmap:

Back to Basics	Position for Growth	Good to Grow
2012	2013	2014 onwards

Rest of Africa investment

The rest of Africa region will be our engine for growth going forward and we consider it vital to gain first-mover advantage as soon as possible as indicators suggest these economies will far outperform South Africa in terms of growth and inward foreign investment. As a result, plans to capitalise on growth opportunities in the rest of Africa have been approved by the Board.

Sub-Saharan Africa is experiencing a boom in oil and gas and mining investment and we are looking to exploit and grow our existing footprint in support of these sectors, through investments in new air separation technologies, speciality gases, and the full range of welding and safety products. These markets will provide excellent export opportunities for our South African factories and further drive our brand impact across the continent.

A steadily growing middle class also opens local hospitality sectors to our range of products, including CO_2, LPG, dispensing gases and helium, supported by growing inward foreign investment in hotels, restaurants and fast-food outlets.

The same applies to healthcare in the region and we are well placed to transfer our considerable knowledge and experience of state healthcare, homecare and private hospitals services from South Africa into the Africa region. Our relationship with The Linde Group also enables us to offer the latest in healthcare technologies to these emerging markets.

Road and rail infrastructure in the rest of Africa region is poor, and this severely hampers operations, with a host of distribution and vehicle maintenance challenges in relation to costs and DIFOT levels. This negative situation, however, will also provide positive future opportunities to supply our full range of hard goods and services to major government infrastructure projects, as and when they are executed.

Expanding our footprint in Africa also requires investment in systems in order to make their operations compatible with those in South Africa. Our businesses in the sub-Sahara region have been the focus of intense information technology investment. This has included a focus on financial processes and improved governance controls. The region has benefited from an injection of experienced management resources, positioning these businesses to take advantage of opportunities presented by the rapid growth in the local economies. This process is well under way, utilising additional support from The Linde Group, particularly in the areas of technology, commercial and operational best practices.

Safety and the environment

Conducting business as a responsible corporate citizen is fundamental, especially for a company which draws its primary products from the atmosphere. We take due care to ensure all operations exceed South African and international standards.

In terms of safety, it is very pleasing to note we achieved a 64% reduction in major incidents, and an 85% reduction in lost-time injury rate days. In fact, total recordable injuries, including medical treatment cases, are down 50% on 2012.

As a member of the National Business Initiative, we signed the Energy Efficiency Pledge in 2012 and, since then, there has been a 19.8% Group-wide decrease in purchased electricity.

Through The Linde Group, we are also a signatory to the United Nations Global Compact (UNGC). We therefore conduct ongoing reviews to ensure adherence to these guidelines and, overall, we achieved a 9% decrease in our carbon footprint emissions in 2013.

Prospects

Markets in South Africa are subject to several challenges. The latest GDP numbers underline the country's weak growth trajectory and, looking ahead, economists do not expect the economy to expand much above 3% per annum in the medium term. In 2014/15, we expect the low growth trend to continue, particularly in the segments of the economy where we operate. Accordingly, volumes will remain under pressure. We have the production facilities and capacity, national network, products and skills base required to maximise opportunities when they do arise in South Africa and emerging economies in the rest of Africa.

Sustainability is closely related to issues of safety and the environment and, in 2013, we were again listed on the JSE Socially Responsible Investment (SRI) index, a status we have enjoyed since it was launched in 2004. We will continue our aim to qualify for further SRI indices. Further information on sustainability and environment issues in 2013 is available in our sustainability report which is available on our website, www.afrox.com

The Board

The Afrox Board currently consists of four independent non-executive directors, three non-executive directors employed elsewhere in executive capacities within The Linde Group and two executive directors.

Jonathan Narayadoo, an executive director, and Louis van Niekerk, lead independent non-executive, retired as directors, effective May 2013. Morongwe Malebye, an independent non-executive director, and Dynes Woodrow, a non-executive director, resigned as directors, effective August 2013. The Board thanks Jonathan for his dedication of more than 30 years' service to Afrox. The Board also expresses its appreciation for the contributions made by Louis (since 2005), Morongwe (since 2007) and Dynes (since 2010) and wishes them all well for the future.

Dr Khotso Mokhele was appointed as the new lead independent non-executive director at the annual general meeting in May 2013. Chris Wells was appointed as Chairman of the Audit Committee (refer to the Audit Committee report on page 66). In line with the requirements of King III, we established a Social, Economic and Transformation Committee under the able Chairmanship of Dr Mokhele.

Gratitude

I thank my Board colleagues for their ongoing guidance and contributions to the business. I look forward to your support in the year ahead. On behalf of the Board, I express our gratitude to our customers, shareholders, employees, suppliers and all other stakeholders for their continued support during a challenging year and their belief in our sustainability. With your continued support, I have no doubt that we can achieve new heights of success in 2014.

Mike Huggon
Chairman

27 February 2014

Joint Managing Director and Financial Director's review

Our performance during 2013 represents significant progress in identifying, reducing and eliminating inefficiencies and moves us along on our journey from Back to Basics, preparing for growth and to positioning us to being Good to Grow.

Overview

Industry in South Africa is often characterised as being uncompetitive on the world stage. To address this requires a coalition of politics, labour, capital, industry and strong leadership imbued with the ability to implement long-term thinking and translate plans into concrete actions. Until this happens, it is likely the major industrial sectors of the economy will continue to limp along, hampering the economic growth nationally.

Our business focus for South Africa was on identifying key competitiveness issues, devising action plans to remedy operational shortcomings and identifying and formulating investment plans to capture emerging opportunities. This included a significant cost reduction programme to counteract the downward pressure on our volumes. In tandem, we revitalised our focus on safety, which realised a 64% drop in major incidents, leading to a decrease in vehicle damage/replacement costs and contributing to an improved DIFOT level of 92% for the year for industrial gases.

Coupled to the strength of the Afrox brand, the depth of our application expertise and solution capabilities across our product and service offering, and the significant international expertise provided by The Linde Group, the improvements achieved in 2013 ensure we have the necessary competitive edge to capitalise on emerging opportunities, as well as to secure and grow our existing business.

The general economic climate

The continuing decline in the industrial, mining and construction segments of the South African economy, exacerbated by prolonged strikes in the motor vehicle and mining sectors, triggered downward pressure on sales volumes, especially to the steel industry. A key positive was that, through our "Back to Basics" strategy, and despite fierce competitive pressure, we managed to retain all our major customers, reversing the past trend of a loss in market share due to poor responsiveness.

The dramatic deterioration in the value of the Rand drove up raw material and imported product costs, sparking strong resistance to price increases across our entire product range and thus adversely impacting margins. Added to this, there were additional cost pressures around fuel, which is subject to both foreign exchange fluctuation and the international price of crude oil, significantly higher labour costs and an eight per cent increase in electricity prices.

Despite this, we were still able to achieve a positive increase in EBITDA margin, up 0.7% to 15.1%, due in the main to stringent cost-containment in our South African operations driven by our new operating model.

During the course of the year, the management team also completed the investment strategy for REA and we expect significant growth to be derived from this sub-Saharan region, albeit off a low base, in the years ahead as we position ourselves to take advantage of the growth opportunities this region offers us. In the year under review, REA continued to deliver an outstanding contribution of 20% (2012: 21%) to the Group's GPADE.

Performance highlights

(Refer to page 18).

On the back of tough trading conditions, which affected all major market segments in which Afrox operates, 2013 revenue increased 4.8% to R5.825 billion and EBITDA increased 10.3% to R880 million. Profit for the year was R324 million

(2012: R275 million). Headline earnings per share increased 8% to 95.3 cents (2012: 88.5 cents). Afrox continued with its programme of investing in plant modernisation, additional capacity and efficiency enhancements, and for the year under review invested R505 million (2012: R546 million). The Group ended the year with net borrowings of R649 million (2012: R615 million) and gearing of 14.6% (2012: 15.5%).

Performance against our strategic objectives

Our performance during 2013 represents significant progress in identifying, reducing and eliminating inefficiencies. The highs and lows we achieved against our strategic objectives were:

Achieve step change in profitability and operating performance

Highs:

- Improve the Hard Goods range on the back of sales of the new self-contained self-rescue AfroxPak35i to the mining sector;
- Reasonable price/cost recovery against the backdrop of market resistance;
- Stringent management of distribution costs; and
- Governance across operations in REA improved and the region is now measured on the same basis as Afrox.

Lows:

- Continued volume and pricing pressures due to general economic conditions and the impact of strike action at major customers;
- The unreliability of the Western Cape source of CO_2 resulted in increased distribution costs;
- The loss of KwaZulu-Natal (KZN) in the state hospitals tender awarded in March 2013, only partly offset by the gaining of Limpopo where demand is lower and cost to serve is higher than KZN;
- Continued ArcelorMittal dispute over the take or pay contract, resulting in no revenue since June 2012;
- LPG cost increases impacted margins and working capital requirements; and
- Loss of revenue, due to illegal filling and trading in Afrox LPG cylinders.

Ensure sustainable growth while enhancing competiveness

Highs:

- Satisfactory levels of cost control achieved;
- Plant power usage efficiencies;

- Customer retention, despite strong competition;
- Market share loss halted through improved customer relationships and new service offers;
- Launch of new products, including the SmoothFlo™ regulator, a market and innovation leader;
- Improved margins;
- New loan facilities totalling R1.8 billion to fund capital programmes; and
- Board approval of strategy to capture growth opportunities in operations outside South Africa.

Embed advanced performance in the areas of safety, health, environment and quality (SHEQ)

Highs:

- SHEQ performance and awareness was improved;
- New SHEQ organisation in place, aligned to the integrated business line structure, with embedded SHEQ managers; and
- Full environmental legal compliance.

Lows:

- Failure to attain a zero incident injury record, albeit safety performance improved substantially.

Build a performance culture to deliver superior customer service and competitiveness

Highs:

- Progress on building a high performance organisation through the ongoing enhancement of operating processes;
- Amended management structure to reflect the leadership needs of the business;
- New integrated business line operating model introduced;
- Our level 3 B-BBEE status and preparedness for the amended B-BBEE codes effective in 2014;
- Performance management improved and aligned with The Linde Group;
- SET Committee mandated;
- Sustainability Council established to oversee stakeholder communication and ensure the SET Committee mandate is discharged; and
- Standardised IT connectivity roll-out, centralised financial services across all operations, full visibility, a common chart of accounts and standardised regular reports.

Lows:

- The loss of our only female black Board member due to other professional obligations; and
- Insufficient progress on transformation and employment equity.

Integrated lines of business

Lack of economic growth combined with a lack of investment and an unsettled labour environment, which was characterised by strikes and violence, saw production in key industries we serve decline, such as mining and manufacturing.

In anticipation of such conditions, we implemented a new integrated business line operating model in the first quarter of 2013. The model brought together the accountability for revenue, profit and loss, cost and asset utilisation, for each business line. This allowed us to deliver higher levels of customer service through clearer accountability, improved decision making and faster execution across the business. These intense efforts, despite adverse trading conditions, enabled earnings to improve by nearly 17.8%. These measures also enabled us to realise a margin improvement from 14.4% to 15.1% in 2013.

Our footprint

Our long-term success depends on our ability to adjust and respond to current and future market dynamics to ensure we realise margins sufficient to sustain the business into the future. In times of market contractions, when cost reduction becomes paramount, this is challenging due to Afrox's extensive footprint, which brings a high level of fixed cost to the business.

In times of economic expansion, however, this selfsame footprint becomes a major strategic strength due to our proximity to our customers and the resultant ability to serve their needs competitively. Accordingly, cost reductions in Afrox, which affect the footprint, can have far-reaching, long-term consequences and, therefore, have to be carefully considered.

Key profit drivers

Focus areas for our leadership team are safety, improved customer service, growth, asset utilisation and efficiency improvements.

WE LAUNCHED A NEW INTEGRATED OPERATING MODEL AIMED AT BRINGING **ACCOUNTABILITY FOR REVENUE, PROFIT AND LOSS, COST AND ASSET UTILISATION TOGETHER** FOR EACH BUSINESS LINE.

Since January 2013, we have, accordingly, focused on safety, effective cost management, a market alignment restructure and profitability improvement measures. Although these intense efforts were conducted in a climate of adverse trading conditions, they enabled earnings to improve over the previous year, despite continued volume erosion.

Business segment performance

LPG

Due to a mild winter in South Africa, combined with lower industrial output, which led to lower than anticipated demand for LPG, volumes were down 4% on those of the prior year. In line with Afrox's customer commitment, significant quantities of LPG were imported to act as a buffer for winter shortages and refinery shutdowns. Price recovery of the additional import costs, and the resulting increased distribution costs was made difficult by the prevailing trading conditions. Illegal filling and trading in Afrox Handigas cylinders continues to undermine profitability, and we continue to vigorously prosecute offenders and protect our position through both the courts and the normal legal system.

Our Pretoria ASU came on-stream in 2013 and is a state-of-the-art plant, monitored 24/7 by experts in the UK to ensure maximum efficiency.

Atmospheric Gases

The year under review was challenging for our Tonnage plants, under our Atmospheric Gases segment, which continued to be impacted by the rising cost of electricity and reduced demand for product, especially from the steel industry. Production availability of ASUs remained flat at 98% (2012: 98%) during the year, which is in line with world-class standards. The cost of electricity in our air separation operations is the major element in Afrox's energy cost. Through our energy management programme, Tonnage power costs were flat against last year, despite an average power increase of 8%.

Prevailing economic conditions resulted in an output fall-off at key large customers and, as a result, demand for bulk gases, reduced by 1.6%. Sales of compressed gases also declined 0.6%, reflecting both the continued reduction in output and drive for input efficiencies and cost reductions in the manufacturing sector.

Merchant CO_2 volumes were in line with those achieved in 2012. During 2013, Afrox became the first gases company in South Africa to receive the Global Food Safety Initiative rating for the production of CO_2, the most widely used gas in the beverage and food sectors.

In the healthcare sector, a greater focus on private healthcare and homecare is under way. In the state hospitals tender awarded in March 2013, Afrox retained five provinces. In the mix, we were "swopped out" of the contract to supply state hospitals in KwaZulu-Natal province for the state hospitals in the Limpopo province, where demand is lower and cost of service higher. Medical atmospheric gases volumes, provided to the state and private healthcare sector, remained flat.

Hard Goods

Demand for Hard Goods reduced amid fierce competition from local and overseas players. However, due to various new product initiatives and a special order for self-rescue packs for miners, Hard Goods revenue was up 14%. The restructuring of our manufacturing facilities, new product development and the launch of SmoothFlo™, one of the most advanced gas pressure regulators, will position sales well for future volume growth and exports into the rest of Africa, and worldwide via The Linde Group. Our factories also won the contract to manufacture the new Linde medical valve, with first deliveries to commence in late 2014.

In line with Afrox's customer commitment, over 30 000 tonnes of LPG was imported to act as a buffer for winter shortages and refinery shutdowns. Price recovery of import costs, and resulting additional distribution costs, achieved a 90% success rate.

Rest of Africa

Operations in African countries outside South Africa contributed 20% (2012: 21%) of the Group's GPADE. These businesses have been the focus of intense information technology investment, focused financial processes and improved governance controls. In addition, they have benefited from an injection of experienced management resources, positioning these businesses to benefit from the opportunities presented by the rapid growth in their local economies.

Plans to capitalise on growth opportunities in the rest of Africa have been approved by the Board.

THE RESTRUCTURING OF OUR MANUFACTURING FACILITIES, NEW PRODUCT DEVELOPMENT AND THE LAUNCH OF SMOOTHFLO™, ONE OF THE MOST ADVANCED GAS PRESSURE REGULATORS, WILL POSITION SALES WELL FOR FUTURE VOLUME GROWTH AND EXPORTS INTO THE REST OF AFRICA, AND WORLDWIDE VIA THE LINDE GROUP.

Black Economic Empowerment

Our level 3 B-BBEE rating continues to have a positive effect on the gaining of sales while solid progress is being made in respect of our B-BBEE transformation programme and our drive for High Performance Organisation status. However, reaching a level 3 contributor level under the new codes, which come into effect in 2014, will be a challenge.

Safety and environment

The Group's focus on workplace and distribution safety delivered a marked improvement in 2013, leading to a decrease in vehicle damage/replacement costs and contributing to an improved DIFOT level of 92% for the year for industrial gases.

Customer service

The result of improved processes and capital investment must be satisfied customers. Ultimately, the objective of meeting customer expectations requires measuring our efforts and successes. Since June 2012, when the process was rolled out for all National Customer Service Centre (NCSC) activities, approximately 10 000 questionnaires were received from our customers. Independently monitored customer satisfaction levels, with Afrox and the NCSC, stand at 95.2% for 2013.

Working capital

Working capital at R654 million for 2013 increased from R479 million in 2012, due to the delay in the off-take by certain key customers of stock specially imported on their behalf. In addition, debtors days increased.

Reduction in working capital is a key focus and progress is ongoing in the area of outstanding debt collection. However, the slow collection of the state debt remains a particular concern despite ongoing and frequent interaction with National Treasury, the Department of Health, local finance MECs and state hospitals.

Borrowing facilities

Afrox's new borrowing facilities were concluded and a syndicated R1.8 billion loan structure is in place. The facility is in various tranches of seven, five and three-year term loans, which will be used to fund our capital expenditure programme of R1.5 billion, as well as a R300 million revolving credit facility to meet peak working capital requirements. The drawn facilities are at a fixed interest rate.

Afrox's debt/equity ratio was at 31.7%, reflecting significant headroom for Afrox to take on new initiatives.

Capital expenditure

In this reporting period, Afrox spent R505 million (2012: R558 million) on capital expenditure (capex). The transport fleet replacement plan bolstered the fleet by 22, bringing the total number of available tankers to 106. Capex included further investment in cylinders. The current capital plan, announced in 2012, amounted to R1.5 billion (refer to page 20 for further details on our investment programme).

