FINANCIAL RESULTS AND DIVIDEND DECLARATION

for the year ended 31 December 2017

AFROX
A Member of The Linde Group

Financial features

Revenue
R5 693 million

Earnings per share
203.6 cents

HEPS
201 cents per share

2017 Dividend
100 cents per share

Commentary

PERFORMANCE HIGHLIGHTS

During the year under review, Afrox increased revenue by 2.8% from improved volumes in the segments Atmospheric Gases and LPG and effective price cost recovery across all four segments. Adjusting for non-recurring item (2016 litigation settlement with ArcelorMittal South Africa Limited (AMSA)), Afrox Group revenue increased by 6% on a comparable basis. The growth in revenue was achieved despite the continued weakness of the South African economy.

Earnings before interest, tax, depreciation and amortization (EBITDA) margin reduced by 160 basis points (bps) to 20.7% (2016: 22.3%) resulting in a 4.4% reduction in reported EBITDA. However, on a comparable basis EBITDA improved by 9.9%, adjusting for the impact from the non-recurring item in 2016. Despite the reduction in EBITDA, headline earnings per share increased by 6.1% to 201.0 cents (2016: 189.4 cents), and basic earnings per share increasing by 5.3% to 203.6 cents (2016: 193.3 cents) with an underlying growth in headline earnings per share of 32.3% and 30.7% growth in earnings per share, adjusting for the 2016 litigation settlement.

Effective balance sheet management and cost containment resulted in a further increase in the cash position to R1 344 million (December 2016: R1 153 million). Included in net investment activities is capital expenditure of R350 million (2016: R389 million), and reflects the adequate production capacity of the Group at present and the expected relatively low economic growth.

Return on capital employed (ROCE) as reported, reduced by 90 bps to 23.7% (2016: 24.6%), adjusting for the impact of the 2016 settlement however, ROCE improved by 370 bps compared to 2016. The adjusted improvement in ROCE reflects the continued balance sheet optimisation.

BUSINESS REVIEW

Atmospheric Gases

Revenue for this segment increased by 5.9% after adjusting for the impact of the litigation settlement received in 2016. This underlying growth was achieved on the back of better volumes in all sectors in combination with continued effective price cost management. Volume growth from new business and the strong interest in Afrox's innovative industrial gas products, applications and solutions led to an increase compared to 2016 volumes. Afrox offers innovative products and solutions within a broad range of applications for most sectors of sub Saharan industry. New and regained business within the industrial market demonstrated Afrox's ability to successfully compete in its core segment. Within Industrial Gases (acetylene, oxygen, nitrogen and argon), the demand for our bulk products from new business and expansion at existing customers, lead to an increase in volume, despite the impact of a major plant outage during the first half of 2017. Packaged gases volumes were above prior year levels, with good recoveries in demand for oxygen from various applications. Afrox successfully introduced the new cylinder tracking and management system, "Track and Trace" and the implementation of more effective price cost management, resulted in an improvement in revenue compared to the comparative period. Our Bulk Gases volumes increased compared to 2016 and within our healthcare business, Medical Gases revenue continued to increase from higher volumes. This reflects Afrox's strength in the Healthcare market due to its combined product and service offering and a tailor-made solution for the increase in demand in the public and private hospital sector, as well as the growing Homecare market. The investment into our new fully automated filling plant for Healthcare Gases demonstrates Afrox's commitment and leadership in this key area. Hospitality Gases and Special Gases have shown, good volume growth in most areas. CO_2 volumes have increased despite constrained product availability from our major source.

Gross profit after distribution expenses (GPADE) margins further improved due to efficiencies in operations and distribution. Improved cost recoveries across most businesses, coupled with the contribution from the achievement of higher volumes, resulted in a 130bps improvement in the underlying margin. The reported GPADE was however 10.5% lower than the prior year due to the AMSA settlement received in 2016.

Liquefied Petroleum Gas (LPG)

Robust growth in revenue of 11% compared to 2016 from a 10.4% increase in volumes despite a decrease in market prices. Margins were however higher than prior year levels. The continuation of Afrox's LPG import strategy has proven to be effective. Afrox managed to grow the LPG business as a result of a stable supply chain, resulting in continued strong GPADE levels, with a margin of 21.3% (2016: 20.5%). Adjusted for the change in market prices, GPADE increased by 18.2% to R425 million. Afrox's total volumes sold increased by 10.4%% demonstrating Afrox's ability to grow the LPG market. A 35% increase in imported LPG in conjunction with the stable supply from the local refineries supported Afrox in maintaining its service level to its industrial customers and justified the current year investment in 120 thousand cylinders for the domestic and hospitality markets that arrived in South Africa at the beginning of 2017. The strategy to supply the domestic market from a combination of imports and refinery off-takes has clearly paid off and Afrox's could further improve its position in the African LPG market being one of the most efficient and reliable suppliers

Afrox focuses on efficient supply of LPG for various applications and industry sectors, which results in a very reliable, environmentally friendly and cost-effective alternative source of energy. The investments of the past years impacted on the overall market development and significantly reduced the supply constraints throughout the regions.

GPADE margin increased by 80bps to 21.3% or 21.8% at comparable LPG market prices. The final report from the Competition Commission (the Commission) was issued in March 2017. Afrox continues to cooperate with, and has introduced the agreed recommendations of the Commission.

Hard Goods

Total revenue in this segment decreased by 0.9% to R660 million (2016: R666 million) as a result of non-repeating business and the continued subdued demand in the mining and manufacturing industry. The continuation of various efficiency programs in combination with good price cost recovery, led to an increase in margins from 34.9% to 36.7%, an increase of (+180bps) and resulted in a GPADE of R242 million (2016: R232 million). The retention of key customers, favourable import deals and various improvements in Afrox's premium product ranges supported this positive development. Even though most volumes in welding and gas equipment products are impacted by the continued slow growth in the mining, iron and steel and the manufacturing industry, the Hard Goods segment has seen improved volumes at our welding consumable factory, the biggest factory of its kind on the African continent. Afrox's renowned Self Rescue Pack units for the mining industry sold at similar levels compared to 2016

the continued slow growth in the mining, iron and steel and the manufacturing industry, the Hard Goods segment has seen improved volumes at our welding consumable factory, the biggest factory of its kind on the African continent. Afrox's renowned Self Rescue Pack units for the mining industry sold at similar levels compared to 2016 benefiting from various long-term service contracts.

Afrox continues its focus on further improving supply, production and logistics within the segment in order to create additional economies of scale. With the combination of overseas exports complementing our portfolio, strong cost containment from procurement and good price cost management, our Hard Goods business further stabilised despite the difficult economic environment for this segment and the uncertainty in the mining sector.

The reported improvement of 190 bps in the GPADE margin to 36.7% is a result of higher efficiencies and improved price cost recovery. The business segment experienced steep declines in GPADE and revenue in 2016. Continued investment in innovation and the introduction of new applications should ensure continued growth in this sector.

Emerging Africa

Excluding adverse effects from weakening currencies in our subsidiaries, the revenue of our segment Emerging Africa at R756 million remained consistent with 2016 levels (2016: R755 million) or 3% growth without currency effects. Emerging Africa economies are experiencing the first signs of an improvement, due to a modest recovery in commodity prices.

GPADE increased by 6.5% to R326 million (2016: R306 million), or 12% excluding the currency effect, with an increase in the reported margin of 200bps compared to 2016. This robust performance was achieved mainly as a result of good LPG volumes, strong discipline in price cost recovery and the initial implementation of our group wide SWIFT program, allowing the business to benefit from proven cost reduction and operational efficiency measures.

Emerging Africa continues to invest in its combined product offering of Industrial Gases, Hard Goods and the reliable supply from its established position in the LPG market.