Prospects

Our 2014 performance will be tempered by the ending of the Evraz Highveld Steel and Vanadium Limited contract resulting from the loss of the bid to renew this contract in 2011. This will reduce our tonnage revenue. We have built a solid foundation over the past two years through a focus on getting back to basics.

There is now a well-defined strategy in place and we are positioned to grow in 2014 and beyond, as the economy of South Africa recovers. In REA we are actively pursuing growth opportunities and will make the appropriate investments to realise them in the year ahead. We have established a competent and experienced management team, which has addressed legacy issues hampering past performance. Our capital programme is well established and should yield an improvement in customer service and, ultimately, increased market share. We look to the future with increasing optimism.

Thanks

We thank the members of the Board and our Afrox colleagues at all levels for their unwavering support through a difficult time of transition amid tough trading conditions. Your continued support and commitment will ensure we meet the needs of customers, deliver appropriate shareholder returns, propel our safety record to the top within The Linde Group and win recognition as the market leader in our field.

Brett Kimber
Chief Executive

Nick Thomson
Financial Director

Johannesburg
27 February 2014

20 SITES PARTICIPATED IN BUNBANANI DAY, **BENEFITING MORE THAN 2 000 CHILDREN.**

Our strategy

Our mission

We will provide engineering services and a focused range of performance enhancing atmospheric gases, welding and safety products and Liquefied Petroleum Gas (LPG) to valued customers, through excellence in operations, customer service, product delivery and investment in infrastructure, people and technology for the benefit of all stakeholders.

Our vision

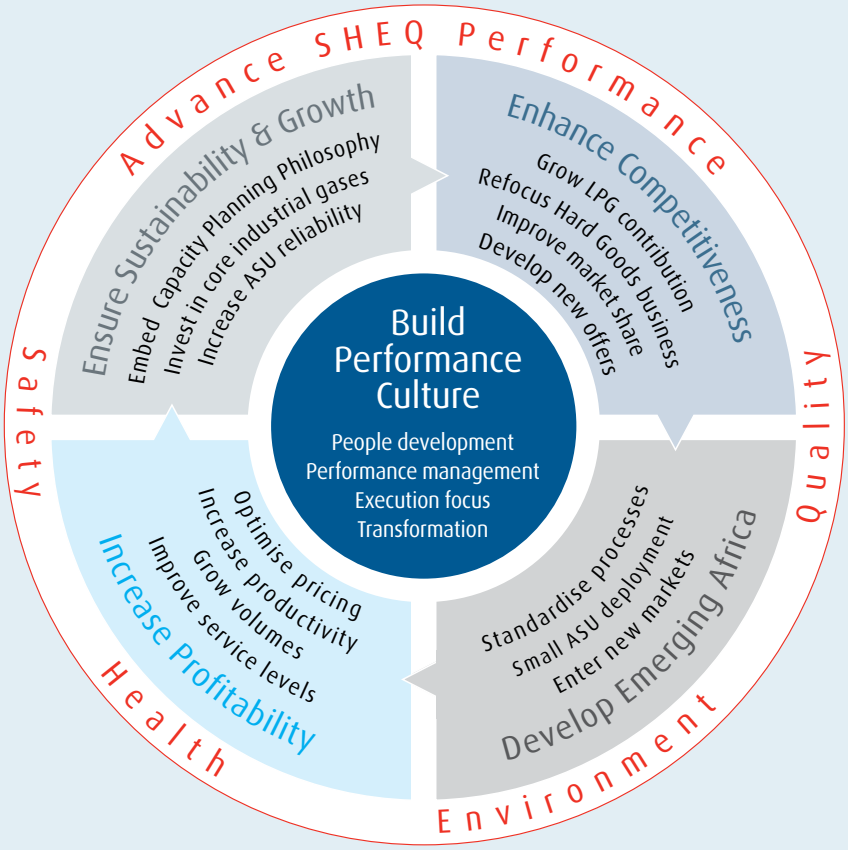
We will be the leading gases, welding and safety products company in sub-Saharan Africa, admired for our people, by any measure.

We will achieve this by being the best in class in everything we do, by developing a performance-based culture built around the best people. We will achieve operational excellence by working as one team. We will attain our strategic goals through highly effective planning, low-cost manufacturing, and excellence in distribution. We will focus the business on the customer, routes to market and market strategies that will drive our brands forward. We will look for growth and other opportunities through innovation, both within and outside South Africa's borders.

OUR VALUES

WE BELIEVE A PASSION TO EXCEL, INNOVATING NEW SOLUTIONS TO MEET EVOLVING CUSTOMER NEEDS, **EMPOWERING AND THRIVING THROUGH DIVERSITY**, WILL RESULT IN A HIGH PERFORMING ORGANISATION (HPO). MOREOVER, BY EXERCISING THESE VALUES WITH INTEGRITY AND IN WAYS WHICH ARE SAFE, SUSTAINABLE AND RESPECTFUL, WE WILL CREATE AN ORGANISATION WHICH ALL CAN BE PROUD TO WORK FOR AND IN WHICH EVERYONE CAN FIND FULFILMENT.

Our strategic goals



WE HAVE ADDRESSED THE LOW OR NO GROWTH ENVIRONMENT BY FOCUSING ON REDUCING COSTS IN ORDER TO IMPROVE MARGINS AND **INCREASE** PROFITABILITY.

Material issues and strategic response

Material issues

The following table details our material issues. A summary of the key performance indicators we use to measure our performance against strategic objectives and material issues is included with each strategic objective dealt with from page 42 to 46.

Strategic objective	Material issues and risks	Opportunities	Our strategic response
Achieve a step change in profitability and operating performance	• Lack of growth in the segments of the South African economy which we serve, which is further complicated by the high level of fixed cost in the Group, derived from our large footprint and the large capital base we sustain; • Supply chain inefficiencies and high selling and administrative costs; • Reliability of LPG and CO_2 supply; • Increasing competition, both from traditional and non-traditional competitors; • Increasing labour demands; and • Electricity and other energy cost increases.	• New CO_2 and LPG sourcing; • LPG storage facilities; • Growth in REA; • Export growth in gas control equipment; and • New energy efficient plants.	• We introduced our new integrated business lines to bring revenue, cost, asset efficiency and identification of areas where costs can be optimised; • We have started to benchmark ourselves against Linde peer group to identify areas of opportunities to address cost and efficiency; • We have increased our focus on the following: procurement to reduce purchased cost; customer service to ensure support of our brand and appropriate selling prices; developing a competitive organisation, optimising supply chain with the help from Linde supply chain experts; and • Our newest plants are designed to be far more energy efficient (e.g. Pretoria and Port Elizabeth ASUs and the Nuclear Energy Corporation of South Africa (NECSA) hydrogen plant).

Strategic objective	Material issues and risks	Opportunities	Our strategic response
Ensure sustainable growth while enhancing competitiveness	• Growth in intellectual property, as well as research and development capabilities; • Retention of vital talent; • Product mix and expansion into key growth areas; • Fluctuations in the exchange rate and crude oil prices; • Asset utilisation; • The B-BBEE rating at a level 3; and • Customer service.	• Exploitation of opportunities that arise in new products and new markets, especially in the rest of Africa region; • Cost optimisation; • Improved service levels; • Improved supply chain for the Hard Goods business; • Improved B-BBEE status; and • Best in breed business processes.	• We remain a key player in our market and, with strong cost management, will continue to exploit application-led growth opportunities; • We are improving our understanding of African markets; • Given the low growth in the local economy, we will continue to leverage and speed up the development of new products, with emphasis on global markets, and enjoy the benefits of first-mover advantage in the rest of Africa region; • We will also invest in acquisitions and/or new business ventures, when appropriate; and • Roll-out of best in breed Linde processes which enhance performance and reduce cost to serve as part of HPO programme.
Embed advanced performance in areas of safety, health, environment and quality (SHEQ)	• Return to poor safety culture; • We could become associated, by default, with poor SHEQ practices due to illegal LPG filling and trading in our cylinders; • Poor quality of certain roads and road conditions, which increase the risk of truck accidents; and • Increasing enforcement of safety and quality standards by the authorities, both locally and in the rest of Africa.	• Improved safety awareness and practices to enhance competitiveness and investor attractiveness; and • Building on customer confidence in our strong, multinational brand.	• We have achieved a significant improvement in SHEQ as a result of a number of internal programmes, all aimed at embedding a safety culture in line management, with a well-defined SHEQ strategy for 2013 – 2016 and associated plans. We are also continuing our legal programme to curb rogue operators; and • We strive to meet best practice. We have installed the necessary information technology and other systems to monitor and report globally. A central and business line SHEQ plan has been formulated, which includes training.

Strategic objective	Material issues and risks	Opportunities	Our strategic response
Build a performance culture among our people, which will deliver superior customer service and competitiveness	• Access to skills, especially apprentices and graduates, their development and retention; • Shortage of skills and proper succession planning; • Employment Equity targets and retention of people from designated groups; and • Potential increase in labour unrest and increased unionisation.	• Improved culture and employee morale through clear target setting linked to recognition and rewards; and • Benefits of employing a diversified workforce throughout the Africa region and The Linde Group.	• We are in the process of reducing the complexity of our incentive scheme and are considering options to meet Employment Equity targets at senior management and Board level. We are heartened by our people's willingness to build a winning culture. This was aided by the performance management processes, incentives and employee education programmes; and • We have developed a talent retention strategy and have already made progress in succession and change management planning, increasing the rate of equity appointments and addressing channels to market. Afrox provides a fertile environment with substantial career opportunities.

Over the medium- to long-term, our focus will be on the four strategic objectives identified as follows:

Achieve a step change in profitability and operating performance

Focus areas during 2013

Given the state of the South African economy, management have addressed the low or no growth environment by focusing on reducing costs in order to improve margins and increase profitability. This has entailed instilling a cost-consciousness throughout the Group, which includes striving towards operational excellence, efficiency and understanding the true cost of operations. Asset utilisation and transport methods were also reviewed to enhance efficiencies and to reduce filling and distribution costs.

Restructuring the business along integrated business lines allowed steps to be taken towards achieving a more balanced product portfolio, improved supply chain, enhanced cost recovery through quality and pricing and identifying growth market sectors for the cylinder business and value-adding products.

Above all, we focused on maintaining our market share, the associated footprint, and increased levels of reliability through service and improvement of logistics to ensure we retain our existing customer base and to prevent any further erosion.

Key performance area	Key performance indicator	2013	2012	Status
Deliver value to the shareholder	EBITDA margin (%)	15.1	14.4	↑
	ROE (%)	10.3	9.3	↑
	RONA (%)	13.7	12.4	↑
	Revenue growth (%)	4.8	5.9	↓
	HEPS (cents)	95.3	88.5	↑
	DPS (cents)	47.0	45.0	↑
	Dividend cover on HEPS (times)	2.0	2.0	→
Optimise pricing and grow volumes in line with growth in economy of the relevant sectors	Atmospheric Gases (% average volume growth)	(18)*	(2)	↓
	LPG (% average volume growth)	(4)	(4)	→
	Hard Goods (% average volume growth)	(3)	2	↓
Increase plant reliability and productivity	Run-out inefficiency: Bulk – Industrial Gases	3	6	↓
	Run-out inefficiency: LPG	6	2	↑
	Reliability of ASU (%)	98	98	→
	Reliability of CO_2 plants (%)	96	96	→
Improve service levels	DIFOT – Hard Goods (%)	78	84	↓
	DIFOT – Industrial Gases (%)	92	92	→

* *Primarily due to the impact of no longer accounting for the ArcelorMittal revenue which was accounted for six months in 2012.*

Key challenges

In addressing our need to improve profitability and the associated return on investors' capital, we needed firstly to return to basics in order to position the company for growth. This required we significantly improve our levels of safety, improve our service levels and our reliability of supply while simultaneously improving operational efficiency. This entailed changing the behaviour of our people, while dealing with other challenges, which included increased competitor activity, that put pressure on pricing levels, and commercial terms, supply constraints, exchange rate volatility, the presence of illegal LPG operations, supply chain logistical obstacles and the need to retain key skills.

Achievements

To achieve this, we firstly introduced our new integrated business lines, appointing business leaders who had the combined responsibility for evaluating their business through the dimensions of revenue, cost to serve, asset efficiency and investment required. As part of the process, we set clear long-term targets as to what EBITDA margin had to be achieved, and started to benchmark ourselves against other Linde Group companies. We continued with our introduction of best in class processes to reduce cost and increase service levels. Through these improvements, our customer retention increased, we achieved a real reduction in our distribution costs, improved production efficiencies, and increased focus on customer service.

Focus areas for 2014

In the coming year, we will continue to defend our market share through continuing to improve service and our related product offerings. We will also seek innovative new solutions and cost reduction opportunities to ensure we have the margins available to defend our key customers. To support this, we will ensure our plants operate to world-class standards, drive innovation through the launch of new products, especially in the Hard Goods business, enhance our working capital management to free up cash for investment and critically assess aspects of our supply chain and footprint.

We will also actively pursue growth opportunities in the rest of Africa region through appropriate investment, building on the strength of our brands and ensuring we have sufficient local capacity to be able to meet the increasing needs of our customers.

Focus areas for 2015 onwards

Our medium- to long-term focus is on protecting market share and growth in the rest of Africa region. We aim to achieve a 20% EBITDA margin in the medium-term and solidify our number one market position in all markets we serve.

WE AIM TO ACHIEVE A **20%** EBITDA MARGIN IN THE MEDIUM-TERM AND SOLIDIFY OUR **NUMBER ONE** MARKET POSITION IN ALL MARKETS WE SERVE.

Ensure sustainable growth while enhancing competitiveness

Focus areas during 2013

During our strategic review, we recognised the achievement of volume growth was hampered by the current state of the South African economy. Accordingly, we planned our strategy to prepare us for growth as the economy improves. Therefore, instead of hinging expectations for improved profitability on the back of significant volume recoveries, we have adopted a strong cost focus, especially in distribution and procurement, including a critical evaluation of asset utilisation, standardisation and de-bottlenecking the supply chain. Our local investments are positioned to protect market share, improve customer service and reduce operating cost through energy-efficient designs. In addition, our new plants will require lower maintenance in the initial stages of their expected useful lives.

Key challenges

The key challenge remains the lack of growth in the South African industrial and mining sectors of the economy. However, we will continue to seek out opportunities and will defend our market share while addressing the effects of a high fixed cost business with a large distribution footprint. Retention of skilled resources at the current levels remains a priority after this year's restructuring.

Achievements

Afrox successfully commissioned the Pretoria ASU, established a fridge plant at the Pretoria ASU to produce more nitrogen and launched a number of efficiency programmes to achieve better utilisation of cylinder stocks. While the asset utilisation review is still under way, the merger of the Spartan and the Brits welding factories, and establishment of a lower cost base, has already begun. The development of new low-cost locally manufactured welding products will enable Afrox to gain market share from importers increasingly hampered by the weakened Rand. Increased focus on environmental costs through campaigns resulting in an overall reduction in electricity usage and overall reduction in most environmental KPIs.

Key performance area	Key performance indicator	2013	2012	Status
Atmospheric Gases Invest in core industrial gases	GPADE (Rm) GPADE margin (%)	610 35.0	568 31.3	↑ ↑
LPG Embed capacity planning philosophy Grow LPG contribution	GPADE (Rm) GPADE margin (%)	311 14.6	362 17.9	↓ ↓
Hard Goods Refocus Hard Goods	GPADE (Rm) GPADE margin (%)	337 33.9	266 30.4	↑ ↑
Rest of Africa Develop regional opportunities ASU deployment	GPADE (Rm) GPADE margin (%)	322 33.7	314 37.0	↑ ↓
Optimise asset utilisation	RONA (%) ROE (%)	13.7 10.3	12.4 9.3	↑ ↑
Maintain appropriate funding structure	Gearing (%) Interest cover on EBIT (times)	14.6 10.9	15.5 12.5	↓ ↓
Corporate social responsibility and wealth distribution	Donations (Rm) Wealth distributed to government (Rm) Wealth distributed to providers of capital (Rm) Wealth distributed to employees (Rm)	10 144 246 1 191	6 133 269 1 148	↑ ↑ ↓ ↑
Fostering Broad-Based Black Economic Empowerment (B-BBEE)	B-BBEE level	3	3	→

Focus areas for 2014

In working towards ensuring sustainable growth and enhanced competitiveness, the company will continue to benchmark itself against The Linde Group and leverage its existing infrastructure to benefit its customers. During the coming year, we will also critically evaluate our market position, pricing strategy and asset utilisation and will challenge our footprint, with a possible reduction or disposal of unprofitable business lines and products. Specific items on the agenda include working with our CO_2 supplier in the Western Cape to source additional CO_2 per day, expansion to support the merchant business in the Western Cape and delivering the Port Elizabeth ASU on time. Ongoing focus on environmental costs to realise maximum savings while ensuring sustainability benefit.

Focus areas for 2015 onwards

The Group has launched a new integrated business planning process, which aims to balance supply and demand in the medium- to long-term. This process will have many positive benefits as it matures. This process has been successfully implemented in The Linde Group and has led to substantial increases in customer service, the early identification of market opportunities and ensures future demand can be profitably met by creating additional capacity where warranted.

In addition, we will continue to focus on further expansion into the rest of Africa region, with the appropriate investment into high growth priority areas and geographies.

We will also exploit the Rand weakness by boosting Hard Goods exports while gaining market share from importers with locally manufactured products.

Embed advanced safety, health, environment and quality (SHEQ) performance

Focus areas during 2013

In order to achieve our goals in the SHEQ arena, it was critically important to instil the belief and understanding that "SHEQ is everyone's job". This included embedding our Golden Rules of Safety as a non-negotiable baseline of behaviour, as follows:

- Incident management;
- Driving and vehicles;
- Permit to work;
- Working at height;
- Lifting operations;
- Contractor management; and
- Engineering management of change.

Compliance with these rules is what makes the difference in reducing major incidents, lost time, medical treatment and high severity transport incidents. This, of course, needs to be achieved against the background of full compliance with legal requirements at all times and plays a significant role in achieving cost savings through reduced lost time and property damage.