DIVIDEND

It is the Company's policy to consider dividends bi-annually. The Board of directors has declared a final cash dividend of 54.0 cents per share (2016: 56.0 cents), declared out of the after-tax profits for the year ended 31 December 2017. The total dividend for the year amounts to 100 cents (2016: 94 cents), based on Afrox's policy, of the dividend being covered two times by headline earnings per share.

OUTLOOK

Afrox believes in its products, people and its strong value contribution to its customers. Despite the expected continued low economic growth in 2018 Afrox will continue to seek specific growth opportunities, maintain its control over cost increases and continue its productivity improvement initiatives.

Bernd Eulitz	Schalk Venter	Matthias Vogt	22 February 2018
Chairman	*Managing Director*	*Group Financial Director*	Johannesburg

NOTICE OF FINAL DIVIDEND DECLARATION NUMBER 182 AND SALIENT FEATURES

Notice is hereby given that a gross cash dividend of 54.0 cents per ordinary share, being the final dividend for the year ended 31 December 2017, has been declared payable to all shareholders of Afrox recorded in the register on Friday, 6 April 2018.

The salient dates for the declaration and payment of the final dividend are as follows:

Last day to trade ordinary shares "cum" dividend	Tuesday, 3 April 2018
Ordinary shares trade "ex" the dividend	Wednesday, 4 April 2018
Record date	Friday, 6 April 2018
Payment date	Monday, 9 April 2018

Shares may not be dematerialised or rematerialised between Wednesday, 4 April 2018 and Friday, 6 April 2018, both days inclusive.

The local net dividend amount is 43.2 cents (2016: 44.8 cents) per share for shareholders liable to pay Dividends Tax and 54.0 cents (2016: 56.0 cents) per share for shareholders exempt from Dividends Tax.

In terms of the Dividends Tax, the following additional information is disclosed:

- The dividend has been declared out of income reserves.
- The local Dividends Tax rate is 20%, subject to double tax agreement.
- Afrox currently has 308 567 602 ordinary shares (excluding treasury shares of 34 285 308) in issue.
- Afrox's income tax reference number is 9350042710.

By order of the Board

Cheryl Singh	22 February 2018
Company Secretary	Johannesburg

Forward-looking statements disclaimer: This results review contains statements related to our future business and financial performance and future events or developments involving Afrox that may constitute forward-looking statements. Such statements are based on current expectations and certain assumptions of Afrox's management are therefore subject to certain risks and uncertainties. A variety of factors, many of which are beyond Afrox's control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Afrox to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends. Forward-looking statements are the responsibility of the Board of directors of Afrox.

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

Summarised consolidated income statement

for the year ended 31 December 2017

R'million	31 December 2017 Audited	31 December 2016 Audited
Revenue	5 693	5 537
Operating expenses	(4 510)	(4 300)
Earnings before interest, taxation, depreciation, amortisation and impairments (EBITDA)	1 183	1 237
Depreciation and amortisation	(328)	(379)
Impairment of tangible assets	–	(10)
Earnings before interest and taxation (EBIT)	855	848
Finance expense	(108)	(112)
Finance income	133	126
Income from associate net of tax	–	2
Profit before taxation	880	864
Taxation	(242)	(264)
Profit for the year	638	600
Attributable to:		
Owners of the company	628	597
Non-controlling interests	10	3

Owners of the company	628	597
Non-controlling interests	10	3
Profit for the year	638	600
Earnings per share – cents		
Basic earnings per share – cents	203,6	193,3
Diluted earnings per share – cents	201,8	192,9