Key challenges

Internally, the key imperative was to start the journey towards advanced SHEQ performance, which must begin at the top with the leadership of the organisation and cascade to every part of the business. Externally, our challenges, among others, were dealing with the business infrastructure and environment, such as illegal LPG traders and a deteriorating road network.

Achievements

We are very encouraged by the significant improvement in all of our lagging indicators, which has resulted in a 64% reduction in major incidents, 57% reduction in lost-time injuries and an 85% reduction in lost days. In fact, total recordable injuries, including medical treatment cases, are down by 50% on 2012. An increased focus on environmental performance resulted in most environmental KPIs showing a reduction, with electricity savings of 19.8%. Afrox carbon footprint was calculated for the first time with our direct CO_2 emissions (tCO_2e) at 43 659, well below the 100 000 threshold for Carbon Tax. We have set the scene for further improvements through executive and senior management sponsorship of the SHEQ agenda, formation of a Quality Council and raising the profile of the management of occupational health and environmental performance.

Key performance area	Key performance indicator	2013	2012	Status
Safety and Health	MIR (number)	**8**	22	↓
	LTI rate (days)	**150**	1 020	↓
	TAAR (%) (severity 1 and 2)	**2**	4	↓
	PCAAR (%) (severity 1 and 2)	**2**	4	↓
Environmental	Electricity consumption (MWh)	**460 558**	574 530	↓
	Water consumption (m^3)	**979 665**	1 237 170	↓
Quality	Adherence to quality standards in particular for regulated products	**100%**	100%	→

Focus areas for 2014

The key to moving to advanced SHEQ performance is to ensure the SHEQ agenda is delivered by line management. Therefore, we are implementing the Leadership in SHEQ programme, which will ensure continuous and sustainable improvement.

Comprehensive SHEQ plans are in place throughout the region, and integrated business lines, to drive this agenda forward and include programmes to improve process safety and peer-to-peer safety awareness and a reduction in passenger car incidents, manual handling injuries, exposure to noise and hazardous substances. Environmental awareness campaigns are ongoing with KPIs being developed for major sites. The quality management system is also being re-invigorated to align to each business process and provide better customer service.

Focus areas for 2015 onwards

Our SHEQ roadmap defines the journey and will chart progress and priorities to achieving leading, world-class SHEQ performance. This involves moving key elements of the SHEQ system from standard level to advanced level in a logical and sustainable way, including:

- Visible leadership;
- Line accountability and responsibility;
- Challenging SHEQ goals and targets; and
- An integrated network for SHEQ.

» DURING THE LAST TWO YEARS WE HAVE DEALT WITH MANY LEGACY OBSTACLES THAT AFFECTED OUR SHEQ PERFORMANCE, INCLUDING:

- CORRECTING MEASUREMENTS
- APPROPRIATE INFORMATION
- ACQUIRING AND RETAINING THE RIGHT SKILLS
- DEVELOPMENT OF SENIOR AND MIDDLE MANAGEMENT
- ACHIEVING BUY-IN AT ALL STAFF LEVELS AS TO OUR GOLDEN RULES OF SAFETY.

Build a performance culture

Focus areas during 2013

The initial stages of developing a revitalised performance culture have been undertaken. We have also established our new integrated business lines structure and appointed the key leadership positions. This enabled us to benchmark our performance against The Linde Group and allowed us to set clear, reasonable goals, including our ambition to return to a greater than 20% EBITDA margin. These goals were translated into specific company level performance objectives, which were complemented by supporting personal objectives embedded in each manager's performance contract. This direct performance management approach was integrated into our training and development programme, as well as our Employment Equity and succession programmes.

Key challenges

We have to overcome many legacy obstacles, including access to appropriate information, inadequate cost allocation, acquiring and retaining the right skills, development of senior and middle management and achieving buy-in at all staff levels. Meeting our own Employment Equity targets has proved to be a challenge in the 2011 – 2013 cycle. The productivity focused restructuring resulted in many employees being in different or more complex positions that require a re-skilling which is being addressed through personal development plans. Increasing labour demands could impact the Afrox cost base. Ongoing focus on relations with unions and Bargaining Councils is a critical priority.

Key performance area	Key performance indicator	2013	2012	Status
People development and leadership capability	Leadership developments (number of people)	**651**	710	↓
	Learners, Apprentices, Bursars and Graduates (number of people)	**80**	48	↑
Performance management	Performance appraisals completed on time (%)	**100**	100	→
Diversity and transformation	B-BBEE level	**3**	3	→

Achievements

We successfully streamlined the organisation along the new integrated business lines structure. We filled all critical positions and now have a driven team in place. While obtaining cost reductions from efficiency improvements, we also refocused performance management from individual to company/Group objectives, to reward appropriate behaviours. Standardisation of processes, succession planning and B-BBEE were also improved during the year.

Focus areas for 2014

We will concentrate on capturing growth opportunities and continue to develop our management team through global training programmes and local initiatives and ensure rewards are better aligned to results and underpin our objectives of growing profits and market share. The newly promulgated B-BBEE codes are posing new challenges and an integrated transformation strategy will be developed to ensure pro-active response to the increased requirements. Employment Equity remains a challenge. Renewed efforts and focus will ensure achievable company targets are set and achieved.

Focus areas for 2015 onwards

In the medium- to long-term, the focus will shift to obtaining the best skills in the industry and retaining them. This will require ongoing leadership, technology and best practice transfer. The focus will shift to sustainable long-term growth.

AFROX RECOGNISES THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE, TOGETHER WITH OPEN, **HONEST** AND COMPREHENSIVE BUSINESS PRACTICES.

Governance and remuneration

Our governance approach

Introduction

The Board of directors of Afrox recognise the principles of good corporate governance, together with open, honest and comprehensive business practices, as essential to protect the interests of all stakeholders. These principles are being fully integrated into the organisational culture to ensure they become a way of life within the Group. Appropriate governance principles are incorporated in all Group structures, systems and policies, and these are constantly reassessed and reviewed to ensure continuous compliance and best practice is applied and practised.

The King III Report on Governance for South Africa (King III) has focused our efforts to ensure sound leadership, as well as sustainability and good corporate citizenship, is included in our business structures, policies and practices.

Statement of compliance

The Listings Requirements of the JSE require JSE-listed companies to report on the extent to which they comply with the principles incorporated in King III. The Board of directors believes the Group is compliant with King III and the JSE's Listings Requirements, except for the following instances:

King III recommendation	Explanation
The Chairman of the Board should be an independent non-executive director.	Our current Chairman, Mike Huggon, is the Managing Director of Region UK and Africa within The Linde Group structure and, as such, is the prime Board representative of Afrox's majority shareholder. As he is not an independent non-executive, in accordance with the recommendations of King III, Afrox has instead appointed a lead independent director, Dr Khotso Mokhele.
The Audit Committee should have at least three independent non-executive directors.	Morongwe Malebye, an independent non-executive director, resigned in August 2013. Processes are in place to replace her as soon as possible. Therefore, for two Audit Committee meetings during the 2013 cycle, the composition of the committee was not complete. Notwithstanding the vacancy, the meetings were properly constituted, as there was a quorum of two independent directors present at both meetings.
The SET Committee should comprise at least three non-executive directors of which two must be independent directors.	In order to establish the committee and to give the committee the impetus required to deal with the complex subject matter, the committee was constituted with the lead independent director and the Chairman of the Board as the initial members. The Managing Director and Financial Director were obligatory attendees at each meeting. This was to facilitate the proper integration of this committee with the other Board committees and to ensure the appropriate tone from the top to drive the required business response. Now that the key deliverables have been approriately defined and action plans developed the composition of the committee is being reviewed to ensure compliance with its constitution.

Board

Changes during the year

Jonathan Narayadoo, an executive director, and Louis van Niekerk, lead independent non-executive, retired as directors, effective May 2013. Morongwe Malebye, an independent non-executive director, and Dynes Woodrow, a non-executive director, resigned as directors, effective August 2013.

Dr Khotso Mokhele was appointed as the new lead independent non-executive director at the company's annual general meeting in May 2013 and Chris Wells was appointed as Chairman of the Audit Committee.

Board of directors

Board meetings are held four times a year and ad hoc meetings are arranged whenever necessary. Where directors are unable to attend any particular Board meeting, they communicate comments they may have regarding the agenda and general items to the committee Chairperson, to be raised at the relevant meeting.

The agenda and relevant supporting documents are distributed to directors well before each Board meeting and, during the meeting, the appropriate executive director explains and motivates business items where decisions are required. The directors have unrestricted access to all company information and records. Where directors are based abroad and are not able to attend, video or teleconferencing facilities allow them to participate in the debate and conclusions reached.

The attendance schedule for the year is on page 53.

Composition of the Board

The Afrox Board currently consists of four independent non-executive directors, three non-executive directors employed in executive capacities within The Linde Group and two executive directors. A further independent non-executive director is being sought to serve on both the Board and the Audit Committee.

Independent non-executive directors
Dr Khotso Mokhele – lead independent
David Lawrence
Sipho Maseko
Chris Wells (British)

Non-executive directors
Mike Huggon – Chairman (British)
Richard Gearing (British)
Matthias von Plotho (German)

Executive directors
Brett Kimber – Managing Director
Nick Thomson – Financial Director

The Chairman and Managing Director

The Chairman is an executive of the controlling shareholder, Linde AG and in particular is the Chief Executive of Region Africa and United Kingdom of which Afrox forms part. The Chairman provides overall leadership of the Board and its committees. He, in conjunction with the Nominations, Governance and Management of Resources (NGMR) Committee, monitors and evaluates the performance of the Managing Director to ensure that the strategic and operational objectives of the company are achieved. The roles of the Chairman and the Managing Director are separate to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making.

Rotation of directors and confirmation of new appointments

At the annual general meeting to be held on 22 May 2014, shareholders will be asked to confirm the re-appointment of David Lawrence, Matthias von Plotho and Richard Gearing, who will retire in accordance with the company's Memorandum of Incorporation but who, being eligible, have offered themselves for re-election.

Selection and succession planning

The NGMR Committee makes recommendations to the Board on the appointment of executive and non-executive directors and on the composition of the Board. The Board, having due regard for the recommendations of the committee, makes such appointments to the Board as it may deem appropriate, subject to the approval of shareholders being obtained at the ensuing annual general meeting. Directors are appointed on the basis of skills, acumen, experience and their actual or potential level of contribution to and impact on the activities of the Group, as well as racial and gender diversity. All directors have access to management, including the Company Secretary, and to information required to enable them to carry out their duties and responsibilities fully and effectively.

The Board Charter

The Board operates under an approved charter, which regulates the way business is conducted in line with the principles of sound corporate governance. The Board Charter, which is aligned to principles recommended by King III, details the powers of the Board, provides that the Board has ultimate accountability and responsibility for the Group's performance and affairs. The Charter is updated annually to keep up with best practice and will be amended to take into account any changes brought about by new legislation.

Performance assessment

Directors are required to dedicate sufficient time to be able to monitor, evaluate and comment effectively to the Board and management on the financial and operational information supplied to the Board.

The Company Secretary

Cheryl Singh is the new Company Secretary, appointed in December 2013, and succeeded Carnita Low in January 2014.

The Company Secretary provides the Board with guidance in respect of the discharge of their duties and responsibilities as well as in respect to legislation and regulatory and governance procedures and requirements. The Board has full access to, and is fully aware of, the responsibilities and duties of the Company Secretary and has committed itself to ensure that the Company Secretary is afforded the support required in order to perform her duties. The Company Secretary is, among others, responsible for the following:

- Providing assistance and advice to the Board on matters of good governance and ethics;
- Providing advice to directors on their duties and responsibilities to the company;
- Induction of directors;
- Updating the Board on new developments in applicable laws, regulations and standards; and
- Overseeing shareholder relations in respect of company notices, correspondence, shareholder meetings and ensuring that the company complies with the relevant legislation. The Company Secretary acts as secretary to all Board appointed committees.

Dealing in securities

The Group has a policy in place to ensure compliance with all legislation and regulations governing insider trading and prohibited periods. This policy complies with the JSE Listings Requirements and restricts directors, officers and employees from dealing in company securities prior to any announcement in respect of its financial results or during any period surrounding the disclosure of any price sensitive information. In terms of the policy, the Chairman approves all transactions in company securities prior to any such transactions. The policy is reviewed from time to time to ensure continued compliance with applicable legislation.

Board appointed committees

While the Board remains accountable and responsible for the performance and affairs of the company, it delegates to management and Board appointed committees certain functions to assist it to discharge its duties properly. Each Board appointed committee acts within agreed, written terms of reference. The Chairman of each Board appointed committee reports and provides minutes of committee meetings at the scheduled Board meetings. With the exception of the SHEQ Committee, where the Managing Director, Brett Kimber, is an official member, the Board appointed committees' members are non-executive directors and the Chairman of each Board appointed committee is an independent non-executive director. The executive directors attend Board appointed committee meetings by invitation.

The established Board appointed committees are as follows:

Committee	Purpose	Composition	Meetings
Audit Committee			
Chris Wells (Chair from June 2013) David Lawrence Louis van Niekerk (Chair until May 2013) Morongwe Malebye (until August 2013)	Details of the committee are contained in the Audit Committee report on page 66.	Three independent non-executive directors	Meets at least three times a year
Nominations, Governance and Management of Resources (NGMR) Committee			
	Management of Resources		
David Lawrence (Chair) Dr Khotso Mokhele Louis van Niekerk (until May 2013)	• To determine and make recommendations to the Board on the framework, policy and costs of executive and senior management remuneration. Determines and recommends the remuneration strategy to ensure that executive directors and other senior employees are adequately remunerated; • Refers specific recommendations for independent director remuneration to the Board for deliberation. No person is involved in any decision as to his or her own remuneration; • Reviews and advises on the general principles under which compensation, pension, training, succession plans and performance management are applied to senior employees of the Group; • Reviews the rules of any share appreciation rights or share rewards schemes operated by the company; and • Monitors and reviews the company's retirement funds to ensure compliance with current best practice standards, industry practices and legislation.	Two independent non-executive directors	Meets three times a year
	Nominations and Corporate Governance		
	• Monitors and reviews the company's policies, practices and compliance with corporate governance principles and regulations; and • Serves as a Nominations Committee and as part of its function: – Prior to the annual general meeting, the committee reviews and makes recommendations on the retirement and re-election of directors by rotation; – Identifies, evaluates and nominates candidates to fill vacancies for executive, non-executive and independent directors of the company for approval by the Board as a whole; – Reviews the size of the Board, committee structures and director assignments; and – Once every three years an independent assessor evaluates the Board's effectiveness and its performance as a whole. However, at certain intervals the Board, through the committee, conducts self-performance evaluations.		

Committee	Purpose	Composition	Meetings
Safety, Health, Environment and Quality (SHEQ) Committee			
Dr Khotso Mokhele (Chair) Richard Gearing Mike Huggon Brett Kimber Louis van Niekerk (until May 2013)	· Ensures that the management of safety, health, environment and quality within Afrox is aligned with the overall business strategy of the company and is geared towards compliance and fulfilment of its commitments and obligations in these fields; · Reviews the policies and performance of Afrox and the implementation of safety, health, environment and quality policies; · Considers and provides guidance to the Board on major safety, health, environmental and quality projects; · Ensures that the Board is informed about all significant impacts on the company in the safety, health, environment and quality field and how these processes and activities are managed; · Considers substantive national and international regulatory and technical developments in the field of safety, health, environment and quality; and · Monitors the company's safety, health, environment and quality performance progress on continuous improvement.	Four non-executive directors and the Managing Director	Meets four times a year
Social, Ethics and Transformation (SET) Committee			
Dr Khotso Mokhele (Chair) Mike Huggon Brett Kimber	To formulate and monitor a range of strategies to ensure the successful transformation of Afrox, in the areas of Broad-Based Black Economic Empowerment (B-BBEE), sustainable development and good corporate citizenship, by assessing the company's performance against the following criteria: · Black equity participation; · Employment Equity; · Management transformation; · Skills development; · Affirmative procurement; · Enterprise development; · Ethics management; and · Corporate social responsibility.	Two non-executive directors and the Managing Director	Meets three times a year

Schedule of attendance at Board and committee meetings

Directors	Scheduled Board meetings	Special Board meetings	Audit Committee	Meetings attended	Special Audit Committee meetings	NGMR	Meetings attended	SHEQ	Meetings attended	SET	Meetings attended
Independent non-executives											
Dr Khotso Mokhele (Lead)	3/4					Member	3/3	Chair	4/4	Chair	3/3
David Lawrence	3/4		Member	3/3	1/1	Chair	3/3				
Morongwe Malebye**	1/3		Previous member								
Sipho Maseko	3/4										
Chris Wells	4/4		Chair	3/3	1/1						
	1/3	1/1	Previous Chair								
Dynes Woodrow**	3/3							Member	3/3		
Non-executives											
Mike Huggon (Chairman)	4/4							Member	4/4	Member	3/3
Richard Gearing	4/4							Member	4/4		
Matthias von Plotho	3/4										
Executives											
Brett Kimber (Managing Director)	4/4							Member	4/4	Member	3/3
Nick Thomson (Financial Director)	4/4										
Jonathan Narayadoo*	1/1										

* *Resigned May 2013.*
** *Resigned August 2013.*

Public and shareholder communications

Communication to the public and shareholders embodies the principles of balanced reporting, clarity and openness. Positive and negative aspects of both financial and non-financial information are provided. We maintain an active dialogue with our key financial audiences, including institutional shareholders, investment analysts and our funding community. Our policy is to present to investors, fund managers and analysts twice a year after the release of the Group's results. The executive directors conduct regular roadshows and presentations. They also maintain contact with fund managers and institutional investors on socially responsible investment and triple bottom line issues, as well as initiating one-on-one interactions and briefings with interested investors, both locally and from overseas. The Board encourages shareholders to attend its forthcoming annual general meeting. This meeting provides an opportunity for shareholders to question the Board, including the Chairmen of the various Board appointed committees. Shareholders have the opportunity to cast their votes at the annual general meeting. Refer to page 14 for a more detailed discussion on our engagement with our stakeholders.