Summarised consolidated statement of comprehensive income

for the year ended 31 December 2017

R'million	31 December 2017 Audited	31 December 2016 Audited
Profit for the year	638	600
Other comprehensive income/ (loss)	45	(106)
Items that are or may be reclassified to profit or loss	9	(51)
Translation differences on foreign operations	9	(43)
Translation differences relating to non-controlling interests	(1)	(4)
Cash flow hedges – effective portion of changes in fair value (net of tax)	1	(4)
Items that will not be reclassified to profit or loss	36	(55)
Remeasurement of retirement benefits (net of tax)	36	(55)
Total comprehensive income for the year	683	494
Total comprehensive income attributable to:		
Owners of the Company	674	495
Non-controlling interests	9	(1)
	683	494

Summarised consolidated statement of financial position

at 31 December 2017

R'million	Note	31 December 2017 Audited	31 December 2016 Audited
ASSETS			
Property, plant and equipment	3	2 964	2 952
Retirement benefits assets		484	406
Lease receivables		66	72
Other non-current assets		39	52
Deferred taxation assets		13	15
Non-current assets		3 566	3 497
Inventories		710	611
Trade and other receivables		1 094	1 044
Lease receivables		12	16
Receivables from fellow subsidiaries of holding company		130	66
Taxation receivable		57	38
Cash and cash equivalents		1 387	1 175
Current assets		3 390	2 950
Total assets		6 956	6 447
EQUITY AND LIABILITIES			
Shareholders' equity		4 001	3 657
Non-controlling interests		33	27
Total equity		4 034	3 684
Long-term borrowings		1 000	1 000
Other long-term financial liability		20	26
Deferred taxation liability		591	553
Non-current liabilities		1 611	1 579
Trade, other payables and provisions		1 126	1 065
Taxation payable		26	26
Payables to fellow subsidiaries of holding company		96	60
Derivative financial instruments		20	11
Bank overdrafts		43	22
Current liabilities		1 311	1 184
Total equity and liabilities		6 956	6 447

Summarised consolidated statement of cash flows

for the year ended 31 December 2017

R'million	Note	31 December 2017 Audited	31 December 2016 Audited
Earnings before interest and taxation (EBIT)		855	848
Adjustments for:			
Depreciation, amortisation and impairments		328	389

Adjustments for:		
Depreciation, amortisation and impairments	328	389
Movements in trade receivables and inventory impairment allowances and provisions	(58)	(40)
Other non cash movements	(26)	(27)
Operating cash flows before working capital adjustments	1 099	1 170
Working capital adjustments	(102)	(11)
Cash generated from operations before restructuring costs	997	1 159
Restructuring costs paid	–	(60)
Cash generated from operations	997	1 099
Interest paid	(105)	(104)
Interest received	74	38
Taxation paid	(235)	(177)
Dividends received	1	1
Cash available from operating activities	732	857
Dividends paid to owners of the parent	(315)	(275)
Dividends to non-controlling interests	(3)	(9)
Net cash inflow from operating activities	414	573
Additions to property, plant and equipment	(350)	(379)
Intangible assets acquired	–	(10)
Proceeds from disposal of property, plant and equipment	106	84
Other investing activities	28	33
Net cash outflow from investing activities	(216)	(272)
Long term borrowings raised	600	–
Long term borrowings repaid	(600)	–
Incentive share scheme shares purchased on behalf of employees	(7)	–
Net cash outflow from financing activities	(7)	–
Net increase in cash and cash equivalents	191	301
Cash and cash equivalents at the beginning of the year	1 153	852
Cash and cash equivalents at the end of the year	1 344	1 153