Code of Ethics

Inextricably linked to good corporate governance is our Code of Ethics. We have always maintained the highest ethical standards of business conduct and full compliance with applicable laws, regulations and industry standards. We aim to earn the trust of our customers, shareholders, colleagues, suppliers and communities through honesty, performance excellence, good corporate governance and accountability. We expect people to respect confidential information, company time and assets. We believe in open and honest communication, fair treatment and equal opportunities and support the fundamental principles of human rights.

While common sense, good judgement and conscience apply in managing a difficult or uncertain situation, the Code of Ethics assists in detailing the standards and priorities within the Group, as well as specific rules covering human rights, safety at work and environmental and supply management.

Guiding principles or core values within the Code define our responsibilities towards, and what we expect from:

- Directors;
- Employees;
- Local communities and the public;
- Customers, suppliers and markets; and
- Shareholders.

The Code of Ethics is the starting point from which employees draw inspiration and guidance for their behaviour. An integrity line has been established to enable employees to report contraventions of the Code of Ethics.

Risk management

The Board is ultimately responsible for risk management and is assisted in its responsibilities by the Audit Committee. The day-to-day responsibilities for the design and implementation of risk management processes and systems are the responsibility of management.

A Risk Management Policy, an enterprise-wide Risk Management Framework and Risk Management Plan are in place and periodically reviewed. The Group's risks are updated quarterly into the Active Risk Manager database. This requires that risks are assessed in terms of impact and probability against defined criteria in line with risk tolerance set by the Board. A risk owner is assigned and is responsible for implementing and tracking progress on the mitigation plans. Key risks are escalated and reviewed by the Audit Committee and reported on to the Board three times a year.

The material risks faced by the Group as well as our strategic response have been detailed from page 36 to 38.

The company's assessment of business opportunities considers not only the technical risks but also developing geo-political, economic and customer trends. Risks are classified as either pure or speculative allowing for refinement of the mitigation strategy and for improved decision making on risks that previously might not have been viewed as within the company's risk tolerance.

Comprehensive insurance remains in place and is reviewed annually.

The company provides information to our auditors as part of their audit of The Linde Group to assess the effectiveness of risk management. In addition, internal audit reviews risk management practices as part of the audit cycle.

Management of SHEQ risk

The Board has the ultimate responsibility for monitoring the effectiveness and efficiency of the SHEQ process. SHEQ performance is governed through self-regulation, communicating and encouraging adherence to safe practices. A dedicated SHEQ department ensures the Group has a deliverable policy, is pro-active in its risk assessment and professional in its remediation.

Executive managers review the SHEQ policy regularly, which is a key part of overall company strategy and operating policy. The policy states the company will develop its SHEQ capabilities to world-class standards by manufacturing, marketing and supplying quality products which are safe and do not pose a risk to people or to the environment. In addition, the Group is committed to compliance with all external regulations as well as ISO 9001, ISO 14001 and OHS 18001. For more information on our SHEQ activities, refer to page 44.

Going concern

The directors, having considered all relevant factors, are of the opinion that the annual financial statements, a summarised version of which appears from pages 64 to 84, have been prepared on a going-concern basis. The Board believes that the Group has adequate resources in place to continue in operation for at least the next twelve months.

Cheryl Singh
Company Secretary

27 February 2014

Remuneration report
for the year ended 31 December 2013

Introduction

This report sets out our remuneration philosophy for executive management, employees and non-executive directors.

Remuneration philosophy

The remuneration process is designed to support the successful execution of the organisational strategy by:

- Attracting, motivating and retaining high performing employees by being competitive in the market;
- Encouraging and rewarding employees to achieve or exceed the objectives and targets of the business; and
- Aligning the economic interests of employees with those of other stakeholders.

Our philosophy is to balance a flexible approach that recognises differences in individual performance, value and contribution to the organisation, with a consistent framework that ensures equitable pay levels and defensible remuneration decisions. At all levels there is a rigorous objective setting process to ensure shareholder objectives are met and/or exceeded.

For base pay, we take cognisance of the 50th percentile of a selection of peer companies, primarily drawn from the manufacturing sector. However, we do on occasion pay above this benchmark when required to attract the best talent. We strive to differentiate ourselves by providing a comprehensive basket of relevant employee benefits.

Responsibility for developing and governing remuneration

The Board is ultimately responsible for the Remuneration Policy. To assist the Board in fulfilling its responsibilities, it has appointed and mandated a Nominations, Governance and Management of Resources (NGMR) Committee, which consists of two non-executive directors and the Chairman of the Board attends by invitation. The primary objective of the NGMR Committee in respect of remuneration is to provide input to and approve the reward strategy. It is responsible for:

- Approving remuneration packages for executive directors;
- Approving policy and the award arising therefrom relating to bonus and share incentive schemes;
- Recommending the non-executive directors' fees for approval at the annual general meeting;
- Reviewing the annual salary increase process and the resulting affordability of the proposed increases; and
- Ensuring alignment of remuneration practices with Afrox's overall remuneration philosophy.

The committee uses the services of a number of advisers to assist in tracking market trends related to all levels of employees, including PricewaterhouseCoopers Advisory Services and Hay. The Linde Group also provides significant input into the establishment of the remuneration practices of the Group.

Nominations, Governance and Management Resources (NGMR) Committee membership

David Lawrence is the Chairman of the NGMR Committee. The other member is Dr Khotso Mokhele. Mike Huggon, the Chairman of the Board, attends the meetings by invitation.

All committee members have the relevant skills and experience to perform their duties.

Service contracts

No director has a service contract with the company containing a notice period exceeding six months or providing for compensation and benefits (excluding share-linked benefits vesting in terms of the applicable rules of the scheme) in excess of six months' salary.

Remuneration for executive directors

The remuneration of executive directors for the financial year is detailed on page 59.

All executive directors are retained on employment contracts containing notice periods ranging between one month and six months.

Remuneration packages for executive directors comprise the following components:

Guaranteed component

Executive directors receive a guaranteed element of remuneration. This is based on cost to company. Cost to company comprises a fixed cash portion and benefits (medical aid, life cover and retirement fund membership). Our executive directors receive guaranteed remuneration in line with market levels, taking into account their responsibilities.

Short-term incentives

Short-term incentives are designed to reward executive directors for achieving stipulated strategic annual objectives, thereby ensuring that a significant portion of executive directors' cost is variable.

Executive directors' short-term incentives are based on both Group financial performance and individual performance. Typically the split between Group and individual performance is 70% and 30% respectively and short-term incentives are typically up to 40% of base salary. There is a threshold below which no incentive is paid. Thresholds are set strategically based on the business area and level.

Long-term incentives

Long-term incentives aim to encourage executive directors to execute our long-term strategy successfully and achieve our long-term objectives. Executive directors take part in the share-based incentive scheme. This scheme is described in more detail below.

Remuneration for senior management identified as prescribed officers and employees

The remuneration of senior management identified as prescribed officers for the financial year is detailed on page 59.

Remuneration packages for senior management and employees contain some or all of the following components, depending on the individual's level in the Group.

Guaranteed component

All permanent employees who are not in a sales function, irrespective of level, receive a guaranteed element of remuneration. This is based on cost to company and comprises a fixed cash portion as well as compulsory benefits (medical aid, life cover and retirement fund membership). The guaranteed portion of the remuneration package is set taking into account base pay at the 50th percentile of the market, and the skills of the specific employee. Increases in the guaranteed component are determined in line with market movements and reflect individual performance.

Employees in a sales function receive a variable monthly remuneration linked directly to their productivity. This is made up of a fixed guarantee portion as well as a variable portion related to their productivity.

Short-term incentives

At a management level, we use short-term incentives to encourage achievement of stipulated annual objectives, thereby ensuring that a significant portion of pay is variable and linked to performance.

Senior management's short-term incentives are based on both Group financial performance and individual performance. Typically the split between Group and individual performance is 70% and 30% respectively and short-term incentives are typically up to 30% of base salary. There is a threshold below which no incentive is paid. Thresholds are set strategically based on the business area and level.

The NGMR Committee approves the Group's primary bonus pools and oversees the principles applied in allocating these pools to business units and individuals.

The short-term incentives are paid annually.

Long-term incentives

Senior management, together with executive directors take part in the Group's share-based incentive scheme. The overall company and individual performance is taken into account when the NGMR Committee decides on each individual allocation. It is the view of the committee that the incentive scheme is a direct link to the company performance through the share price. In addition, the scheme is intended primarily to attract and retain competent employees.

Share Appreciation Rights scheme (SARs)

We changed the Share Appreciation Rights scheme from a cash-settled to equity-settled scheme during the previous year.

In terms of the rules of the various share schemes, the aggregate number of share appreciation rights together with forfeitable shares shall not exceed the equivalent of 10% of the company's issued ordinary share capital from time to time and no one individual may hold in excess of the equivalent of 1% of the company's issued share capital. The Share Appreciation Rights are converted into ordinary shares (providing performance conditions are met by the vesting date) by applying the following formula at the date of exercise of the option:

$$\frac{\text{Share price at exercise date}}{\left(\text{Share price at exercise date} - \text{Share price at date option granted}\right)} \times \text{Number of rights exercised}$$

The executive directors who held office on 31 December 2013 had a direct interest in 352 522 share appreciation rights in the company, granted at an average price of R23.63 per share.

Forfeitable Share Plan (FSP)

The FSP was introduced during the previous year, with effect from 1 January 2013. Executive directors who held office on 31 December 2013 had an indirect interest in 51 000 forfeitable shares granted at an average price of R20.72 per share. The release of certain of the shares is conditional only upon the directors being employed by the company at the vesting date and for other shares granted both on continued employment and on reaching predetermined performance conditions.

Review of long-term incentives

The NGMR Committee regularly reviews the long-term incentive scheme to ensure alignment to our long-term objectives and any relevant changes in tax legislation.

Remuneration for non-executive directors

The remuneration of non-executive directors for the financial year is detailed on page 59.

The NGMR Committee reviews the fees annually and makes recommendations to the Board for consideration. Following recommendations from the committee, the Board proposes the non-executive director fees for shareholder approval at the annual general meeting.

As of 2013, the fees reflect a change in the remuneration methodology in favour of a higher retainer and lower meeting fees in line with common practice and King III. The Chairman of the Board is entitled to receive a fixed retainer and would not receive any other fees or retainer for attendance at Board or committee meetings. However, as the current Chairman holds this position by virtue of his executive position in The Linde Group, no retainer is currently payable.

The fee structure for 2013 and that proposed for the 2014 financial year are contained in the Notice to Shareholders on page 91.

INDEPENDENT NON-EXECUTIVE DIRECTORS' REMUNERATION

The fees payable to the independent non-executive directors are reflected below:

Category	Role	Current practice		Proposed 2014 payment		
Committee		Retainer fee R	Fee per meeting R	**Retainer fee R**	**Fee per meeting R**	Total fee increase %
Independent lead director		350 000	10 000	**370 000**	**10 500**	6
Board	Director	200 000	10 000	**212 000**	**10 500**	6
Audit Committee	Chairperson	135 000	10 000	**143 000**	**10 500**	6
	Member	67 500	10 000	**71 000**	**10 500**	5
– Nominations, Governance and Management of Resources Committee	Chairperson	90 000	10 000	**95 000**	**10 500**	6
– Safety, Health, Environment and Quality Committee	Member	45 000	10 000	**48 000**	**10 500**	6
– Social, Ethics and Transformation Committee						

Director and executive management emoluments (R'000)

Name	Months paid	Fees	Remune-ration	Pension payment/ contributions	Performance^ bonus	Benefits, allowances and gains on share incentives	Total
2013							
Non-executive directors*		**2 158**	**–**	**–**	**–**	**–**	**2 158**
Current directors							
DM Lawrence	**12**	**438**	**–**	**–**	**–**	**–**	**438**
SN Maseko	**12**	**220**	**–**	**–**	**–**	**–**	**220**
KDK Mokhele	**12**	**657**	**–**	**–**	**–**	**–**	**657**
CF Wells	**12**	**352**	**–**	**–**	**–**	**–**	**352**
Former directors							
M Malebye	**8**	**191**	**–**	**–**	**–**	**–**	**191**
LL van Niekerk	**4**	**300**	**–**	**–**	**–**	**–**	**300**
Executive directors		**–**	**6 803**	**937**	**5 870**	**6 280**	**19 890**
Current directors							
BD Kimber	**12**	**–**	**3 018**	**255**	**3 395**	**1 082**	**7 750**
NA Thomson	**12**	**–**	**2 454**	**357**	**1 307**	**755**	**4 873**
Former directors							
J Narayadoo	**9**	**–**	**1 331**	**325**	**1 168**	**4 443**	**7 267**
Executive management		**–**	**4 745**	**856**	**874**	**1 978**	**8 453**
Prescribed officer 1	**12**	**–**	**1 224**	**178**	**659**	**461**	**2 522**
Prescribed officer 2	**8**	**–**	**1 040**	**151**	**–**	**468**	**1 659**

* *Linde non-executive directors are not reflected as they do not receive emoluments from the company.*
^ *In respect of 2012 financial performance.*

Director and executive management emoluments (R'000) ***continued***

Name	Months paid	Fees	Remune-ration	Pension payment/ contributions	Performance^ bonus	Benefits, allowances and gains on share incentives	Total
2013							
Executive management							
continued							
Prescribed officer 3	**12**	**–**	**1 121**	**162**	**215**	**550**	**2 048**
Prescribed officer 4	**8**	**–**	**1 360**	**365**	**–**	**499**	**2 224**
Total emoluments		**2 158**	**11 548**	**1 793**	**6 744**	**8 258**	**30 501**
2012							
Non-executive directors*		1 752	–	–	–	–	1 752
Current directors							
DM Lawrence	12	345	–	–	–	–	345
SN Maseko	1	35	–	–	–	–	35
KDK Mokhele	12	535	–	–	–	–	535
CF Wells	1	58	–	–	–	–	58
Former directors							
M Malebye	12	239	–	–	–	–	239
LL van Niekerk	12	540	–	–	–	–	540
Executive directors		–	7 246	1 023	4 615	1 613	14 497
Current directors							
BD Kimber	10	–	3 287	279	406#	333	4 305
J Narayadoo	12	–	1 693	414	944	558	3 609
NA Thomson	9	–	1 800	262	–	564	2 626
Former directors							
FT Kotzee	3	–	466	68	3 265	158	3 957
Executive management**							
Prescribed officier 1	12	–	1 159	155	530	419	2 263
Total emoluments		1 752	8 405	1 178	5 145	2 032	18 512

* *Linde non-executive directors are not reflected as they do not receive emoluments from the company.*
** *The disclosure has been aligned to the restructured executive management identified as prescribed officers during the 2013 financial year.*
^ *In respect of 2012 financial performance.*
\# *Special bonus.*

Share Appreciation Rights scheme (SARs) and Forefeitable Share Plan (FSPs) granted during the year

Name	Fair value of options at issue date R'000	Number of SARs	Number of FSPs with performance conditions	Number of FSPs without performance conditions
2013				
Executive directors	**665**	**34 000**	**38 250**	**12 750**
BD Kimber	**391**	**20 000**	**22 500**	**7 500**
NA Thomson	**274**	**14 000**	**15 750**	**5 250**
Executive management	**661**	**67 750**	**30 975**	**11 775**
Prescribed officer 1	**192**	**19 200**	**9 600**	**3 200**
Prescribed officer 2	**192**	**19 200**	**9 600**	**3 200**
Prescribed officer 3	**85**	**10 150**	**2 175**	**2 175**
Prescribed officer 4	**192**	**19 200**	**9 600**	**3 200**
Total SARS and FSPs granted during the year	**1 326**	**101 750**	**69 225**	**24 525**
2012				
Executive directors	915	53 200	47 850	15 950
BD Kimber	419	20 000	22 500	7 500
J Narayadoo	203	19 200	9 600	3 200
NA Thomson	293	14 000	15 750	5 250
Executive management**				
Prescribed officer 1	203	19 200	9 600	3 200
Total SARs and FSPs granted during the year	1 118	72 400	57 450	19 150

*** The disclosure has been aligned to the restructured executive management identified as prescribed officers during the 2013 financial year.*

Vested and non-vested number of rights

Name	2013 Vested number of rights (exercisable)	2013 Non-vested number of rights (not yet exercisable)	2012 Vested number of rights (exercisable)	2012 Non-vested number of rights (not yet exercisable)
Executive directors				
BD Kimber	**–**	**102 000**	–	52 000
J Narayadoo	**256 350**	**69 472**	218 050	107 772
NA Thomson	**–**	**70 000**	–	35 000
Executive management				
Prescribed officer 1	**173 950**	**95 199**	112 750	124 399
Prescribed officer 2	**–**	**32 000**	–	–
Prescribed officer 3	**124 125**	**46 292**	94 125	61 792
Prescribed officer 4	**–**	**32 000**	–	–
Total vested and non-vested number of rights	**554 425**	**446 963**	424 925	380 963

Shareholding of directors and executive management

Name	2013 Beneficial	2013 Non-beneficial	2012 Beneficial	2012 Non-beneficial
Executive directors				
BD Kimber	**–**	**100**	–	100
NA Thomson	**–**	**100**	–	100
J Narayadoo#	**241**	**200**	241	200
Non-executive independent directors				
M Malebye*#	**–**	**100**	–	100
S Maseko	**–**	**100**	–	–
Dr KDK Mokhele~+>	**–**	**100**	–	100
DM Lawrence*~	**500**	**–**	500	–
LL van Niekerk*~>#	**126**	**–**	126	–
C Wells*	**100**	**–**	–	–
Non-executive directors				
R Gearing>	**–**	**100**	–	–
MS Huggon	**–**	**100**	–	100
M von Plotho	**–**	**100**	–	100
DM Woodrow#	**–**	**100**	–	100

* *Audit committee member.*
\+ *Social, Ethics and Transformation Committee member.*
~ *Nominations, Governance and Management of Resources Committee member.*
> *Safety, Health, Environment and Quality Committee members.*
\# *Resigned from the Board during the current financial year.*

Interest of directors in contracts

The directors have certified that they had no material personal interests in any transactions of any significance with the company or any of its subsidiaries. Accordingly, no conflict of interest with regard to directors' interests in contracts exist. There was no change in directors' interests in contracts and shareholding in the period between the financial year-end and the date of signature of this report.

During the year, various banking and employee share scheme transactions have been undertaken on the Group's behalf by Investec Bank Limited. David Lawrence is a director of Investec Bank Limited. All transactions were in the ordinary course of business.

Social, Ethics and Transformation Committee's report

for the year ended 31 December 2013

Discharge of responsibilities

The committee reviewed the Group's sustainability scorecard, which focuses on five key sustainability areas:

- Economic sustainability, sustainable workplace, ethics and compliance, social development and environmental responsibility.

Each one of these areas have specific KPIs that ensure that the Company's Act Regulation 43, King III and other compliance requirements are met. These include but are not limited to:

- Employment Equity plans for its South African businesses;
- Performance in regard to Black Economic Empowerment as measured against the Department of Trade and Industry generic Broad-Based Black Economic Empowerment scorecard;
- Skills and other programmes, aimed at the development of its employees;
- Review of environmental, health and safety performance;
- Review of impact of the Group's activities and product responsibility;
- Corporate social investment programmes, including details of donations and charitable contributions;
- The progress of the South African businesses in addressing the principles of the United Nations Global Compact and the Organisation for Economic Co-operation and Development;
- The adequacy and effectiveness of the Code of Ethics and other policies relevant to the committee; and
- Updates regarding compliance matters.

Details are available in the Sustainability report available on www.afrox.com.

Conclusion

The committee is of the view that Afrox is committed to its environmental, social and governance responsibilities. Appropriate policies, plans and programmes are in place or are being developed to contribute to social and economic development, good corporate citizenship, environmental responsibility, fair labour practices and good consumer relations.

Other than for the composition of the committee as outlined in our governance report (page 48), the committee has no reason to believe that any substantive non-compliance or non-adherence with legislation and regulation, or non-adherence with codes of best practice, relevant to the areas within the committee's mandate has occurred. The committee recognises the evolving nature of the environmental, social and governance agenda.

Dr Khotso Mokhele
Chairman of the Social, Ethics and Transformation Committee

27 February 2014

These summarised consolidated financial statements have been derived from the full set of the audited consolidated financial statements as at and for the year ended 31 December 2013 that were approved by the Board on 27 February 2014. The preparation of these summarised consolidated financial statements was supervised by the Financial Director, Nick Thomson CA(SA).

The full set of the audited consolidated financial statements of Afrox have been audited in compliance with Section 30 of the Companies Act.

The Auditor's report does not report on all of the information contained in this report/financial results. Shareholders are therefore advised that in order to obtain a full undestanding of the nature of the Auditor's engagement they should obtain a copy of the Auditor's report together with the accompanying financial information from the issuer's registered office.

The audited consolidated financial statements are available for inspection at the company's registered office and on the Afrox website at www.afrox.com.

Summarised consolidated financial statements and other information

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Audit Committee's report

We are pleased to present our report for the financial year ended 31 December 2013.

The Audit Committee is an independent statutory committee appointed by the shareholders to fulfil the obligations contained in both the Companies Act 2008 and the requirements contained in King III. It also executes further duties delegated to the Audit Committee by the Board of directors. In addition to having specific statutory duties to the shareholders, in terms of the Companies Act, 2008, we assist the Board by advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance of the company. The role of the Audit Committee, and how it achieved its responsibilities, is described in its charter.

Audit Committee terms of reference

As members of the committee, we have conducted the committee's affairs in compliance with its applicable terms of reference and have discharged the responsibilities contained therein. As a standing agenda item, we review the terms of reference annually to ensure it remains current and to identify areas where there may be shortcomings in discharging our responsibilities.

Composition of the Audit Committee

The Audit Committee normally consists of three independent members who are non-executive directors of the company: The current members are David Lawrence and Chris Wells, who chairs the Audit Committee. Their profiles can be found from pages 6 to 8. Morongwe Malebye, our third member, resigned during the year and there is an ongoing process to recruit her successor.

Meeting attendance

The Audit Committee is required to meet at least three times a year as per its terms of reference. For the 2013 financial year, we met on three occasions at meetings held on 21 August 2013, 6 December 2013 and 26 February 2014. Attendance statistics of the members can be found on page 53.

The Chairman of the Board, Managing Director, Financial Director, Head of Internal Audit, our Lead External Audit partner and other assurance providers attend meetings by invitation only. Other members of the Executive Management Committee were invited to be present at some of the meetings. The Audit Committee has closed sessions with both the internal and external auditors at the end of each meeting, without management being present.

Further to the formal meetings, as Chairman of the Audit Committee, I have met with our Lead External Audit partner and our Head of Internal Audit on a regular basis, independently of each other and management. In addition, I have had meetings with the Financial Director regarding matters concerning the company.

Role and duties

The Audit Committee's role and duties include statutory duties per the Companies Act and further responsibilities assigned to it by the Board. In execution of its duties during the past financial year, the committee performed the following functions during the year under review:

- Reviewed the interim and year-end financial statements, culminating in a recommendation to the Board that they be adopted;
- Reviewed the External Auditor's reports, after the interim and year-end financial audits;
- Reviewed the Internal Audit and Risk Management reports and made recommendations to the Board;
- Reviewed the updated Levels of Authority for the company and its subsidiaries; and
- Reviewed the Document Retention Policy.

Reviews included the following:

- Taking appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS);
- Considering and, when appropriate, making recommendations on the effectiveness of internal controls;
- Authorising the external audit fees in respect of both the interim review and year-end audit;
- Evaluating the effectiveness of risk management, controls and the governance processes including controls relating to Information Technology;
- Acting as the Audit Committee of the company and some of its subsidiaries where such subsidiaries do not have local Audit Committees; and
- Dealt with concerns or suggestions relating to:
  - Accounting policies;
  - Internal and external audit;
  - The audit or content of annual financial statements;
  - Internal controls; and
  - Related matters.

External Auditor appointment and independence

We are satisfied that the External Auditor appointed has remained independent of the company. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence. The Audit Committee further believes that the appointment of

KPMG Inc. complied with the relevant provisions of the Companies Act, 2008. The Committee, in consultation with executive management, agreed to the terms of engagement, audit plan and budgeted audit fees relating to the 2013 financial year-end audit. Details of the External Auditor's fees are set out in the EBIT note of the full set of the audited consolidated financial statements, which is available on the company's website www.afrox.com.

As per the terms of reference, the Audit Committee governs the process whereby the auditor is considered for non-audit services. For all non-audit services above R500k these need to be pre-approved by the Audit Committee. For the year under review, the External Auditor continued to provide non-audit services in the form of an Import Dispensation Audit and in supporting executive management in the education around and developing the framework of this integrated report. These appointments were assessed and approved by the Committee.

The Committee has nominated, for election at the annual general meeting, KPMG Inc. as the external audit firm, for the 2014 year.

Financial statements, accounting practice and internal financial controls

The Audit Committee reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with IFRS. With regards to any concerns or suggestions received from management, Internal Audit and External Audit relating to the accounting reporting practices and internal audit of the company, the content or auditing of its financial statements and internal financial controls of the company, no matters of significance have been raised in the past financial year to the Audit Committee. Based on the processes and assurances obtained, the Audit Committee believes that significant internal controls are effective.

Going concern

The Audit Committee reviewed a documented assessment, including key assumptions, prepared by management of the going-concern status of the company and made recommendations to the Board in accordance therewith. We concur that the adoption of the going-concern premise in the preparation of the financial statements is appropriate.

Internal Audit

The members of the Audit Committee are satisfied that the company's Internal Audit function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties. Furthermore, the committee oversees co-operation between the internal and external auditors and serves as a link between the Board of directors and these functions.

The Internal Audit Charter is well supported by a comprehensive Internal Audit Manual that has been in place for the past four years. The Internal Audit function's annual audit plan was approved by the Audit Committee.

Governance of risk

The Board has assigned oversight of the company's risk management function to the Audit Committee. We fulfil this role as an integral component of the company's enterprise-wide risk management process as described in our terms of reference. The committee has reviewed the company's top risks and evaluated the status of implementing the associated mitigation actions.

Preventing and detecting fraud

The Audit Committee received an overview regarding forensic investigations conducted by the Group Compliance and Forensics Manager and by Internal Audit. The committee recognises management's effort in adopting zero tolerance in the fight against fraud.

Finance function

As required by the JSE Listings Requirements 3.84(i), we are satisfied that the Financial Director has appropriate expertise and experience to meet his responsibilities in the position. The evaluation also considered the appropriateness of the expertise and adequacy of resources of the Finance function.

Regulatory compliance

The Audit Committee, with another Board appointed committee focusing on governance, has begun implementing the requirements of King III where gaps have been identified. For example, Information Technology (IT) governance has been delegated by the Board to the Audit Committee, which is now an annual standing agenda item. The IT governance report is assessed annually to ensure the Group has the appropriate IT controls.

Chris Wells
Chairman of the Audit Committee

27 February 2014

Directors' report
for the year ended 31 December 2013

The directors have pleasure in submitting the summarised consolidated financial statements for the year ended 31 December 2013.

In the context of the financial statements, the term 'Group' refers to African Oxygen Limited (Afrox) as the company and its subsidiaries.

Nature of business

Afrox is an integrated, full spectrum industrial gases, welding and safety products and LPG business, operating in sub-Saharan Africa. We provide solutions and services to meet the needs of customers and deliver product service offerings to targeted market segments. The business comprises large gas supply schemes, bulk industrial gas, packaged cylinder gases, welding products and LPG. This includes products such as medical gas products, scientific gases, refrigerants, packaged chemicals and helium, gases and services and safety products and services.

Listings

Afrox has its primary listing on the JSE Limited (JSE) and its secondary listing on the Namibian Stock Exchange (NSX). The abbreviated name under which the company is listed on the JSE is 'AFX' and on the NSX is 'AOX'. The company's JSE clearing code is ISIN: ZAE000067120.

Audit Committee report

In line with its terms of reference approved by the Board of directors and the requirements of section 94 of the Companies Act, 2008, the Audit Committee confirms that it has discharged all of its mandated responsibilities (refer to page 66 for details of functions performed by the Audit Committee). Afrox aspires to apply all the principles of King III.

Social, Ethics and Transformation Committee's report

The Social, Ethics and Transformation Committee also confirms that it has discharged all of its mandated responsibilities in line with its terms of reference approved by the Board of directors (refer to page 64 for details of the committee's responsibilities).

Financial results

The results of the Group's operations for the year ended 31 December 2013 are set out in the summarised income statement on page 76.

Summarised five-year reviews of the Group's summarised statement of financial position, income statement and cash flow statement are presented from pages 75 to 78.

The results for the year show revenue of R5 825 million (2012: R5 558 million) with earnings before interest and taxation at R514 million (2012: R439 million) and net profit attributable to the equity holders of the parent company at R309 million (2012: R262 million). Basic and diluted earnings per share were 100.1 cents (2012: 84.9 cents). The statement of financial position continues to reflect that the Group is in a strong financial position with cash generated from operations for the year of R833 million (2012: R936 million). Gearing is at 14.6% (2012:15.5%).

Share capital

The company's authorised share capital remained unchanged. As at 31 December 2013, the company's issued share capital is reflected in the following table:

	2013 and 2012	
	Number	R
Authorised ordinary shares	350 000 000	17 500 000
Issued	342 852 910	17 142 646
Unissued	7 147 090	357 354
Treasury shares	34 285 308	1 714 265

Distribution to shareholders

Details of dividends paid and declared to shareholders are set out in note 26 to the full set of the audited consolidated financial statements, which is available on our website, www.afrox.com. An interim dividend of 27 cents per ordinary share was paid on 14 October 2013.

A final gross dividend of 20 cents (2012: 18 cents) per ordinary share has been declared. The final dividend will be paid on Tuesday, 22 April 2014. The Board is satisfied that the Group's capital remaining after the payment of the final dividend will be sufficient to support the current operations and to facilitate the anticipated future development of its businesses during the year ahead.

Parent company

The parent company of Afrox is BOC Holdings and the ultimate parent company is Linde AG. Afrox is incorporated in the Republic of South Africa. The Linde Group is incorporated in Germany and

is listed on the German Stock Exchange (where it forms part of the DAX 30 share index).

Board of directors

The Board composition and changes thereto during the year are detailed on page 6.

Interests of directors

The directors have certified that they had no material personal interests in any transactions of any significance with the company or any of its subsidiaries. Accordingly, no conflict of interest with regard to directors' interests in contracts exist. There was no change in directors' interests in contracts and shareholding in the period between the financial year-end and the date of signature of this report.

Significant shareholders

Details of significant shareholders appear on page 85 of this integrated report.

Company Secretary

Cheryl Singh is the new Company Secretary, having taken over from Carnita Low on 2 January 2014. Afrox business and postal addresses appear on page 89.

Administration

Computershare Investor Services (Pty) Limited is the share transfer secretary of the company. The JSE sponsor is One Capital and the NSX sponsoring broker is Namibia Equity Brokers (Pty) Limited.

Subsidiaries and associate

Information regarding the Group's subsidiaries and of the interest in its associate is set out in note 4 and note 5 to the full set of the audited consolidated financial statements, which is available on our website, www.afrox.com.

Independent auditors

The independent auditors, KPMG Inc. will continue in office for the ensuing period in accordance with section 84(4)(b) of the Companies Act, 2008.

Borrowing facilities

The Group's net borrowings at December 2013 amounted to R649 million (2012: R615 million). Details of the long-term borrowings are set out in note 16 to the full set of the audited consolidated financial statements, which is available on our website, www.afrox.com.

There are no restrictions on the company's borrowing capacity contained in the Articles of Association.

Litigation statement

There is no outstanding litigation of a material nature against the Group. During the year, an appropriate commercial solution was negotiated regarding the major material claim of R207 million highlighted in the 2012 annual report, which resulted in an extended supply contract being entered into. There was no impact on the current year results as a consequence of this new agreement.

The company continues to pursue its rights in terms of a disputed supply contract with a major steel producer.

Events after reporting date

Except for the termination of the Evraz Highveld Steel and Vanadium Limited supply contract which came to an end during February 2014, the directors are not aware of any material matter or circumstance arising since the end of the year and up to the date of this report, not otherwise dealt with in this report. The Group declared a gross final cash dividend of 20 cents per share on 27 February 2014.

The directors are also pleased to announce that the company has signed a supply contract with Columbus Stainless (Pty) Ltd on 25 February 2014 extending the existing contract by a further five years. The tenure of this contract is now for seven years.

Approval of summarised consolidated financial statements

These summarised consolidated financial statements have been approved by the Board and have been prepared in terms of IAS 34 *Interim Reporting*.

Value added statement

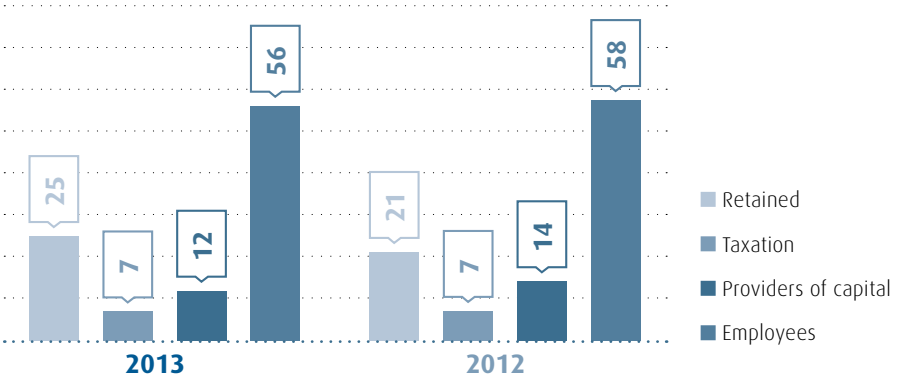
This statement is a measure of the wealth created by the Group through its various business activities.

The statement and charts show the total wealth created, how it was distributed and retained.