Summarised consolidated statement of changes in equity

for the year ended 31 December 2017

	Attributable to owners of the Company						
R'million	Share capital	Incentive scheme shares and share based payment reserves	FCTR* and hedging reserves	Remeasurement of retirement benefits	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2016	552	–	(50)	317	2 612	37	3 468
Total comprehensive income	–	–	(47)	(55)	597	(1)	494
Profit for the year	–	–	–	–	597	3	600
Other comprehensive income, net of taxation	–	–	(47)	(55)	–	(4)	(106)
Share based payments, net of tax	–	6	–	–	–	–	6
Forfeited shares	–	(11)	–	–	11	–	–
Dividends	–	–	–	–	(275)	(9)	(284)
Transfer to retained earnings	–	5	–	(262)	257	–	–
Balance at 31 December 2016	552	–	(97)	–	3 202	27	3 684
Total comprehensive income	–	–	10	–	664	9	683
Profit for the year	–	–	–	–	628	10	638
Other comprehensive income, net of tax	–	–	10	–	36	(1)	45
Transactions with owners							
Shares purchased on behalf of employees	–	–	–	–	(7)	–	(7)
Share based payments, net of tax	–	–	–	–	(8)	–	(8)
Transfer to retained earnings		–	–	–	–	–	–
Dividends	–	–	–	–	(315)	(3)	(318)
Balance at 31 December 2017	552	–	(87)	–	3 536	33	4 034

* *Foreign currency translation reserve.*

Segmental report

for the year ended 31 December 2017

Business segments are identified on the basis of internal reports that are regularly reviewed by the Group's and Company's chief operating decision making body, the Executive Directors, in order to allocate resources to the segment and assess its performance. The performance of the segments is managed and evaluated using revenue and gross profit after distribution expenses only. Assets and liabilities are centrally managed at a corporate level and therefore not used in the decision to allocate resources to operating segments. Segments have been determined based on business segments: Atmospheric Gases, LPG, Hard Goods and Emerging Africa.

R'million	31 December 2017 Audited	31 December 2016 Audited
Revenue*	5 693	5 537
Atmospheric gases	2 283	2 319
LPG	1 994	1 797
Hard goods	660	666
Emerging Africa	756	755
Gross profit after distribution expenses (GPADE)	1 770	1 775

Gross profit after distribution expenses (GPADE)	1 770	1 775
Atmospheric gases	777	868
LPG	425	369
Hard goods	242	232
Emerging Africa	326	306
Reconciliation of GPADE to EBIT		
GPADE for business segments	1 770	1 775
Other operating expenses	(915)	(917)
Impairments	–	(10)
Earnings before interest and taxation (EBIT)	855	848
Geographical representation		
Revenue	5 693	5 537
South Africa	4 937	4 782
Emerging Africa^	756	755
Non-current assets	3 566	3 497
South Africa	3 311	3 242
Emerging Africa^	255	255

* *Revenue from external customers.*

^ *The revenue and non-current assets foreign country geographical split has been aggregated as Emerging Africa. The individual amounts are considered to be immaterial.*

Statistics and ratios

for the year ended 31 December 2017

	31 December 2017 Audited	31 December 2016 Audited
Average number of shares in issue during the period ('000)	308 568	308 568
Shares in issue ('000)	308 568	308 568
Dividends per share (cents)	100,0	94,0
Final	54,0	56,0
Interim	46,0	38,0
Ratios		
EBITDA margin (%)	20,8	22,3
Return on capital employed	23,7	24,6
Effective taxation rate (%)	27,5	30,5
Gearing (%)	(10)	(4,4)
Dividend cover on headline earnings (times)	2,0	2,0

Notes to the summarised consolidated financial statements

for the year ended 31 December 2017

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 and a trading trust.

1 BASIS OF PREPARATION

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for summary reports, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The listing requirements require a summary to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

The accounting policies applied in the presentation of the summarised consolidated financial statements are consistent with those applied for the year ended 31 December 2016. The summarised consolidated financial statements are presented in Rands which is the functional and presentation currency.

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;
– Retirement benefit assets and liabilities are measured at the fair value of the planned assets less the present value of the defined benefit obligation; and
– Share based payment awards are measured at fair value. The fair value of the equity instruments granted is estimated using industry accepted techniques.

The directors take full responsibility for the preparation of these summarised consolidated financial statements and that the financial information has been correctly extracted from the full audited consolidated financial statements.

This report was compiled under the supervision of Matthias Vogt, Group Financial Director.

2 NEW STANDARDS AND AMENDMENTS

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 2017:

– Disclosure Initiative (Amendments to IAS 7); and
– Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12).