	2013 Rm	%	2012* Rm	%
Wealth created				
Revenue	**5 825**		5 558	
Cost of goods and services	**(3 744)**		(3 637)	
Value added	**2 081**		1 921	
Finance income	**45**		67	
Income from investments	**1**		4	
	2 127	**100**	1 992	100
Wealth distributed and retained				
Employees				
Salaries and benefits	**1 191**	**56**	1 148	58
Community				
Donations	**10**	**–**	6	–
Providers of capital	**246**	**12**	269	14
Finance costs	**92**	**4**	102	5
Non-controlling interest	**15**	**1**	13	1
Ordinary dividends	**139**	**7**	154	8
Taxation	**144**	**7**	133	7
Retained in Group activities	**536**	**25**	436	21
Depreciation and amortisation	**366**	**17**	328	16
Retained income	**170**	**8**	108	5
	2 127	**100**	1 992	100
Value added statistics				
Number of employees	**2 959**		3 258	
Permanent	**2 930**		3 248	
Short-term and contractors	**29**		10	
Revenue per average permanent employee (R'000)	**1 886**		1 701	
Value added per average permanent employee (R'000)	**688**		588	

* *Restated for the revised IAS 19 Employee Benefits.*

Wealth distributed and retained (%)



Five-year financial review

Group	2013 Rm	2012* Rm	2011* Rm	2010 Rm	2009 Rm
SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Non-current assets					
Property, plant and equipment	**3 034**	2 854	2 657	2 637	2 729
Retirement benefit assets	**552**	348	601	544	653
Deferred taxation assets	**9**	15	6	11	10
Other non-current assets	**199**	241	273	304	357
Current assets (excluding cash and cash equivalents)	**1 833**	1 588	1 574	1 463	1 438
Assets held-for-sale	**–**	44	–	–	–
Total assets	**5 627**	5 090	5 111	4 959	5 187
Equity and liabilities					
Total equity attributable to equity holders of the parent company	**3 202**	2 804	2 827	2 695	2 827
Non-controlling interests	**37**	27	38	32	32
Borrowings (including cash and cash equivalents)	**649**	615	716	842	914
Deferred taxation liabilities	**570**	528	524	514	562
Current liabilities (excluding borrowings)	**1 169**	1 116	1 006	876	852
Total equity and liabilities	**5 627**	5 090	5 111	4 959	5 187
SUMMARISED CONSOLIDATED INCOME STATEMENT					
Revenue	**5 825**	5 558	5 246	4 721	4 795
Earnings before interest, taxation, depreciation, amortisation and impairments (EBITDA)	**880**	798	774	606	801
Depreciation and amortisation	**(366)**	(328)	(283)	(283)	(301)
Impairments	**–**	(31)	(153)	(104)	(18)
Earnings before interest and taxation (EBIT)	**514**	439	338	219	482
Net finance expense	**(47)**	(35)	(63)	(63)	(116)
Income from associate	**1**	4	3	6	2
Profit before taxation	**468**	408	278	162	368
Income taxation expense	**(144)**	(133)	(95)	(56)	(125)
Profit for the year	**324**	275	183	106	243
Attributable to equity holders of the parent company	**309**	262	171	94	232
Non-controlling interests	**15**	13	12	12	11
Attributable to equity holders of the parent company	**309**	262	171	94	232
Dividends declared	**(139)**	(154)	(93)	(117)	(136)
Retained income/(loss)	**170**	108	78	(23)	96
CASH FLOW SUMMARY					
Earnings before interest and taxation (EBIT)	**514**	439	338	219	482
Cash generated from operations	**833**	936	844	606	1 233
Total capital expenditure (tangible)	**505**	546	416	294	293
Acquisition of intangible assets	**–**	12	5	–	14
Change in funding requirements	**32**	(115)	(126)	(72)	(618)

* *Restated for the revised IAS 19 Employee Benefits.*

	2013 Rm	2012* Rm	2011* Rm	2010 Rm	2009 Rm
STATISTICS					
Total number of shares in issue (excluding treasury shares) (millions)	**309**	309	309	309	309
Weighted average number of shares in issue (millions)	**309**	309	309	309	309
Ordinary share performance					
Basic earnings per share (cents)	**100.1**	84.9	55.3	30.5	75.2
Headline earnings per share (cents)	**95.3**	88.5	87.6	55.5	74.6
Dividends declared per share (cents)	**47.0**	45.0	45.0	27.0	38.0
Dividend cover – basic earnings (times)	**2.1**	1.9	1.3	1.1	2.0
Dividend cover – headline earnings (times)	**2.0**	2.0	2.0	2.1	2.0
Net asset value per share (cents)	**1 263**	1 170	1 134	1 143	1 190
Profitability and asset management					
EBITDA margin (%)	**15.1**	14.4	14.8	12.8	16.7
EBIT margin (%)	**8.8**	7.9	6.4	4.6	10.1
Return on net assets (%)	**13.7**	12.4	9.6	6.1	5.5
Net asset turn (times)	**1.6**	1.6	1.5	1.3	1.2
Return on shareholders' equity (%)	**10.3**	9.3	6.2	3.8	8.7
Return on capital employed (%)	**12.2**	10.9	8.3	5.2	10.5
Effective rate of taxation (%)	**30.8**	32.5	34.2	34.6	34.0
Liquidity and leverage					
Interest cover (times)	**10.9**	12.5	5.4	3.5	4.2
Liability ratio	**0.6**	0.6	0.6	0.6	0.7
Current ratio	**1.6**	1.4	1.6	1.7	1.7
Gearing (%)	**14.6**	15.5	17.4	20.6	21.1
Value added					
Number of permanent employees	**2 930**	3 248	3 288	3 388	3 439
Revenue per average permanent employee (R'000)	**1 886**	1 701	1 572	1 383	1 268
Profit before taxation per average permanent employee (R'000)	**152**	125	88	47	97

* *Restated for the revised IAS 19 Employee Benefits.*

Ratio definitions

Basic earnings per share	profit for the year attributable to equity holders of the parent company / weighted average number of ordinary shares in issue during the year
Borrowings	Net debt, calculated as borrowings, plus bank overdraft, less cash and cash equivalents
Capital employed	Shareholders' equity, total borrowings, deferred taxation, and non-controlling interests
Current ratio	current assets (excluding taxation and cash and cash equivalents) / current liabilities (excluding taxation and bank overdraft)
Dividend cover	profit for the year attributable to equity holders of the parent company / total dividends declared
Dividend declared per share	interim dividend per share paid plus final dividend per share declared
EBIT margin	EBIT / revenue
EBITDA margin	EBITDA / revenue
Effective rate of taxation	taxation / profit before taxation
Gearing	borrowings / total capital employed
Headline earnings per share	profit for the year attributable to equity holders of the parent company, excluding impairment and profit or loss on disposal of property, plant and equipment (net of taxation) / weighted average number of ordinary shares in issue during the year
Interest cover	EBIT / net finance (expense)/income
Liability ratio	gross borrowings and current liabilities / total equity and liabilities (excluding borrowings and current liabilities)
Net assets	total assets (excluding cash and cash equivalents, deferred taxation assets and retirement benefit assets) less current liabilities (excluding borrowings)
Net asset turn	revenue / average net assets
Net asset value per share	net asset value / number of ordinary shares in issue at year-end
Profit before taxation per employee	profit before taxation / average number of permanent employees
Return on capital employed	EBIT / average capital employed
Return on net assets	EBIT / average net assets
Return on shareholders' equity	profit for the year attributable to equity holders of the parent company / average shareholders' equity
Revenue per employee	revenue for the year / average number of permanent employees

Company Secretary's certificate

In my capacity as the Company Secretary, I hereby confirm, in terms of the Companies Act, 2008, that for the year ended 31 December 2013 the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of this Act and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Cheryl Singh
Company Secretary

Johannesburg
27 February 2014

Approval of the summarised consolidated financial statements
for the year ended 31 December 2013

The directors are responsible for the preparation of the summarised consolidated financial statements of African Oxygen Limited, comprising the statement of financial position at 31 December 2013, the income statement and the statement of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the Directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe they will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the summarised consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

The summarised consolidated financial statements of African Oxygen Limited, as identified in the first paragraph, were approved by the Board of directors on 27 February 2014 and are signed on their behalf by:

Brett Kimber
Managing Director

Nick Thomson
Financial Director

Johannesburg
27 February 2014

Summarised consolidated statement of financial position

	Notes	2013 Audited Rm	2012 Restated* Rm
ASSETS			
Property, plant and equipment	6	**3 034**	2 854
Retirement benefit assets		**552**	348
Deferred taxation assets		**9**	15
Lease receivables		**100**	108
Other non-current assets		**99**	133
Non-current assets		**3 794**	3 458
Inventories		**850**	685
Trade and other receivables		**906**	841
Lease receivables		**7**	6
Derivative financial instruments		**6**	–
Other current assets		**31**	26
Taxation receivable		**33**	30
Cash and cash equivalents		**380**	297
Current assets		**2 213**	1 885
Assets held-for-sale	9	**–**	44
Total assets		**6 007**	5 387
EQUITY AND LIABILITIES			
Equity holders of the parent company		**3 202**	2 804
Non-controlling interests		**37**	27
Total equity		**3 239**	2 831
Long-term borrowings		**1 000**	132
Deferred taxation liabilities		**570**	528
Non-current liabilities		**1 570**	660
Trade, other payables and other financial liabilities		**1 141**	1 073
Taxation payable		**28**	38
Derivative financial instruments		**–**	5
Short-term portion of long-term borrowings		**3**	738
Bank overdrafts		**26**	42
Current liabilities		**1 198**	1 896
Total equity and liabilities		**6 007**	5 387

* *Audited, adjusted for the revised IAS 19 Employee Benefits (refer note 5).*

Summarised consolidated income statement

	2013 Audited Rm	2012 Restated* Rm
Revenue	**5 825**	5 558
Operating expenses	**(4 945)**	(4 760)
Earnings before interest, taxation, depreciation, amortisation and impairments (EBITDA)	**880**	798
Depreciation and amortisation	**(366)**	(328)
Impairments	**–**	(31)
Earnings before interest and taxation (EBIT)	**514**	439
Net finance expense	**(47)**	(35)
Income from associate	**1**	4
Profit before taxation	**468**	408
Taxation	**(144)**	(133)
Profit for the year	**324**	275
Attributable to:		
Equity holders of the parent company	**309**	262
Non-controlling interests	**15**	13
Profit for the year	**324**	275
Earnings per share		
Basic and diluted earnings per ordinary share – cents	**100.1**	84.9

* *Audited, adjusted for the revised IAS 19 Employee Benefits (refer note 5).*

Summarised consolidated statement of comprehensive income

	2013 Audited Rm	2012 Restated* Rm
Profit for the year	**324**	275
Other comprehensive income/(loss) after taxation	**228**	(146)
Items that can subsequently be reclassified to the income statement		
Translation differences on foreign operations	**29**	(18)
Translation differences relating to non-controlling interests	**5**	(7)
Changes in fair value of cash flow hedges (net of taxation)	**1**	4
Items that cannot subsequently be reclassified to the income statement		
Actuarial gains/(losses) on defined-benefit funds	**276**	(173)
Deferred taxation relating to actuarial (gains)/losses	**(83)**	48
Total comprehensive income for the year	**552**	129
Total comprehensive income attributable to:		
Equity holders of the parent company	**532**	123
Non-controlling interests	**20**	6
	552	129

* *Audited, adjusted for the revised IAS 19 Employee Benefits (refer note 5).*

Summarised consolidated statement of changes in equity

	Share capital and share premium Rm	Incentive scheme shares and share-based payment reserves Rm	FCTR and hedging reserves Rm	Actuarial gains/ (losses) Rm	Retained earnings Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 January 2012, as previously reported	552	–	(53)	287	2 041	38	2 865
Impact of revised IAS 19* *(refer note 5)*	–	–	–	12	(12)	–	–
Restated balance at 1 January 2012	552	–	(53)	299	2 029	38	2 865
Profit for the year*	–	–	–	–	262	13	275
Other comprehensive loss, net of taxation*	–	–	(14)	(125)	–	(7)	(146)
Shares purchased on behalf of employees	–	(14)	–	–	–	–	(14)
Share-based payments, net of taxation	–	22	–	–	–	–	22
Dividends paid	–	–	–	–	(154)	(17)	(171)
Restated balance at 31 December 2012	552	8	(67)	174	2 137	27	2 831
Profit for the year	**–**	**–**	**–**	**–**	**309**	**15**	**324**
Other comprehensive income, net of taxation	**–**	**–**	**30**	**193**	**–**	**5**	**228**
Shares purchased on behalf of employees	**–**	**(16)**	**–**	**–**	**–**	**–**	**(16)**
Share-based payments, net of taxation	**–**	**21**	**–**	**–**	**–**	**–**	**21**
Dividends paid	**–**	**–**	**–**	**–**	**(139)**	**(10)**	**(149)**
Balance at 31 December 2013	**552**	**13**	**(37)**	**367**	**2 307**	**37**	**3 239**

* *Audited, adjusted for the revised IAS 19 Employee Benefits (refer note 5).*

Summarised consolidated statement of cash flows

	Note	2013 Audited Rm	2012 Restated* Rm
Earnings before interest and taxation (EBIT)		**514**	439
Adjustments for:			
Depreciation, amortisation and impairments		**366**	359
Other		**153**	103
Operating cash flows before working capital adjustments		**1 033**	901
Working capital adjustments		**(200)**	35
Cash generated from operations		**833**	936
Vested shares purchased on behalf of employees		**(3)**	–
Net finance expenses and taxation paid		**(278)**	(150)
Cash available from operating activities		**552**	786
Dividends paid to owners of the parent		**(139)**	(154)
Dividends to non-controlling interests		**(10)**	(17)
Net cash inflow from operating activities		**403**	615
Additions to property, plant and equipment and intangibles		**(505)**	(558)
Proceeds from disposal of the RECO business	9	**36**	–
Proceeds from disposal of business operation		**–**	22
Other investing activities		**48**	36
Net cash outflow from investing activities		**(421)**	(500)
Borrowings raised		**1 216**	427
Borrowings repaid		**(1 083)**	(505)
Incentive scheme shares purchased on behalf of employees		**(16)**	(14)
Net cash inflow/(outflow) from financing activities		**117**	(92)
Net increase in cash and cash equivalents		**99**	23
Cash and cash equivalents at the beginning of the year		**255**	232
Cash and cash equivalents at the end of the year		**354**	255

* *Audited, adjusted for the revised IAS 19 Employee Benefits (refer note 5).*

Segmental report

The business segments are based on internal reports which are regularly utilised by the key executive decision makers to assess the Group's performance and allocate resources to the segments. Segments have been determined based on business segments: Atmospheric Gases, LPG, Hard Goods and Rest of Africa.

Atmospheric Gases	Air gases separated into its main components
LPG	Liquefied Petroleum Gas
Hard Goods	Electrodes and welding equipment
Rest of Africa	Atmospheric Gases, LPG and Hard Goods

	2013 Audited Rm	2012 Audited Rm
Revenue	**5 825**	5 558
Atmospheric Gases	**1 745**	1 817
LPG	**2 132**	2 018
Hard Goods	**993**	874
Rest of Africa	**955**	849
Gross profit after distribution expenses (GPADE)	**1 580**	1 510
Atmospheric Gases	**610**	568
LPG	**311**	362
Hard Goods	**337**	266
Rest of Africa	**322**	314
Reconciliation of GPADE to EBIT		
GPADE for business segments	**1 580**	1 510
Other operating expenses	**(1 066)**	(1 040)
Impairments	**–**	(31)
Earnings before interest and taxation (EBIT)	**514**	439

Business segment performance is measured based on GPADE. Inter-segment pricing is determined on an arm's length basis. Finance expenses and taxes are not allocated to these segments as they are managed on a Group basis. Other operating expenses include the following: marketing and selling expenses, corporate and support functions and other non-trading income and expenses. These costs are not included in GPADE and managed by the support function.

Selected notes to the summarised consolidated financial statements

1. GENERAL INFORMATION

African Oxygen Limited ("Afrox" or the "company") is a South African registered company. The summarised consolidated financial statements of the company comprise the company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

2. STATEMENT OF COMPLIANCE

The summarised consolidated financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), the presentation and disclosure requirements of International Accounting Standards 34: *Interim Financial Reporting* applied to year-end reporting, the Listings Requirements of the JSE Limited, the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the South African Companies Act, 2008.

3. BASIS OF PREPARATION

The summarised consolidated financial statements do not include all the information and disclosures required for the full set of audited consolidated financial statements. The summarised consolidated financial statements should be read in conjunction with the full set of the audited consolidated financial statements. The full set of the audited consolidated financial statements for the Group as at and for the year ended 31 December 2013 have been prepared on the going-concern basis and are available for inspection at the company's registered office and on the Afrox website at www.afrox.com.

The accounting policies applied in the presentation of the summarised consolidated financial statements are consistent with those applied for the year ended 31 December 2012, except for new standards and amendments to standards that became effective 1 January 2013, refer note 5.

The summarised consolidated financial statements are prepared on the historical cost basis except for the following items which are measured using an alternative basis at each reporting date:
– Derivative financial instruments measured at fair value through profit or loss; and
– Retirement benefit assets measured at the fair value of the planned assets less the present value of the defined benefit obligation.

Except for the changes explained in note 5, the accounting policies have been applied consistently to all periods presented in these summarised consolidated financial statements.

4. CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:
– IFRS 10 *Consolidated Financial Statements*;
– IFRS 11 *Joint Arrangements*;
– IFRS 12 *Disclosure of Interests in Other Entities*;
– IFRS 13 *Fair Value Measurement*;
– IAS 1 *Presentation of Financial Statements: Presentation of items of other comprehensive income* (amendment);
– IAS 1 *Presentation of Financial Statements: Presentation of a third statement of financial position and related notes* (amendment);
– IAS 19 *Employee Benefits* (revised);
– IAS 27 *Separate Financial Statements* (revised); and
– IAS 28 *Investments in Associates and Joint Ventures* (revised).

Except for the adoption of the revised IAS 19 (refer note 5), the adoption of the new standards and amendments to standards listed above did not have a significant impact on the Group's summarised consolidated financial statements.

5. RESTATEMENT OF COMPARATIVE FIGURES

The revised IAS 19 *Employee Benefits* disallows the use of the corridor method and the immediate recognition of actuarial gains or losses in profit or loss. The revised standard did not have an impact on the Group's summarised consolidated financial statements as the Group's accounting policy was already in line with the revised IAS 19 in this respect. The revised IAS 19 further requires that the return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The adoption of this revision had the following impact on the Group's summarised consolidated financial statements:

5. RESTATEMENT OF COMPARATIVE FIGURES continued

Rmillion	Previously reported Rm	Adjustment Rm	Restated Rm
Summarised consolidated income statement			
for the year ended 31 December 2012			
Net finance expense	(24)	(11)	(35)
Taxation	(136)	3	(133)
Net profit for the year	283	(8)	275
Summarised consolidated statement of comprehensive income			
for the year ended 31 December 2012			
Net profit for the year	283	(8)	275
Actuarial losses on defined-benefit funds	(184)	11	(173)
Deferred taxation relating to actuarial losses	51	(3)	48
Total comprehensive income for the year	129	–	129
Summarised consolidated income statement			
for the year ended 31 December 2011			
Net finance expense	(46)	(17)	(63)
Taxation	(100)	5	(95)
Net profit for the year	195	(12)	183
Summarised consolidated statement of comprehensive income			
for the year ended 31 December 2011			
Net profit for the year	195	(12)	183
Actuarial gains on defined-benefit funds	13	17	30
Deferred taxation relating to actuarial gains	(3)	(5)	(8)
Total comprehensive income for the year	243	–	243

Basic and diluted earnings per share for 31 December 2012 were restated from 87.5 cents to 84.9 cents and from 59.2 cents to 55.3 cents for 31 December 2011. Had the return on plan assets not been calculated under the revised IAS 19, there would not have been a significant effect on the reported amounts in the current year. The summarised consolidated statement of financial position was not impacted by the revision as the revision had no impact on the Group's assets or liabilities; and had a net impact of RNil on total equity (refer summarised consolidated statement of changes in equity). The cumulative restatement for the year ended 31 December 2012 amounted to R20 million after taxation.