The adoption of the amendments to standards listed above did not have a significant impact on the consolidated financial statements.

3 PROPERTY, PLANT AND EQUIPMENT

R'million	31 December 2017 Audited	31 December 2016 Audited
Opening carrying value	2 952	2 988
Additions, net of transfers from assets under construction	350	379
Transfer to assets held-for-sale	–	(7)
Impairments	–	(10)

Transfer to assets held-for-sale	–	(7)
Impairments	–	(10)
Disposals	(8)	(15)
Depreciation	(316)	(367)
Translation differences	(14)	(16)
Closing carrying value	2 964	2 952

4 FAIR VALUE CLASSIFICATION AND MEASUREMENT

Accounting classification and fair value

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

R'million	Fair Value
31 December 2017	
Financial liability measured at fair value	
Derivative financial instruments	20
31 December 2016	
Financial liability measured at fair value	
Derivative financial instruments	11

The derivatives are a level 2 measurement and the fair value of the derivative financial instruments is based on broker quotes. Similar contracts are traded in an active market and the quote reflect the actual transactions in similar instruments. The carrying value of all other financial instruments closely approximates their fair value due to their short term nature.

5 BASIC, DILUTED AND HEADLINE EARNINGS PER SHARE

Headline earnings and dilutive earnings per share are calculated on headline earnings of R620 million (2016: R585 million). A weighted average number of ordinary shares of 308 567 602 (2016: 308 567 602) in issue during the year was used to calculate headline earnings per share and 311 275 880 (2016: 311 120 193) for dilutive earnings per share as 2 708 278 (2016: 2 552 591) shares had a dilutive impact.

R'million	31 December 2017 Audited	31 December 2016 Audited
Profit for the period	628	597
Adjusted for the effects of:		
Profit on disposal of property, plant and equipment	(11)	(26)
Impairment of property, plant and equipment	–	10
	617	581
Taxation	3	4
Headline earnings	620	585
Basic earnings per share – cents	203,6	193,3
Diluted earnings per share – cents	201,8	192,9
Headline earnings per share – cents	201,0	189,4
Diluted headline earning per share – cents	199,2	189,0

6 RELATED PARTY TRANSACTIONS

During the year, Afrox, in the ordinary course of business, entered into various sale, purchase and service transactions with associate, receivables from fellow subsidiaries of holding company, receivables from group companies, payables to fellow subsidiaries of holding company and payables to group companies. These transactions were subject to terms that are no less favourable than those offered by third parties.

7 UPDATE ON KEY LITIGATION MATTERS

Afrox is presently a respondent in an investigation by the Competition Commission of South Africa with respect to the LPG sector. Afrox is cooperating fully with the Commission's investigation. As at the date of this report, there is no other outstanding litigation of a material nature against the Group.

8 SUBSEQUENT EVENTS

The directors are not aware of any material matter or circumstance arising between 31 December 2017 and the date of this report on which comment is required.

9 SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

This summarised consolidated financial statements are extracted from audited consolidated financial statements, but is not itself audited. The consolidated financial statements were audited by KPMG Inc., who expressed an unmodified opinion thereon. The audited consolidated annual financial statements and the auditor's report thereon are available for inspection at the company's registered office. The directors take full responsibility for the preparation of these summarised consolidated financial statements and that the financial information has been correctly extracted from the underlying annual financial statements.

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

Transfer secretaries: Computershare Investor Services (Pty) Limited

Sponsor in South Africa: One Capital

Sponsor in Namibia: Namibia Equity Brokers (Pty) Limited

Directors: S Venter (Managing Director), M Vogt* (Group Financial Director), B Eulitz* (Chairman), M von Plotho*, Dr KDK Mokhele, CF Wells**, NVL Qangule, GJ Strauss, VN Fakude
** German ** British*

Company Secretary: C Singh

Auditors: KPMG Inc.

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