6. PROPERTY, PLANT AND EQUIPMENT

	2013 Audited Rm	2012 Audited Rm
Opening carrying value	**2 854**	2 657
Additions, net of transfers from assets under construction	**507**	546
Transfer to assets held-for-sale	**–**	(15)
Impairments	**–**	(16)
Disposals	**(7)**	(14)
Depreciation	**(332)**	(296)
Translation differences	**12**	(8)
Closing carrying value	**3 034**	2 854

Total future capital commitments at 31 December 2013 amounted to R451 million (2012: R877 million).

7. FAIR VALUE CLASSIFICATION AND MEASUREMENT

Accounting classification and fair values

The classification of each class of financial assets and liabilities, and their fair values are:

	Held-for-trading Rm	Loans and receivables Rm	Liabilities at amortised cost Rm	Total carrying amount Rm	Fair value Rm
31 December 2013					
Financial assets measured at fair value					
Derivative financial instruments	**6**	**–**	**–**	**6**	**6**
Financial assets not measured at fair value					
Trade and other receivables	**–**	**885**	**–**	**885**	**885**
Cash and cash equivalents	**–**	**380**	**–**	**380**	**380**
Lease receivables	**–**	**107**	**–**	**107**	**107**
Total financial assets	**6**	**1 372**	**–**	**1 378**	**1 378**
Financial liabilities not measured at fair value					
Borrowings	**–**	**–**	**1 003**	**1 003**	**968**
Trade and other payables	**–**	**–**	**947**	**947**	**947**
Bank overdrafts	**–**	**–**	**26**	**26**	**26**
Total financial liabilities	**–**	**–**	**1 976**	**1 976**	**1 941**
31 December 2012					
Financial assets not measured at fair value					
Trade and other receivables	–	824	–	824	824
Cash and cash equivalents	–	297	–	297	297
Lease receivables	–	114	–	114	114
Total financial assets	–	1 235	–	1 235	1 235
Financial liabilities measured at fair value					
Derivative financial instruments	5	–	–	5	5
Financial liabilities not measured at fair value					
Borrowings	–	–	870	870	870
Trade and other payables	–	–	900	900	900
Bank overdrafts	–	–	42	42	42
Total financial liabilities	5	–	1 812	1 817	1 817

Reconciliation to the summarised consolidated statement of financial position:

	2013 Rm	2012 Rm
Trade and other receivables	**906**	841
Prepayments	**(20)**	(15)
Deposits	**(1)**	(2)
	885	824
Trade, other payables and other other financial liabilities	**1 141**	1 073
Employee benefits, including leave pay, bonuses and other costs	**(107)**	(104)
Deferred rentals	**(52)**	(42)
Value added taxation	**(35)**	(27)
	947	900

7. FAIR VALUE CLASSIFICATION AND MEASUREMENT continued

Fair value hierarchy

The table below categorises fair value measurements for financial instruments into the fair value hierarchy based on the inputs used. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

31 December 2013	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets measured at fair value				
Derivative financial instruments	**–**	**6**	**–**	**6**
31 December 2012				
Financial liabilities measured at fair value				
Derivative financial instruments	–	(5)	–	(5)

Transfers

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year ended 31 December 2013 and 31 December 2012.

8. EARNINGS AND HEADLINE EARNINGS PER SHARE

Group earnings per share are calculated on earnings of R309 million (2012: R262 million) and a weighted average number of ordinary shares of 308 567 602 (2012: 308 567 602) in issue during the period. Headline earnings per share are calculated on headline earnings of R294 million (2012: R273 million) and a weighted average number of ordinary shares of 308 567 602 (2012: 308 567 602) in issue during the period.

Reconciliation between earnings and headline earnings

	2013 Audited Rm	2012 Restated* Rm
Profit for the year	**309**	262
Adjusted for the after-taxation effects of:		
Profit on disposal of subsidiary	**–**	(11)
Profit on disposal of property, plant and equipment	**(15)**	–
Impairment of property, plant and equipment	**–**	22
Headline earnings	**294**	273
Basic and diluted earnings per share – cents	**100.1**	84.9
Headline earnings per share – cents	**95.3**	88.5

* *Audited, adjusted for the revised IAS 19 Employee Benefits (refer note 5).*

9. ASSETS HELD-FOR-SALE

A decision to dispose of one of the Group's businesses (RECO) was taken in May 2012, as the nature of the business operations was not aligned to the Group's principal lines of business. The disposal was completed in February 2013. No profit or loss was made on the transaction as the value of the assets of the business at February 2013 increased by R5 million to R49 million as a result of the trading that occurred between 31 December 2012 and 28 February 2013. Proceeds of R36 million were received during the 2013 financial year. The remaining tranche of R13 million is expected to be received in the first half of the 2014 financial year.

	2013 Audited Rm	2012 Audited Rm
Property, plant and equipment	–	15
Inventories	–	52
Impairment of property, plant and equipment	–	(15)
Inventory held-for-sale written off	–	(8)
Total net assets held-for-sale	–	44

10. RELATED PARTY TRANSACTIONS

The Group entered into various sale and purchase transactions with related parties, in the ordinary course of business, on an arm's length basis. The nature of related-party transactions is consistent with those reported previously.

11. LITIGATION AND CLAIMS

There is no outstanding litigation of a material nature against the Group. During the year, an appropriate commercial solution was negotiated regarding the major material claim of R207 million highlighted in the 2012 annual report, which resulted in an extended supply contract being entered into. There was no impact on the current year results as a consequence of this new agreement.

The company continues to pursue its rights in terms of a disputed supply contract with a major steel producer.

12. SUBSEQUENT EVENTS

Except for the termination of the Evraz Highveld Steel and Vanadium Limited supply contract which came to an end during February 2014, the directors are not aware of any material matter or circumstance arising since the end of the year and up to the date of this report, not otherwise dealt with in this report. The Group declared a gross final cash dividend of 20 cents per share on 27 February 2014.

The directors are also pleased to announce that the company has signed a supply contract with Columbus Stainless (Pty) Ltd on 25 February 2014 extending the existing contract by a further five years. The tenure of this contract is now for seven years.

Shareholders' profile

for the year ended 31 December 2013

SHAREHOLDER SPREAD

To the best knowledge of management and after reasonable enquiry, the spread of shareholders at 31 December 2013 (as defined in the Listings Requirements of the JSE Limited), was as follows:

	31 December 2013				31 December 2012			
	Number of share-holders	**% of holders**	**Number of shares**	**% of issued share capital**	Number of share-holders	% of holders	Number of shares	% of issued share capital
Distribution of shareholders								
Public companies	**6**	**0.18**	**208 682 678**	**60.87**	6	0.16	208 013 628	60.67
Insurance, investment and trust companies	**108**	**3.21**	**58 468 899**	**17.05**	136	3.67	44 825 056	13.07
Pension, provident funds and trusts	**416**	**12.36**	**34 696 467**	**10.12**	462	12.47	41 023 135	11.97
Banks and nominee companies	**69**	**2.05**	**33 877 446**	**9.88**	74	2.00	40 434 922	11.79
Individuals and deceased estates	**2 610**	**77.54**	**5 480 986**	**1.60**	2 855	77.03	6 062 794	1.77
Corporate bodies	**94**	**2.79**	**1 080 674**	**0.32**	107	2.89	1 902 869	0.56
Private companies	**63**	**1.87**	**565 760**	**0.16**	66	1.78	590 506	0.17
Total	**3 366**	**100.00**	**342 852 910**	**100.00**	3 706	100.00	342 852 910	100.00
Shareholder type								
Public shareholders	**3 352**	**99.58**	**134 170 932**	**39.14**	3 690	99.56	134 839 515	39.33
Non-public shareholders (within the Linde AG Group)	**14**	**0.42**	**208 681 978**	**60.86**	16	0.44	208 013 395	60.67
Strategic holdings (more than 10%)	**1**	**0.03**	**173 046 413**	**50.47**	1	0.03	173 046 413	50.47
Directors' holdings	**9**	**0.27**	**1 300**	**–**	11	0.30	1 767	–
Own holdings and share trusts	**4**	**0.12**	**35 634 265**	**10.39**	4	0.11	34 965 215	10.20
Total	**3 366**	**100.00**	**342 852 910**	**100.00**	3 706	100.00	342 852 910	100.00

MAJOR SHAREHOLDERS

The shareholders registered as holding 1% or more of the share capital of the company at 31 December 2013 were:

	31 December 2013		31 December 2012	
	Number of shares held	**% of total**	Number of shares held	% of total
Beneficial shareholdings of 1% or more				
BOC Holdings (wholly-owned subsidiary of Linde AG)	**173 046 413**	**50.47**	173 046 413	50.47
Afrox African Investments (Pty) Ltd (held as treasury shares)	**34 285 308**	**10.00**	34 285 308	10.00
Aberdeen Global Fund	**27 446 357**	**8.01**	21 392 085	6.24
Government Employees Pension Fund (previously Public Investment Corporation)	**19 035 098**	**5.55**	18 555 979	5.41
State Street Bank (Custodian)	**13 220 855**	**3.86**	6 342 581	1.85
Allan Gray	**9 563 999**	**2.79**	11 994 652	3.50
Investec Asset Management	**5 043 339**	**1.47**	9 586 761	2.80
RBC Dexia (Custodian)	**4 301 840**	**1.25**	–	–
JP Morgan (Custodian)	**4 219 548**	**1.23**	–	–
CitiGroup (Custodian)	**3 637 384**	**1.06**	–	–
Investment Solutions	**–**	**–**	5 299 796	1.55
Symmetry	**–**	**–**	3 541 711	1.03
	293 800 141	**85.69**	284 045 286	82.85
Other shareholders	**49 052 769**	**14.31**	58 807 624	17.15
Total	**342 852 910**	**100.00**	342 852 910	100.00

DIVIDENDS AND STATISTICS

Dividends

Details of gross dividends declared, paid and payable are as follows:

Number	Declaration date	Last date to trade (LDT) shares "cum" dividend	Ordinary shares trade "ex" dividend	Record date (RD)	Payment date	**2013 Amount per share (cents)***	2012 Amount per share (cents)*
172	23 August 2012	5 October 2012	8 October 2012	12 October 2012	15 October 2012		27.0
173	28 February 2013	12 April 2013	15 April 2013	19 April 2013	22 April 2013		18.0
174	22 August 2013	4 October 2013	7 October 2013	11 October 2013	14 October 2013	**27.0**	
175	27 February 2014	10 April 2014	11 April 2014	17 April 2014	22 April 2014	**20.0**	
						47.0	45.0

* *Before dividend taxation at 15%.*

	December 2013	December 2012*	December 2011*	December 2010	December 2009
Statistics					
Share price (cents)					
– Closing	**2 200**	2 350	1 620	2 063	2 200
Ordinary shares in issue at financial year-end ('000)	**342 853**	342 853	342 853	342 853	342 853
Number of shares traded ('000)	**46 220**	46 658	49 885	65 495	64 360
Value of shares traded (R'000)	**1 013 911**	899 409	934 810	1 418 693	1 424 366
Number of shares traded as a percentage of shares issued	**13.5**	13.6	14.5	19.1	18.8
Earnings yield (%)	**4.6**	3.6	3.4	1.5	3.4
Ordinary dividend yield (%)	**2.1**	1.9	2.8	1.3	1.7
Price: basic earnings ratio	**22.0**	27.7	29.3	67.7	29.3
Price: headline earnings ratio	**23.1**	26.6	18.5	37.2	29.5

* *Restated for the revised IAS 19 Employee Benefits (refer note 5 of the summarised financial statements).*

Definitions of ratios and terms utilised for statistics

Earnings yield:	Basic earnings divided by closing share price
Ordinary dividend yield:	Dividends declared per share divided by closing share price
Price: basic earnings ratio:	Closing share price divided by basic earnings
Price: headline earnings ratio:	Closing share price divided by headline earnings

Shareholders' diary

Salient dates

Financial year-end	31 December 2013
Posting of integrated report	27 March 2014
Annual general meeting	22 May 2014
Interim announcement	21 August 2014

Reports and accounts	Published
Audited financial results for 31 December 2013	27 February 2014
Interim results for six months to 30 June 2013	22 August 2013

Dividends (ordinary shares)	Declared	Paid
Interim dividend	22 August 2013	14 October 2013
Final dividend	27 February 2014	22 April 2014

A final gross dividend of 20 cents per ordinary share was declared on 27 February 2014

Last day to trade ordinary shares 'cum' dividend	Thursday, 10 April 2014
Ordinary shares trade 'ex' the dividend	Friday, 11 April 2014
Record date	Thursday, 17 April 2014
Payment date	Tuesday, 22 April 2014

SENS announcements

The following Securities Exchange News Service (SENS) announcements were made during the past financial year:

11 December 2013	Appointment of Company Secretary
22 November 2013	Resignation of Company Secretary
07 October 2013	Granting of awards to directors
22 August 2013	Reviewed interim financial results
16 July 2013	Change to the Board of directors
23 May 2013	Results of annual general meeting
25 April 2013	Change to the Board of directors
12 April 2013	Dealing in securities by a director
11 April 2013	Dealing in securities by a director
27 March 2013	Notice of a disposal of beneficial interest in Afrox securities
26 March 2013	No change statement and notice of annual general meeting
28 February 2013	Audited Group financial results for the year ended 31 December 2012
28 February 2013	Changes to the Board of directors
13 February 2013	Trading update

Corporate information

African Oxygen Limited

(Incorporated in the Republic of South Africa) Registration number: 1927/000089/06
ISIN: ZAE000067120
JSE code: AFX NSX code: AOX

Registered office and business address

Afrox House, 23 Webber Street, Selby, Johannesburg 2001/PO Box 5404, Johannesburg 2000
Telephone +27 (0) 11 490 0400
Fax +27 (0) 11 493 1580

Auditors

KPMG Inc.

Company Secretary

Cheryl Singh B Proc LLB MBA

Transfer secretaries

Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107
Telephone +27 (0) 11 370 5000
Fax +27 (0) 11 370 5271/2

Sponsor in South Africa

One Capital
Telephone +27 (0) 11 550 5011
Fax +27 (0) 86 718 4524
17 Fricker Road, Illovo 2196

Sponsor in Namibia

Namibia Equity Brokers (Pty) Limited

Website

www.afrox.com

Stakeholder enquiries

Stakeholder enquiries may be addressed per e-mail to: corporate.communication@afrox.linde.com

Notice to shareholders

AFROX OXYGEN LIMITED (Incorporated in the Republic of South Africa) (Registration number 1927/000089/06)
(JSE share code: AFX) (NSX share code: AOX) (ISIN: ZAE000067120) ("Afrox" or "the company")

Members of the company entitled to attend and vote at this meeting are entitled to appoint proxies to attend, participate and vote at the meeting in place of members. A proxy need not be a member of the company. Meeting participants are required to provide adequate identification before being allowed to participate in the meeting.

Notice is hereby given that the 85th annual general meeting of the company will be held in the Boardroom of the company, Afrox House, 23 Webber Street, Selby, Johannesburg, South Africa on Thursday, 22 May 2014 at 10:00 at which the resolutions set out below will be considered and, if deemed fit, passed with or without modification.

The notice of the company's annual general meeting has been sent to its shareholders who were recorded as such in the company's securities register on 17 April 2014, being the notice record date used to determine which shareholders are entitled to receive the notice of the annual general meeting.

The record date on which shareholders of the company must be registered as such in the company's securities register in order to attend and vote at the annual general meeting is Friday, 16 May 2014, being the voting record date used to determine which shareholders are entitled to attend and vote at the annual general meeting. The last day to trade in order to be entitled to vote at the annual general meeting will therefore be Friday, 9 May 2014.

In terms of section 63(1) of the Companies Act, Act 71 of 2008, any person attending or participating in the annual general meeting must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified.

1 Ordinary resolution number 1

Annual financial statements

Resolved as an Ordinary Resolution that the annual financial statements of the Group and the company for the financial year ended 31 December 2013, including the directors' and independent auditor's report and the Audit Committee report therein, be and are hereby adopted.

2 Ordinary resolution numbers 2.1 to 2.3

Re-election of directors

To elect directors of the company in accordance with the Companies Act 71 of 2008, as amended ('the Act') and the company's Memorandum of Incorporation, which provide that:

- At least one third of the directors, being those longest in office at the date of the annual general meeting, should retire, but that such directors may offer themselves for re-election.
- Any director appointments made by the Board of directors since the previous annual general meeting require ratification.

Accordingly, shareholders are requested to re-elect the directors named below by way of passing the separate ordinary resolutions.

2.1 Ordinary resolution number 2.1

Resolved that David Martin Lawrence, who retires by rotation and being eligible, and who offers himself for re-election as a director, be re-elected;

2.2 Ordinary resolution number 2.2

Resolved that Matthias Hans-Heinrich von Plotho, who retires by rotation and being eligible, and who offers himself for re-election as a director, be re-elected;

2.3 Ordinary resolution number 2.3

Resolved that Richard John Newton Gearing, who retires by rotation and being eligible, and who offers himself for re-election as a director, be re-elected.

3 Ordinary resolution number 3

Re-appointment of Auditors

Resolved that KPMG Inc. be re-appointed as the independent auditors of the company (with Mr GG Stanier as individual designated auditor), who will undertake the audit of the company for the ensuing period and to authorise the Audit Committee to determine the terms of engagement and the auditors' fees and remuneration for the past period and the ensuing period.

4 Ordinary resolution number 4

Appointment of Audit Committee members

Subject, where necessary to their re-appointment as directors of the company in terms of ordinary resolution 2 above:

Resolved that the appointment of the following directors as members of the Audit Committee be and is hereby confirmed, being in accordance with the recommendations of the King Code of Governance Principles, 2009 (King III) and in terms of section 94 of the Companies Act:

- Christopher Frank Wells;
- David Martin Lawrence; and
- Dr Khotso David Kenneth Mokhele.

A brief CV in respect of each director above appears from page 6 to 9 of this integrated report.

5 Ordinary resolution number 5

Placement of unissued share capital

Resolved that 5% (five per cent) of the authorised, but unissued share capital of the company, be and is hereby placed under the control of the directors of the company until the next annual general meeting, subject to the provisions of the Companies Act, the Memorandum of Incorporation and the Listings Requirements of the JSE Limited where applicable, for allotment and issue to such persons as the directors in their discretion deem fit.

In particular this ordinary resolution which, if passed, would constitute a waiver by members of their pre-emptive rights, is in terms of the Listings Requirements subject to not less than 75% of the votes of all shareholders entitled to vote and in attendance or represented at the meeting, being cast in favour of the resolution, and is further subject to paragraphs 5.52, 5.75 and 11.22 of the Listings Requirements, which in summary provide as follows:

- such shares may only be issued or sold, as the case may be, to public shareholders as defined in the Listings Requirements, and not to related parties;
- such shares may not in the financial year ending 2014 in the aggregate exceed 15 428 380, being 5% of the company's issued shares at 27 February 2014, the number that may be issued or sold, as the case may be, being determined in accordance with subparagraph 5.52(c) of the Listings Requirements;
- the maximum discount (if any) at which such shares may be issued or sold, as the case may be, is 10% of the weighted average traded price of such shares on the JSE over the 30 business days preceding the date of determination or agreement of the issue or selling price, as the case may be; and
- after the company has issued shares in terms of this general authority representing, on a cumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the company will publish an announcement containing full details of the issue, including:
  - the number of shares issued;
  - the average discount (if any) to the weighted average traded price of the shares over the 30 business days prior to the date that the price of the issue was determined or agreed by the directors; and
  - the effects of the issue on the net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share, and diluted earnings and headline earnings per share.

Explanation: *The reason for proposing this resolution is to grant a restricted authorisation to the directors to issue the unissued shares of the company either for cash or in respect of the acquisition of assets, or otherwise. The effect of this resolution, were it to be passed, would be that the directors will have a restricted authority to issue a limited number of the unissued shares of the company, subject to the applicable provisions of the Listings Requirements of the JSE Limited and the Companies Act.*

6 Ordinary resolution number 6

Non-binding vote on the remuneration policy

Resolved to approve, through a non-binding advisory vote, the remuneration policy of the company detailed on page 56 of this integrated report.

Explanation: *This ordinary resolution is required in accordance with the King III recommendations that the company obtains an advisory vote by its shareholders in a general meeting on the remuneration policy applicable to all employees and directors of the company and any of its subsidiaries or divisions. The vote is non-binding on the company and excludes the remuneration of the non-executive directors.*

7 Special resolution number 1

To increase the independent non-executive directors' fees

Resolved that the fees paid to the independent non-executive directors serving on the Board and the various committees of the Board be as follows with effect from 1 January 2014:

Role	**Proposed* remuneration for the 12-month period from 1 January 2014 to 31 December 2014**	Remuneration* for the 12-month period from 1 January 2013 to 31 December 2013	% Increase
Board			
Independent lead director	**370 000**	R350 000	6
Independent director	**212 000**	R200 000	6
Audit Committee			
Chairperson	**143 000**	R135 000	6
Member	**71 000**	R67 500	5
Other committees			
Chairperson	**95 000**	R90 000	6
Member	**48 000**	R45 000	7
Per meeting fee			
Meeting fee	**10 500**	R10 000	5

* *Only applicable to independent directors as all other directors are appointed as a consequence of their function in The Linde Group.*

8 Special resolution number 2

General authority to repurchase shares

Resolved, subject to compliance with the Companies Act, the company's Memorandum of Incorporation (MOI) and the Listings Requirements of the JSE Limited, that the company and its subsidiaries be and is hereby authorised and granted a general authority to acquire from time to time the issued ordinary shares of the company upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, provided that:

8.1 the company and its subsidiaries are enabled by their MOI to repurchase such shares;

8.2 the repurchase of shares shall be effected through the order book operated by the JSE Limited trading system and be done without any prior understanding or arrangement between the company and the counterparty;

8.3 the company and its subsidiaries are authorised by its members in terms of a special resolution taken at general meetings, to make such general repurchases, such authorisation being valid only until the next annual general meetings or for 15 months from the date of this special resolution, whichever is the earlier date;

8.4 an announcement be made giving such details as may be required in terms of the Listings Requirements of the JSE Limited when the company has cumulatively repurchased 3% (three per cent) of the initial number (the number of that class of shares in issue at the time that the general authority is granted) of the relevant class of shares and for each 3% (three per cent) in aggregate of the initial number of that class acquired thereafter;

8.5 at any one time the company may only appoint one agent to effect any repurchase on the company's behalf;

8.6 the repurchase of shares will not take place during a prohibited period (as defined in the Listings Requirements of the JSE Limited) unless the directors have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;

8.7 the repurchase of shares shall not, in the aggregate, in any one financial year:

8.7.1 exceed 20% (twenty per cent) of the company's issued share capital as at the date of registration of this special resolution; or

8.7.2 10% (ten per cent) of the company's issued share capital in the case of an acquisition of shares in the company by a subsidiary of the company;

8.8 the repurchase of shares may not be made at a price greater than 10% (ten per cent) above the weighted average traded price of the market value of the shares as determined over the five business days immediately preceding the date on which the transaction is effected;

8.9 a resolution by the Board of directors that it has authorised the repurchase, that the company and its subsidiaries ("Group") have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Group; and

8.10 the company may not enter the market to proceed with the repurchase of its ordinary shares until the company's sponsor has discharged its duties with regard to the adequacy of the company's working capital for the purpose of undertaking a repurchase of securities in writing to the JSE Limited.

Explanation: *This special resolution authorises the directors of the company, if they deem it appropriate and necessary and in the best interest of the company, to repurchase the company's shares by way of open market transactions on the JSE Limited. This authority is subject to the Companies Act and the Listings Requirements of the JSE Limited. At the present time the directors have no specific intention with regard to the utilisation of this authority, which will be used only if they deem fit and if the circumstances are appropriate. The directors undertake to comply fully with the limitations and controls imposed by the Listings Requirements of the JSE Limited.*

- **Other disclosures required in terms of the Listings Requirements of the JSE Limited**

In terms of the Listings Requirements of the JSE Limited, the following disclosures are required with reference to the repurchase of the company's shares as set out in the special resolution number 2 above.

- **Working capital statement**

The directors shall not make any repurchases under this general authority unless they are of the opinion that after considering the effect of the maximum repurchase permitted and the maximum general payments to shareholders, for a period of 12 (twelve) months after the date of the decision to enter into the market to proceed with the repurchase:

- the company and the Group will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the Group will be in excess of the liabilities of the company and the Group, recognised and measured in accordance with the accounting policies used in the latest annual financial statements;
- the share capital and reserves of the company and the Group will be adequate for ordinary business purposes; and
- the working capital resources of the company and the Group will be adequate for ordinary business purposes.

- **Litigation statement**

Other than disclosed or accounted for in this report, the directors of the company whose names are given from page 6 to 9 of this integrated report are not aware of any other legal or arbitration proceedings, pending or threatened against the Group, which may have or have had, in the 12 months preceding the date of this notice of general meeting, a material effect on the Group's financial position.

- **Directors' responsibility statement**

The directors, whose names are given from page 6 to 9 of this integrated report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the above special resolution contains all information required.

- **Other disclosures in terms of paragraph 11.26 of the Listings Requirements of the JSE Limited**
  - Directors and management (refer to pages 6 to 13)
  - Major shareholders of the company (refer to page 85)
  - Directors' interests in the company's shares (refer to page 62)
  - Share capital of the company (refer to page 68)
  - Changes to the Board of directors (refer to page 23)

9 Special resolution number 3

General authority to provide financial assistance to related companies or inter-related companies

Resolved, subject to compliance with the Listings Requirements of the JSE Limited and with the Companies Act (specifically section 45) that the directors be and are hereby authorised to provide direct or indirect financial assistance through the lending of money, the guaranteeing

of loans, or other obligations or the securing of any debts or obligations to any related or inter-related company or companies as defined in section 1 of the Companies Act, when and as they deem fit and appropriate.

Explanation: *The reason and effect of this special resolution number 3 is to grant the directors of the company the authority to cause the company to provide financial assistance to any company or corporation that is related or inter-related to the company. It does not authorise the provision of financial assistance to any director or prescribed officer of the company. The directors undertake that prior to the company providing any financial assistances as contemplated in special resolution number 3 above, the company will have satisfied the solvency and liquidity test as set out in section 4 of the Companies Act.*

10 Special resolution number 4

Authority to provide financial assistance in connection with the purchase of company securities on the market

Resolved that, as a special resolution contemplated by section 44(3)(a)(ii) of the Companies Act, the directors be and are hereby empowered to authorise the company, at any time during the period of two years commencing on the date of this special resolution, to provide any direct or indirect financial assistance to any third-party broker or subsidiary of the company, for the purpose of or in connection with the purchase of company securities in the market required for settlement under the share incentive plans operated by the company from time to time, provided that the directors are satisfied that immediately after providing the particular financial assistance, the company would satisfy the solvency and liquidity test set out in section 4 of the Companies Act.

Explanation: *The reason and effect of this special resolution number 4 is that the directors of the company will, pursuant to the requirements of section 44(3) of the Companies Act, be empowered to authorise the company to provide funds to third-party brokers and/or subsidiaries of the company in connection with the purchase of company securities on the market, which securities are to be applied in settlement of the company's obligations to deliver company securities to executives and other company or Group employees as it may exist under such share incentive plans as the company may operate from time to time.*

Material changes

Other than the facts and developments reported on in this integrated report, there have been no material changes in the affairs, financial or trading position of the Group since the signature date of this integrated report and the posting date thereof.

Voting and proxies

Certificated shareholders

Shareholders wishing to attend the annual general meeting have to ensure beforehand, with the transfer secretaries of the company, that their shares are in fact registered in their name. Should this not be the case and the shares are in fact registered in another name or in the name of a nominee company, it is incumbent on shareholders attending the meeting to make the necessary arrangement with that party to be able to attend and vote in their capacity.

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and on a poll, vote in his/her stead. A proxy need not be a shareholder of the company. For the convenience of registered shareholders of the company, a form of proxy is enclosed herewith, containing detailed instructions in this regard.

Dematerialised/uncertificated shareholders

Beneficial owners of dematerialised shares who wish to attend the annual general meeting require their Central Securities Depository Participant (CSDP) or broker to provide them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Proxies

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries by no later than 10:00 on 20 May 2014. On a poll, ordinary shareholders will have one vote in respect of each share held.

Electronic participation by shareholders

Should any shareholder (or a representative or proxy for a shareholder) wish to participate at the Annual General Meeting (AGM) by way of electronic participation, that shareholder should make an application in writing (including details as to how the shareholder can be contacted) to so participate, to the Transfer Secretary at the address provided in this notice. The application is to be received by the Transfer Secretary at least seven business days prior to the AGM in order for the Transfer Secretary to arrange for the shareholder for the purposes of section 63(1) of the Companies Act, and for the Transfer Secretary to provide the shareholder with details as to how access to the AGM by means of electronic participation is to be made. Shareholders participating electronically will not be able to vote electronically and must follow the standard voting arrangement.

Percentage of voting rights required for resolutions

1 Special resolutions

The percentage of voting rights that will be required for the adoption of each special resolution is 75% of the voting rights exercised on the resolution.

2 Ordinary resolutions

The percentage of voting rights that will be required for the adoption of each ordinary resolution is 50% + one vote of the voting rights exercised on the resolution, except for ordinary resolution 5, which, in terms of the JSE Listings Requirements, requires a 75% majority of the votes cast.

Cheryl Singh
Company Secretary

27 February 2014

Glossary

Term	Definition
ASU	Air Separation Unit
B-BBEE	Broad-Based Black Economic Empowerment
DIFOT	Delivered in full and on time
DPS	Dividends declared per share
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, taxation, depreciation, amortisation and impairment losses
GPADE	Gross profit after distribution expenses
GRI	Global Reporting Initiative
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
HEPS	Headline earnings per share
HPO	High Performance Organisation
King III	King Code of Governance for South Africa 2009
KPI	Key performance indicator
LPG	Liquefied Petroleum Gas
LTI	Lost-time injury
MIR	Major incidents reported
MPG	Merchant and packaged gases
NGMR	Nominations, Governance and Management Resources
PCAAR	Passenger car avoidable accident rate
POLT	Plant online time as a percentage of total available time. This is used to measure plant reliability.
REA	Rest of Africa/Region Emerging Africa
ROE	Return on shareholders' equity
RONA	Return on net assets
SENS	Securities Exchange News Service
SET	Social, Ethics and Transformation
SHEQ	Safety, health, environment and quality
TAAR	Truck avoidable accident rate

Form of proxy

AFROX
A Member of The Linde Group

(Incorporated in the Republic of South Africa)
(Registration number 1927/000089/06)
JSE share code: AFX NSX share code: AOX
ISIN code: ZAE000067120 ("Afrox" or "the company")

FOR USE BY SHAREHOLDERS HOLDING SHARE CERTIFICATES AND SHAREHOLDERS WHO HAVE DEMATERIALISED THEIR SHARE CERTIFICATES AND HAVE ELECTED "OWN NAME" REGISTRATION THROUGH A CENTRAL SECURITIES DEPOSITORY PARTICIPANT (CSDP) OR BROKER, AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT 10:00 ON 22 MAY 2014.

If you are a shareholder entitled to attend and vote at the abovementioned general meeting you can appoint a proxy to attend, vote and speak in your stead. A proxy need not be a shareholder of the company.

If you are a shareholder and have dematerialised your share certificate through a CSDP or broker, and have not selected "own name" registration in the sub-register maintained by a CSDP, you must not complete this form of proxy but must instruct your CSDP or broker to issue you with the necessary authority to attend the annual general meeting, or if you do not wish to attend, you may provide your CSDP or broker with your voting instructions in terms of the custody agreement entered into with your CSDP or broker.

I/We (name in block letters)

of (address in block letters)

being a shareholder/shareholders of African Oxygen Limited and entitled to **votes, hereby appoint:**

1. **or failing him/her**

2. **or failing him/her**

the Chairman of the meeting

as my/our proxy to act for me/us at the annual general meeting, to be held at African Oxygen Limited, Afrox House, 23 Webber Street, Selby, Johannesburg, South Africa on 22 May 2014 at 10h00 and at any adjournment thereof, as follows:

		Number of Afrox shares		
		In favour of	**Against**	**Abstain**
	Ordinary Resolutions:			
1	Adoption of the annual financial statements			
2	Re-election of directors			
2.1	David Martin Lawrence			
2.2	Matthias Hans-Heinrich von Plotho			
2.3	Richard John Newton Gearing			
3	Re-appointment of auditors			
4	Appointment of Audit Committee members			
5	Placement of unissued share capital under the control of the directors			
6	Approval of Remuneration Policy			
	Special Resolutions:			
1	To increase the independent non-executive directors' fees			
2	General authority to repurchase shares			
3	Financial assistance to related or inter-related companies			
4	Financial assistance to purchase company securities			

Signed at **on** **2014**

Shareholder

Please read the instructions on the reverse side of this form of proxy.

Form of proxy – instructions

1. On a poll, a shareholder is entitled to one vote for each share held.
2. Forms of proxy must be lodged at, posted to or faxed to Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107, Fax +27 11 688 5238), to reach the company by no later than10:00 on 20 May 2014.
3. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting the words "the Chairman of the annual general meeting". Any such deletion must be individually initialled by the shareholder, failing which they will not have been validly affected. The person present at the annual general meeting whose name appears first on the form of proxy and has not been deleted shall be entitled to act as proxy to the exclusion of the persons whose names follow.
4. Any alterations or corrections to this form of proxy have to be initialled by the relevant signatory(ies).
5. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the company) to attend, speak and vote (either on a poll or by show of hands) in place of that shareholder at the annual general meeting.
6. Voting instructions for each of the resolutions must be completed by filling the number of votes (one per ordinary share) under the "In favour", "Against" or "Abstain" headings on the form of proxy. If no instructions are filled in on the form of proxy, the Chairman of the annual general meeting, if the Chairman is the authorised proxy, or any other proxy shall be authorised to vote in favour of, against or abstain from voting as he/she deems fit.
7. A shareholder or his/her proxy is entitled but not obliged to vote in respect of all the ordinary shares held by the shareholder. The total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of shares held by the shareholder.
8. Documentary evidence establishing the authority of a person signing this form must be attached to this form of proxy unless previously recorded by the transfer secretaries of the company or waived by the Chairman of the annual general meeting.
9. This form of proxy is to be completed only by those shareholders who either still hold shares in a certificated form, or whose shares are recorded in their "own name" in electronic form in the sub-register.
10. Shareholders whose dematerialised shares are held in the name of a nominee and wish to attend the annual general meeting must contact their Central Securities Depository Participant (CSDP) or broker, who will furnish them with the necessary letter of authority to attend the annual general meeting. Alternatively, they have to instruct their CSDP or broker as to how they wish to vote. This has to be done in terms of the agreement between the shareholder and the CSDP or the broker.
11. Shareholders who wish to attend and vote at the meeting must ensure that their letters of authority from their CSDP or broker reach the transfer secretaries not later than 10:00 on 20 May 2014.
12. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.
13. The Chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.

Transfer secretaries' office

Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg 2001
(PO Box 61051, Marshalltown 2107)

African Oxygen Limited
www.afrox.com

AFROX
A Member of The Linde Group